International Business News

Toyota Tsusho to build rare earth plant in India

REUTERS, *Tokyo*

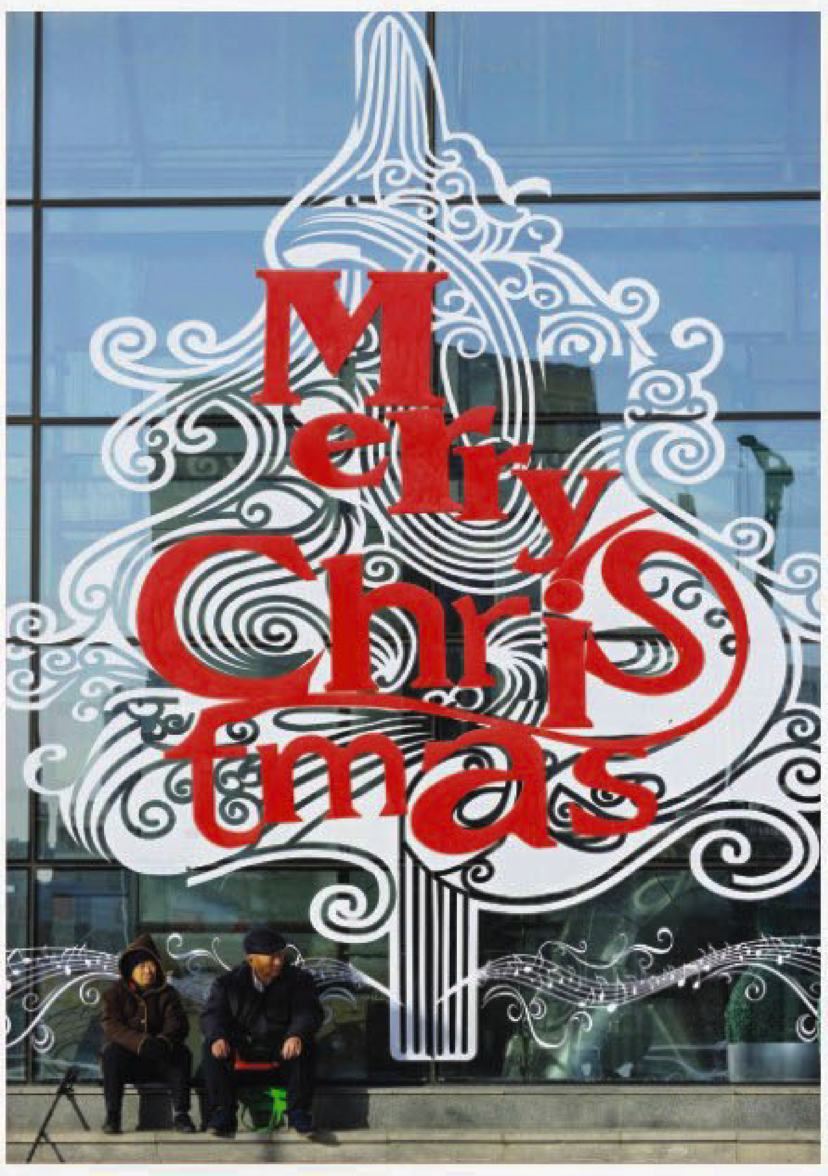
Toyota Tsusho Corp, a Toyota Motor Corp group company, said on Wednesday it will build a rare earth processing plant in India and start shipping 3,000 to 4,000 tonnes a year of the minerals to Japan in 2012.

Japan's trading houses are scrambling to secure new sources of rare earths -- vital for making auto parts and high-tech products -- after shipments from dominant producer China stalled after it cut export quotas.

The plant, to be built in Orissa by the end of 2011, will manufacture rare earths from by-products of the process of extracting uranium and thorium fuel from monazite minerals at Indian Rare Earth Ltd. The firm is a unit of the Nuclear Power Corp of India.

Japan's Shin-Etsu Chemical Co will provide technical support.

Toyota Tsusho plans imports including cerium, neodymium and lanthanum, a company spokesman said.



AFP

An elderly couple sits in front of a Christmas decoration at a shopping mall in Beijing yesterday. A Chinese government think-tank has warned inflationary pressures are building in the economy and consumer prices will remain "relatively high" in 2011, amid growing expectations of a rate hike.

India economy may grow 9pc

REUTERS, *New Delhi*

India's economy could grow by nine percent this fiscal year, the highest in three years, and its fiscal deficit will not exceed the budgeted target of 5.5 percent of GDP, according to a review of the economy by the finance ministry.

The data highlights how the Indian economy is recovering fast from the global downturn, as well as the difficulties in controlling high inflation that has seen the Reserve Bank of India (RBI) raise key policy rates six times this year.

