

Asean markets beckon Bangladesh

Citibank official recommends Southeast Asia as a potential market for local exporters

MD FAZLUR RAHMAN

BANGLADESH should acknowledge Southeast Asia as a potential market to exploit the tremendous growth the region is going through at present, a top foreign banker said.

"You have got good products to sell," said Michael Zink, Citibank's country head for Singapore.

He said everybody talks about the BRICs -- Brazil, Russia, India, China and South Africa -- but the Asean countries are not too far behind.

"Bangladesh is a neighbour to India. China is right next door. Your other neighbours are the Asean market, which have a two trillion US dollar GDP [Gross Domestic Product] and a population of 600 million."

Asean, short for Association of Southeast Asian Nations, is a geo-political and economic organisation of 10 countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

"The region is integrating in a very meaningful way. It is a huge opportunity for Bangladesh, a fantastic market right next to your door."

Bangladesh, however, needs to recognise the Asean as a market first to be able to tap the potential of the region.

"You need to look at it as a whole and not as separate entities. That is the first step."

Japan, Korea, Australia, China, India and New Zealand have all signed free trade agreements with Asean as a bloc.

The growing number of educated people, its hard-working labour force and the proximity to the Asean market which is growing at 6 percent per annum, according to Zink, could be the drivers of Bangladesh's economy.

He said the volume of trade between the Asian countries is one of the fastest growing in the world, and Bangladesh is at the crossroads of three huge markets -- China, India and Southeast Asia.

"It is not about Bangladesh competing with its neighbours, as the whole region is rising. It is capturing some of the growth that Bangladesh is well-positioned to do."

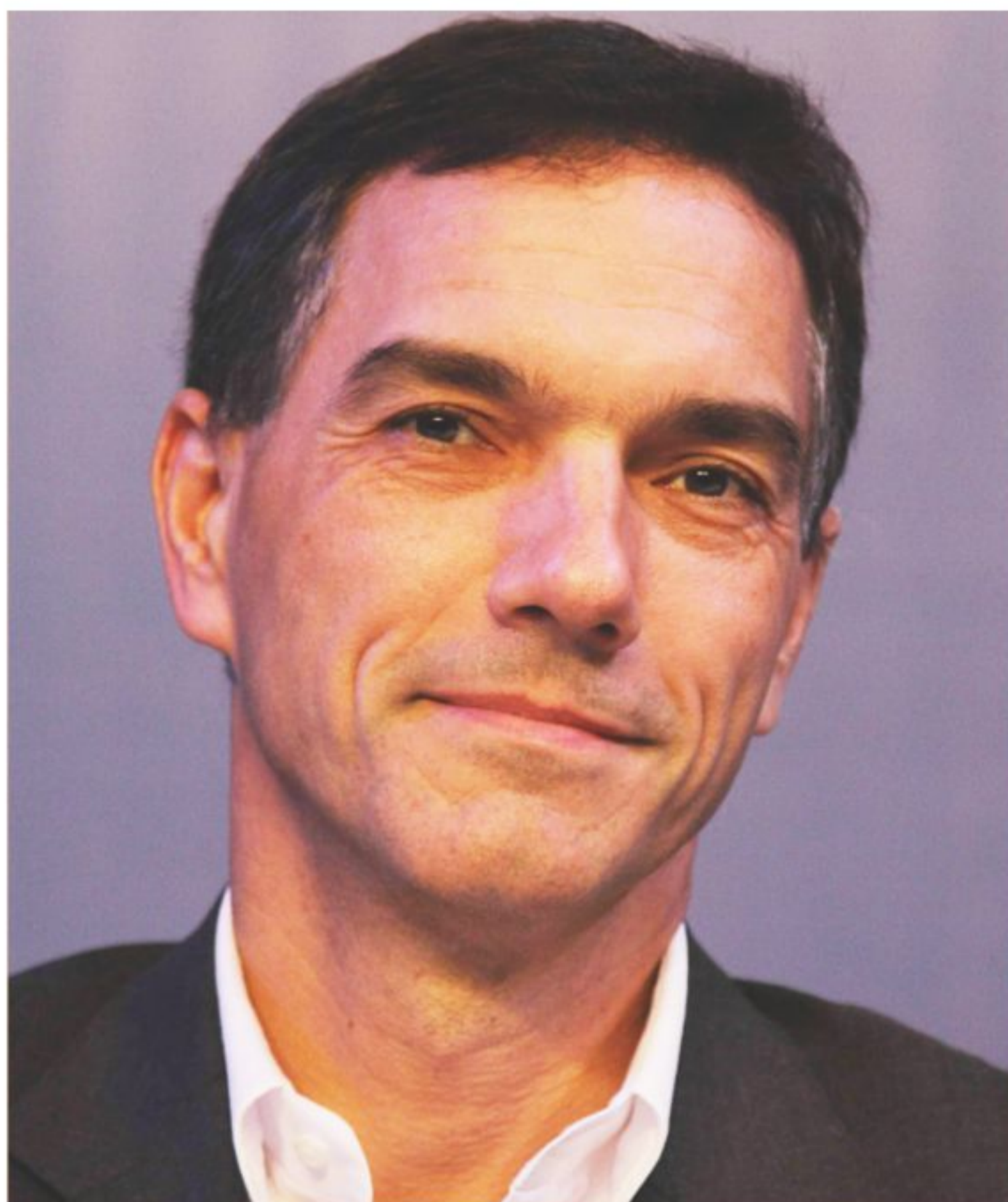
He, however, added that it is not sufficient to be a solely export-driven economy; Bangladesh's economy needs to be domestic-demand-driven as well.

