

# Indian govt conditionally okays \$12b POSCO steel

REUTERS, New Delhi

India's environment ministry gave a conditional green light on Monday for South Korean POSCO's \$12 billion steel mill, a government statement said, in a boost for the foreign investment climate after a series of setbacks for big ticket industrial projects.

The approval for India's biggest foreign direct investment after long delays follows a year in which the outspoken Environment Minister Jairam Ramesh has blocked several projects, raising criticism he was jeopardising India's growth story.

The mill in Orissa has been delayed by criticism it would ruin lives of thousands of poverty-stricken people, who say the plant will disrupt their betel leaf plantations and forest-based livelihoods.

India, one of the world's fastest growing major economies, needs foreign capital to boost infrastructure and allow its economy to grow at near double digits. But projects have met with protests from local farmers in this densely-populated country.

A government panel had earlier said there were no ecological concerns over the plant and the final decision was with Ramesh.

Posco is among several corporations, including Vedanta Resources, which have come under scrutiny from Ramesh, putting his ministry in conflict with others in the government who are pushing



REUTERS

**Hot strip of steel is seen at the Pohang Iron and Steel Company (POSCO) steelworks in Gwangyang, about 390km south of Seoul. South Korea's POSCO said it will nearly double domestic investment to a record \$4.3 billion next year.**

ing for rapid industrialisation.

A series of corruption scandals has shaken the government of Prime Minister Manmohan Singh and a recent minor cabinet reshuffle saw several ministers' portfolios change, but Ramesh stayed on as environment minister, indicating his influence.

The ruling Congress party head, Sonia Gandhi, is keen to win over farmers hit by big projects as well as ensuring industrial jobs are created -- a fine line that may have helped create

regulatory uncertainty before state elections this year and a general election in 2014.

While investors tend to shrug off corruption scandals as a risk of emerging markets, regulatory uncertainty threatens to taint India's attractiveness as a destination for foreign firms eager for a slice of its booming \$1.3 trillion economy.

In October, Ramesh threw out plans by London-listed Vedanta to expand its alumina refinery over worries it would destroy a "sacred" hill for tribal

peoples, but this month Ramesh said he was willing to conditionally reconsider Vedanta's expansion plan.

That remark came soon after the ministry said it could consider approving Hindustan Construction Co's ambitious Lavasa project, a massive new town in a forested area near the city of Pune being built at a cost of \$31 billion.

A back-and-forth on whether to ban iron ore exports in the Karnataka state has also worried investors. ArcelorMittal, the

world's top steel maker, has also had faced years of delays in building several plants in India.

Approval for the Posco mill would see the Orissa government immediately starting to acquire land for the world's third-largest steelmaker's project.

Posco still faces a series of hurdles that could delay the project, such as a court case filed by a local firm against the Orissa government, contesting its decision to grant a mining concession to South Koreans.

India, which has not yet been able to exploit its potential as a natural resources-rich country, is keen on boosting its trade and political ties with South Korea while Seoul looks to tap into the \$150 billion Indian nuclear power market.

Direct investors -- companies building factories or power plants or buying local firms -- often have less flexibility and more to lose than fund investors and are especially sensitive to regulatory uncertainty.

Leading global companies such as Wal-Mart Stores, Vodafone and Posco have been frustrated for years in their efforts to negotiate regulations in a promising but perilous market, and foreign direct investment has suffered.

Vodafone, India's biggest foreign direct investor to date, is fighting a 120 billion rupee (\$2.6 billion) tax bill in a court battle and has complained about a telecoms regulatory structure that it said allowed too many players into the market.

## Japan output accelerates on global recovery

AFP, Tokyo

Japan's industrial production posted its strongest rise in 11 months in December on the back of improving global demand for the nation's goods, data showed Monday, in more evidence of recovery from a recent lull.

Japan's industrial output jumped 3.1 percent in December from the previous month, marking a second straight monthly rise and beating forecasts of a 2.9 percent rise.

The Ministry of Economy, Trade and Industry upgraded its view of production, saying it was "showing signs of an upward movement" compared with the previous month's report that said output remained weak.

Automobile and electronic component production spurred the December rise, the ministry said, as strong demand from key markets China and the United States helped mitigate the impact of a strong yen on exporters.

The data will boost a government under fire following Japan's credit rating downgrade last week, which came over fears Prime Minister Naoto Kan's administration is not doing enough to ease the industrialised world's biggest debt burden.

It also follows recent positive data showing a fall in unemployment, expanding exports and strong corporate earnings and after the Bank of Japan upgraded its growth forecast to 3.3 percent from 2.1 percent this year.

"On the back of the steady recovery of the global economy, with the United States at its core, the Japanese manufacturing sector is increasing production," said Naoki Murakami, chief economist at Monex Securities.

"Production is showing rapid recovery after hitting rock-bottom in October," he added, in reference to a 2.0 percent slide in output in October after government buying incentives for new cars expired.

For 2010, output rose 15.9 percent on year, compared to a 21.9 percent fall seen in 2009 amid the world economic crisis, the ministry said.

Hiromichi Shirakawa, chief economist at Credit Suisse, said Japanese production had moved out of a lull and into a recovery phase more quickly than expected.

## Helping world's poor is a good investment: Gates

AP, Seattle

Bill Gates says he feels a responsibility to speak up for the world's poorest because they're likely to be hit hard as economic woes force governments to reduce contributions to foreign aid.

In his third annual letter, issued Monday, the co-chairman of the world's largest charitable foundation expressed concern about budget cuts to the programs that transfer dollars from rich nations to poor ones, providing medical assistance, food aid, vaccines and other help.