Annual headline inflation in India was 8.58 percent in October, well above the Indian central bank's end March target of 5.5 percent.

The Indian economy grew 7.4 percent last fiscal year, which ended in March.

The report was presented by Finance Minister Pranab Mukherjee in parliament on Tuesday.

Japan's current account surplus widens 2.9pc

AFP, *Tokyo*

Japan's current account surplus widened 2.9 percent in October from a year earlier, data showed Wednesday.

The surplus in the current account -- the broadest measure of trade with the rest of the world -- rose to 1.44 trillion yen (17.20 billion dollars), an increase for the second consecutive month, the finance ministry said.

The surplus in October was slightly lower than market expectations.

Japanese exports expanded 8.8 percent to 5.41 trillion yen in the month while imports also rose 11.5 percent to 4.50 trillion yen.

The reading came after Japan saw the biggest six-monthly export increase between April and September, since the ministry started collating comparable data in 1986, despite fears over the strength of an export-led recovery.

GM signs growth plan for South Korea auto unit

AFP, *Seoul*

US automaker General Motors Wednesday signed an agreement with Korea Development Bank (KDB) for the long-term development of its South Korean operation GM Daewoo Auto and Technology, KDB said.

State-run KDB said the agreement will require the US firm to guarantee redemption of GM Daewoo's preferred shares held by local creditors.

The Detroit-based auto giant will also share licences with its South Korean unit for vehicles they jointly develop, the bank said in a statement.

KDB has a 17 percent stake in GM Daewoo, South Korea's fourth-largest automaker, following GM's 70.1 percent stake.

Under the agreement, KDB will also have a greater say in GM Daewoo's management with the appointment of three outside directors to the Incheon-based automaker's board.

COLUMN

The bilateral trade illusion

ASJADUL KIBRIA

Over the last seven years, Bangladesh has tried to engage in bilateral free trade deals with several countries. A series of initiatives were undertaken, but very little progress was made. Yet the recent disclosures of the commerce minister regarding bilateral Free Trade agreements (FTAs) with India and Malaysia again brought the issue to the fore.

The minister said that a deal with India and Malaysia is now at the final stage; however, he didn't elaborate.

The bilateral trade deficit with India recently crossed the $3-billion level, while the trade gap with Malaysia is above $1 billion. In the last fiscal year, Bangladesh's imports from India and Malaysia stood at $3.07 billion and $1.22 billion, respectively.

In contrast, exports to both the countries stood at just $32.1 million and $6.8 million respectively. So it appears that FTAs could be instrumental in reducing such yawning trade gaps.

Now, it is unclear how such important trade deals reached the final stage, apparently escaping several procedural stages. Is it because the government is working very secretly and preparing drafts for agreements?