Zink was in Dhaka this week to attend the Citi Microentrepreneurship Awards programme and launch two community projects aimed at helping the underprivileged children.

The 53-year-old said Bangladesh needs to publicise the progress it has made as a country to woo in foreign direct investment (FDI), as investors' image of the country could be outdated.

"Bangladesh will have to tell the global investors why they should invest in the country and not somewhere else. The country will have to make the case that it is a good location for doing business."

"The story has to be told, in a compelling manner. Investors will not necessarily look around," Zink said, while adding



Michael Zink

that Citi can relay Bangladesh's successes and potential to the world.

"They [investors] are all our clients. That is what we have been doing in the last 200 years -- connecting people and investors with the opportunities. I think that is a contribution Citi can make to Bangladesh."

Zink, who has been with Citi for 24 years now, said the financial sector of Bangladesh is a good story to tell the world.

"The currency is strengthening and stabilising, which is

important. Exports and reserves are up. GDP growth is 6 percent, one of the best in the world. Inflation is coming down. All these things help predictability."

Bangladesh, however, has to give some assurances of its environment in the next five years to attract FDI, as investment takes place on a medium- to long-term basis.

Zink, who holds an MBA from the Kellogg School of Management of Northwestern University, said Citi can share its ideas and experience with Bangladesh

banks as they gear up to adopt the BASEL-III.

"BASEL-III will make it difficult for banks to give long-term assets, long-term dividends and long-term project finances and loans. It will become more expensive under the BASEL-III, so it is important to strengthen the capital base."

One of Bangladesh's biggest needs currently is infrastructure investment.

"For all the infrastructure needs of a fast growing economy they have to reach out to the international capital markets. They will have to find investors who will bring money in, help build the infrastructure. That is something Citi has done very well."

"Bangladesh has good entrepreneurs, but the country lacks when it comes to mid-level management."

Citi, which stepped into its 200 years of operations this year, navigated through a myriad of crisis during that time, but the last few years' have been some of the toughest.

"But both during the Asian financial crisis of 1997-98 and the recent financial crisis we have not only survived, we have helped countries and companies get through it."

He said there is no need for Citi to realign itself following the shift of global epicentre to Asia -- as it already has a considerable presence in the region.

"We have been here [in Asia] for 110 years now. It is a matter of anticipating the growth and having our bank in each of its markets appropriately."