The Microsoft co-founder and chairman says in the 24-page letter that not only is helping the poor with their medical needs and giving them the tools to be self-sufficient the right thing to do, it's also a good investment.

"Securing the conditions that will lead to a healthy, prosperous future for everyone is a goal I believe we all share," wrote the co-chair of the Seattle-based Bill & Melinda Gates Foundation.

In the letter, Gates outlines the ways helping people saves money over the long term: From cutting the cost to treat the sick by preventing their illnesses to increasing a child's earning potential and future contribution to society through education. He said British Prime Minister David Cameron gives him hope that not all countries have forgotten about the needs of the poor, noting that the United Kingdom has kept its promise to grow foreign aid spending despite the need to cut other programs.

"It is inspiring to see a leader stand up for what he believes is right, even when it isn't easy," Gates wrote.

A large chunk of his letter this year focuses on one disease - polio - an illness many people thought had been eradicated. The



**Bill Gates, founder of Microsoft, and co-founder of the Bill and Melinda Gates Foundation, addresses the World Economic Forum annual meeting in Davos on Friday.**

disease did disappear from most developed nations decades ago, but it still exists in more than a dozen countries. Late last week, the foundation announced a new financial commitment of \$102 million toward the goal of worldwide eradication.

The foundation, which has an endowment of \$36.4 billion, made grants totaling \$3 billion in 2009. By far the biggest portion went to global health, where grants totaling more than \$1.8 billion were made in 2009. Since 1994, the foundation has made grants totaling \$23.9 billion. The totals for 2010 have not yet been posted on the foundation's website.

Gates said it will take aggressive campaigns to give polio vaccines to all children under 5 in poor countries, at a cost of nearly \$1 billion a year to give the world a chance at eliminating polio. He admitted to being overly optimistic about polio eradication in 2003, saying the world was only a few years away from ending polio. The disease started to spread again

during that time.

"The experience of 2003 serves as a reminder to be humble as we move forward. But humility does not mean fatalism," he wrote.

The rest of his letter, which reads more like a cross between an annual report and an extended blog entry, shares short stories on the current direction of the Bill and Melinda Gates Foundation.

Gates says vaccines are the most cost-effective health tool ever invented. He reminds his readers that 1.4 million children will die this year from diseases for which there are already vaccines - like measles, pneumonia and tetanus.

Melinda Gates has made maternal and child health issues her special focus. Gates writes that progress has been made in this area as well, but more than 8 million children under 5 still die every year.

He said he is getting frustrated with the slow progress in the fight against AIDS.

"I am willing to be viewed as a troublemaker by people who are happy with the status quo," he wrote.

## Toshiba returns to black

AP, Tokyo

Japan's Toshiba said Monday it swung back to a net profit for the December quarter from a year ago on strong demand for its memory chips used in smartphones and tablet computers.

The electronics giant, whose business spans consumer electronics and nuclear power plants, revised upward its full-year earnings forecast on the back of its strong third-quarter results.

Toshiba reported a net profit of 12.4 billion yen (\$151 million) in the period, reversing a net loss of 10.6 billion yen a year earlier.

The profit gain was largely due to "a significantly improved performance in electronic devices, driven mainly by the return to profit of the LCD business and demand expansion in NAND flash memories," it said in a statement.

Toshiba is the world's second largest maker of flash memory chips used to store data in hot-selling smartphones, tablet devices and various other consumer electronics, after Samsung Electronics of South Korea.

Operating profit saw 2.5-fold increase to 37.5 billion yen from 14.5 billion yen a year earlier. Sales edged up 1.6 percent to 1.6 trillion yen.

Toshiba upgraded its net profit forecast for the year to March to 100 billion yen from its earlier estimate of 70 billion yen, while downgrading its sales forecast to 6.6 trillion yen from 7.0 trillion yen projected earlier.

## Despite China's might, US factories maintain edge

AP, Washington

US factories are closing. American manufacturing jobs are reappearing overseas. China's industrial might is growing each year.

And it might seem as if the United States doesn't make world-class goods as well as some other nations.

"There's no reason Europe or China should have the fastest trains, or the new factories that manufacture clean energy products," President Barack Obama said in his State of the Union address last week.

Yet America remains by far the No. 1 manufacturing country. It out-produces No. 2 China by more than 40 percent. US manufacturers cranked out nearly \$1.7 trillion in goods in 2009, according to the United Nations.

The story of American factories essentially boils down to this: They've managed to make more goods with fewer workers.

The United States has lost nearly 8 million factory jobs since manufacturing employment peaked at 19.6 million in mid-1979. US manufacturers have

ranked near the top of world rankings in productivity gains over the past three decades.

That higher productivity has meant a leaner manufacturing force that's capitalized on efficiency.

"You can add more capability, but it doesn't mean you necessarily have to hire hundreds of people," says James Vitak, a spokesman for specialty chemical maker Ashland Inc.

The industry's fortunes are brightening enough that US factories are finally adding jobs after years of shrinking their payrolls. Not a lot. But even a slight increase shows manufacturers are growing more confident. They added 136,000 workers last year - the first net increase since 1997.

What's changed is that US manufacturers have abandoned products with thin profit margins, like consumer electronics, toys and shoes. They've ceded that sector to China, Indonesia and other emerging nations with low labor costs.

Instead, American factories have seized upon complex and expensive goods requiring specialized labor: industrial lathes, computer chips, fighter jets, health care products.



**China's most famous philanthropist Chen Guangbiao (2nd R) holds up a large cheque as he donates four million Taiwan dollars (\$137,000) to charity groups during a visit to the Taiwan city of Hsinchu on January 27. Chen, well-known in China for his flamboyant style of charity, started handing out cash on the first day of a controversial trip to Taiwan that has sparked criticism and protests from anti-China groups.**