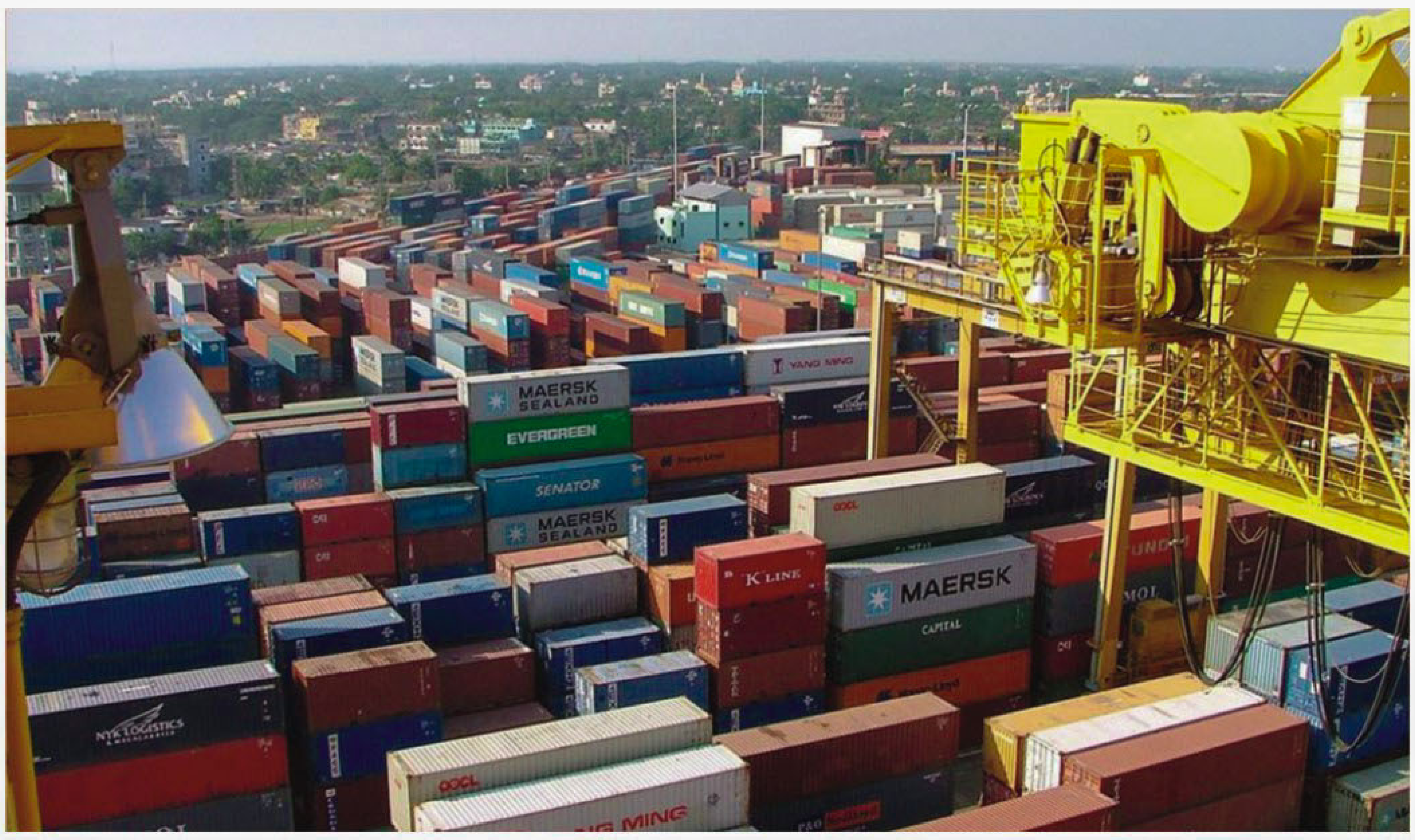
In reality, it is not possible to prepare to sign an FTA with a trading partner secretly and bureaucratically. Without the active involvement of the country's businesspeople, nothing can be done.

The very first stage of a bilateral FTA is to make a decision to strike the deal with a trading partner. The incumbent government has, in principle, agreed to sign such a deal with a few countries. The country's business community is also ready to accept such a deal.

Back in 2003, Bangladesh first officially decided to sign an FTA with three South Asian countries -- India, Pakistan and Sri Lanka. A proposal was floated at that time to sign an experimental FTA with Nepal and Bhutan. The idea was, however, dropped.

The move to sign FTA with the three South Asian countries also slowed, as the South Asian Free Trade Agreement started to gain momentum. The government preferred this Regional Trade Agreement (RTA). It also preferred regional groupings under the Bengal Initiative for Multisectoral Technical and Economic Cooperation and the Asia-Pacific Trade Agreement, the renamed Bangkok Agreement.

The pace of the South Asian FTA also slowed due to regional political turmoil as well as mistrust between India and Pakistan. Moreover, Bangladesh failed to secure any better deal on market access in India under all three RTAs to which India is a signatory.



STAR

Shipments pile up at Chittagong Port. The reason for signing a free trade agreement with any country is to get a wider market access for Bangladeshi products.

The scenario has, however, changed significantly in the last three years. During the army-backed caretaker regime, the bilateral FTA again started to gain prominence. Based on several studies, a decision was taken to start negotiations with three South Asian trading partners. The negotiations, however, did not move swiftly; policymakers eventually forwarded the decision to the elected government.

Assuming power, the Awami League government decided to strike FTAs with several regional trade partners, and even discussed the possibility of an FTA with China. But an FTA can't be one-sided deal. The partner country also needs to respond positively -- only then Bangladesh can start negotiations. And before negotiating, comprehensive research must determine what the country is expecting from the FTA and how to realise the gain.

The basic reason for signing an FTA with India or any other country is to get wider market access for Bangladeshi products. Another possible benefit is to attract investment from those countries to manufacture products here, and to export these to Europe and other developed markets where Bangladesh enjoys duty-free access.

Let us check the validity of the arguments in the present context. In fact, India proposed an FTA in 2002, when Bangladesh was seeking tariff-free access for selected products. Over the years, Bangladesh mostly concentrated on goods, while India shifted towards the service sector.

India has provided duty-free access for many products under SAFTA. LDCs enjoy 480 tariff-free items on the Indian list. India also allows market access to the least developed countries under its duty-free tariff preference scheme.

Bangladesh is suffering from various non-tariff barriers in the Indian market. Removing these barriers is more important than reducing the tariff barriers.

It is very unlikely that Indian companies will be interested in investing here. India signed a FTA with the Association of South-east Asian Nations this year. Duty on some 4,000 items will be eliminated gradually by 2016, as this large market opens to it. India is also negotiating with the European Union to sign an FTA as early as next year.