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China, India consumer spending to triple by 2020: study

REUTERS, London

CONSUMER spending in emerging market powerhouses China and India is expected to triple by 2020 to a combined \$10 trillion a year, potentially helping to boost economic growth and corporate profits in the developed world, researchers said on Tuesday.

The study by Boston Consulting Group (BCG) is based on a survey of 24,000 consumers as well as interviews with business leaders. The business strategy consultancy predicts consumers in China and India will spend a combined total of \$64 trillion on goods and services in the decade leading up to 2020.

Annual spending on consumer goods will be three times the level spent in 2010, according to "The \$10 Trillion Prize: Captivating the Newly Affluent in China and India".

"We are at a turning point in history where relative wealth will shift from the West to China and India, but absolute wealth, including in the West, should increase," said Michael J. Silverstein, a senior partner at BCG and the book's co-author.

Some of the enthusiasm for India, China and other emerging markets has dimmed in recent months due to slowing economic growth, weak progress with structural reforms and political risks. Emerging equities have also not performed as well in recent years as their developed peers.

But the book's authors played down these worries, saying India and China were experiencing the inevitable volatility in emerging economies.

The middle class in the two countries is expected to reach 1 billion by 2020, BCG said, noting that in India, the proportion of middle-class people is expected to grow to 45 percent in 2020 from 28 percent in 2010.

BCG said Western companies need to win over the growing middle class of the two countries via long-term strategies adapted to the future spending habits of these new consumers.

It named Kraft, Yum! Brands, PepsiCo, Gucci, LVMH, BMW, and Pernod Ricard as companies that have deployed successful strategies in these countries.

Smartphones control smart homes at Asia tech fair

AFP, Makuhari, Japan

HOMES where every device is linked up and can be controlled by smartphone were touted in Japan on Tuesday when Asia's biggest tech fair threw open its doors.

Manufacturers said more and more items -- from ovens to cars -- were now able to integrate thanks to better wireless technology, offering convenience and the chance to save energy.

More than 600 companies are showcasing cutting-edge gadgetry at this year's Combined Exhibition of Advanced Technologies (CEATEC) in Makuhari, near Tokyo.

One of the highlights is "smart innovation" which connects home appliances -- from washing machines and air conditioners to security cameras at the door -- to mobile devices.

"You will soon be able to use your smartphone or tablet PC as if it is a remote control for all these appliances," said Shuji Tomaru of Japanese mobile phone carrier NTT DoCoMo.

"If somebody tries to break into your house, you would immediately know because your phone will receive the information."

Residents, he said, could also use their phone to switch on the air conditioner before they return home or to turn on a washing machine.

Panasonic, which has already unveiled rice cookers and washing machines that can be controlled from

a mobile phone, was Tuesday demonstrating bathroom scales and blood pressure-measuring devices connected to the Internet.

Masaki Matsukura at the company's booth said that in ageing Japan, where grown children often live far from their parents, these devices can provide reassurance.

"They can be used when you want to check on your father's health condition, for example," he said. "You can see the medical data whenever he measures his blood pressure, no matter where you live."

Japanese car giant Toyota used its first appearance at CEATEC to show off its new Smart Insect car.

These small electric vehicles can recognise their driver and can be programmed only to operate if they know the person behind the wheel.

And in a move apeing the gestures that are becoming increasingly familiar as the use of tablet computers spreads, the car will do things like open its door at the wave of an arm.

"The Smart Insect is a car which can communicate with you, your home and society," said Toyota's Shigeki Tomoyama.

"You can tell it what you want by making gestures, and the car understands you and will adapt to your personal style."

"We like to think of it as a well-trained pet or a friend who understands you very well."

CEATEC runs until Saturday.

India is still unravelling

JEFF GLEKIN

INDIA is still unravelling. Nine months ago, Reuters Breakingviews published a three-part series on the state of the country's economy. At that time, most economists projected GDP growth of around 7 percent in 2012, a sharp drop from the near-double digit expansion of the boom. Today, India has fallen further behind. The case for economic reform -- and a realignment of the political system -- remains as strong as ever.

Notwithstanding recent policies unveiled by Prime Minister Manmohan Singh on what has been called "Big Bang Friday", growth expectations have fallen further. And though the political gridlock that has dogged the Congress-led government throughout its eight years in office may finally have been broken, missed opportunities, government handouts and corruption scandals have taken their toll.

India faces three big economic challenges: reforming its energy industry; drawing a line under the era of crony capitalism; and reducing the burden of regulation. Achieving these goals might require a new political force to put its hands on the reins of power.

Indian energy is unsustainably cheap. The \$35 billion debt of India's state-run electricity boards -- now in the process of being restructured -- is just one manifestation of how power has been under-priced. Fuel subsidies, meanwhile, are crippling the government. The OECD estimates that cheap diesel alone costs the government three percent of GDP every year: equivalent to half of last year's budget deficit.

Pricing power properly would not only ease the pressure on government finances: it would also boost the value of state-owned firms. For example, Coal India sells its output at around 70 percent of international market prices, according to The Children's Investment Fund. The company generates \$8.30 of EBITDA per tonne of coal: China's Shenhua makes \$45.70 per tonne. If Coal India could double its EBITDA per tonne that might add \$20 billion to its value. More efficient power pricing would also improve resource allocation, stimulate investment, and increase



Minister Manmohan

supply. India's recent huge power outage, which left half the nation without electricity in August, demonstrates how critically that is needed.

Then there is the state's lackadaisical approach to guarding its assets. Valuable telecom spectrum was given away for \$29 billion less than it was worth in 2008. Next came the "coalgate" fiasco, where the government stands accused of handing out coal blocks to corporate giants at a loss of \$33 billion. The Supreme Court has already insisted that the government must in future auction such assets. That's sensible, but it's not the end of the story. The government still needs to address the perception that there has been a huge transfer

of wealth from the state into private hands. Even if the businesses were only following the rules, there's a case for levying a one-off tax to claw back the windfall they received.

Finally, India needs deep structural reform which promotes productivity and wealth creation. The reforms of 1991 heralded an end of the "Licence Raj" during which time businesses were strictly controlled by the state. But progress has been slow. The World Bank last year ranked India 132nd out of 183 countries in terms of ease of doing business. Starting a new business in India still requires 57 different approvals. New Delhi, meanwhile, boasts a total of 77 ministers with overlapping

remits in areas such as drinking water, sanitation and water resources.

A reforming government could set about rationalising bureaucracy and archive archaic laws which are no longer relevant. Some in the government are already trying. Jyotiraditya Scindia, the Stanford-educated son of a Maharaja who is now a junior commerce minister, has launched a website that will allow entrepreneurs to apply for all the clearances they need to start a business. Simplifications of this kind will make India friendlier to business.

The key question is whether recent reforms can be sustained. A small reduction in diesel subsidies is a good start, as is allowing foreign direct investment (FDI) in the retail and aviation industries. But even these measures face resistance. One of the least positive aspects has been the right wing opposition's stance. Instead of holding Congress to account for its economic mismanagement, the BJP has led the fight against recent reforms.

India's youthful population is badly served by this system. In the last decade, the country has alternated between coalition governments of either the left-leading Congress Party or the Hindu nationalist BJP with a collection of parochial regional parties. In India, the need for a new voice is great. A party with a national agenda, not beholden to any one region, could make the country's political system more effective.

Such a movement would need to develop a new style of political campaigning, targeting 50 or so winnable seats. It would also need untainted cash. Mass fundraising could be a way of both campaigning and building momentum. India's 100 million internet users and 900 million mobile phone owners could be tapped for small sums. And roping in a Bollywood hero like Aamir Khan, whose TV show has made him the India's answer to Oprah Winfrey, could add glamour and mass market appeal. With only two years to go before the next election, time is running out. But if India's reformers get their act together, they could change the nation.

The author is a Reuters Breakingviews columnist.