Again, Malaysia put the proposal for an FTA with Bangladesh. Now, Bangladesh has to decide how to negotiate and for what.

The new scenario shows that greater market access for our goods through FTAs remains elusive. Bangladesh needs to refocus on the role of FTAs. We should consider them a larger framework for negotiating non-tariff barriers with India, or for negotiating restrictions on manpower imports by Malaysia.

In this regard, a well-planned FTA policy would be very helpful. One can expect the government to seriously engage in formulating an FTA policy; if done in a comprehensive manner, it could rid us of the illusions.

Asjadul Kibria is a journalist and can be reached at asjadulk@gmail.com.

TECHNOLOGY

China firms jostle for post-TV generation

AFP, *Shanghai*

A crying shop girl runs in front of a red convertible, staring down the driver as he screeches to a halt. "That Love Comes" has all the elements of Chinese television drama, only it is not on TV.

The show is the first made-for-Internet original production by Shanghai-based Tudou, a web site often described as China's YouTube. It now hopes to draw comparisons to HBO as well.

Tudou -- whose name is the Chinese word for potato, a play on "couch potato" -- filed on November 9 to raise up to 120 million dollars in a NASDAQ initial public offering.

The spotlight on the Internet video sector in China, home to the world's largest online population of 420 million people, intensified a week later when Tudou's domestic rival Youku unveiled its own 150 million-dollar IPO plan.

The pair's race to go public has grabbed investors' attention in a hot overseas market for China IPOs where everyone is looking for the next new media champion.

"It's a high risk if one goes public and the other doesn't, because the one who goes public will have access to huge financial resources," said Fritz Demopoulos, chief executive of travel site Qunar, who has spent more than a decade working in China's media and Internet industries.

Tudou and Youku executives declined comment while the US Securities and Exchange Commission reviews their filings.

Neither company dominates the Chinese market like YouTube in the US -- which censors have blocked in China.

But they are the leaders. Youku -- whose name means excellent and cool -- had an audience of 252 million in the third quarter, ahead of Tudou's 225 million viewers, according to Beijing-based research firm Analysys International.

A total of 319 million people watched online videos in China over that three-month period, with the same viewers visiting multiple sites, Analysys said.

Through a mix of custom-made and licensed programming and streaming events like concerts, stand-up comedy and World Cup matches, the companies cater to a young, post-TV generation, said Thomas Crampton, Ogilvy Public Relations Worldwide's Asia-Pacific head of digital strategy.

AFP

People gather at a Beijing department store watching a broadcast by Central China Television (CCTV). While CCTV's upfront advertising auction this month generated nearly $1.9 billion, online video advertising market's value rose 148 percent on year in the third quarter to 621 million yuan ($93.5 million), marking a clear shift from traditional state television viewing to the internet.

Unlike online video in the US, 70 percent of the content in China is professionally produced movies, music and television series.

Crampton said the shift away from the conservative content on Central China Television (CCTV) and other state-run broadcasters is apparent when he visits Chinese university classes and asks about viewing habits.

"I'll ask everybody 'If you've watched CCTV in the last seven days, please raise your hand.' Nobody raises their hand," Crampton said.

"'If you watched Tudou or Youku in the last 24 hours, please raise your hand'. Every hand goes up."

Advertisers are making the shift too. The online video advertising market's value rose 148 percent on year in the third quarter to 621 million yuan (93.5 million dollars), with Youku taking a 23 percent share and Tudou 19 percent, according to Analysys.

But that spending is still dwarfed by CCTV, whose 2011 upfront advertising auction this month generated nearly 1.9 billion dollars.

As advertisers allocate more money to online video, Tudou and Youku can expect fierce competition from online giants like Baidu, Tencent and Sina as well as state-run Goliaths like CCTV, said Bill Bishop, a Beijing-based Internet consultant and investor.

"These guys (Tudou and Youku) deserve a lot of credit for surviving in a competitive market, but people were fighting over not much money," Bishop said.

"Now that the dollars are flowing they're going to find out what real competition is like."

But Bishop said a more immediate concern for the companies, and prospective investors, is profitability.

After reining in broadband costs -- its biggest expense -- Tudou has said it could make its first ever profit this quarter after receiving 135 million dollars in financing since it was founded in 2005.

Youku, which raised 160 million dollars privately and has 10 million dollars in debt, has reportedly said it expects to turn a profit in 2013.

But using a video game analogy, Tudou founder and chief executive Gary Wang said these challenges are all part of the business.

"For me, doing things is like playing games," Wang told the China Daily earlier this year. "You pass a level and you will become stronger. But you also have to face stronger enemies."