Hard work, courage and luck

The Daily Star gets a glimpse into Nepalese billionaire Binod K Chaudhary's life and thoughts

STAR BUSINESS REPORT

LANDLOCKED with rugged geography, few tangible natural resources, poor infrastructure and constitutional instability, the odds for any economic success story coming out of Nepal have always been steeply stacked against it.

But in March, the improbable happened: it produced a billionaire. Industrialist Binod K Chaudhary was named the world's 1,342nd richest man in this year's edition of the Forbes World's Billionaires, the definitive ranking of the world's wealthiest.

Chaudhary, who considers the recognition as "Nobel Prize for businessmen", says it went some way towards changing the perception of Nepal in the world's eye.

Other than being one of the poorest countries in the world, Nepal used to be looked at as a birthplace of Lord Buddha or the country where a Palace massacre wiped off the majority of the Royal family or a casualty of Maoist insurgency.

"Thinking the Himalayan nation as country where one can do business and that too of an international scale was the last thing on anybody's mind. Then this happened and suddenly people started realising there is money to be made in this tiny Himalayan nation," the 57-year-old told The Daily Star in an interview recently.

He is currently the president of Cinnovation/Chaudhary Group, a conglomerate of upwards of 90 companies with interests in banking, foods, cement, real estate, hotels, power, retail and electronics.

The group has expanded into neighbouring India with its famous Wai Wai brand of instant noodles and forged a partnership with India's Taj Hotels Group with which it owns hotels in Sri Lanka, the Maldives, Thailand as well as in India. It also has a stake in Alila, an Asian luxury boutique chain and is additionally creating its own hotels under the Zinc brand.

Chaudhary's journey, though, has been long and arduous. His grandfather, Bhuramull, had trekked from Rajasthan to Kathmandu sometime in the late 19th century, looking for work at a cloth merchant's shop in the valley.

He managed to open a small textile store, which supplied goods to Nepal's ruling family. In 1968, Chaudhary's father, Lunkaran Das, converted that into Arun Emporium, perhaps Nepal's first department store.

The eldest of three siblings, Chaudhary joined the business at age 18, forsaking his plan to study accounting in India when his father was diagnosed with a heart ailment.

"My grandfather started in a small way, which my father tried to grow. When I joined, the business was still of a modest size, with only 400 employees," he said, crediting hard work, courage and a little bit of luck for his success. The company now employs 7,700.

When asked what it feels to be a billionaire, he said: "Your sense of responsibility and moral obligation multiplies manifold, and particularly more if you hail from a poor nation. You become much, more visible -- people look at and up to you."

It is unsurprising then that his autobiography, Binod Chowdhury's Atmakotha, went on to become a best-seller in just six months, with more than 25,000 copies sold.

Binod K Chaudhary

An ardent philanthropist, Chaudhary was in Dhaka last month to attend the fourth Social Business Day, which he says is down to his admiration for Professor Muhammad Yunus and the social movement his new theory is bringing.

"To me, his new philosophy of social business is 10 times more powerful than philanthropy."

Like Yunus, he, too, believes that had handouts been a solution then no country would have remained poor. "What he is advocating and which I am following now is to create social businesses."

The married father of three launched a $1-million fund, which will be used as a seed capital for social businesses.

"We aim to create a pool of businesses which will touch social issues and convert the youth into budding entrepreneurs," he said, adding that his company will also guide and monitor the enterprises.

Issues that he is targeting via the venture include child health, malnutrition, unemployment, micro-hydro projects and women trafficking.

"To a large extent, it is a personal issue -- that is what I feel. I am dedicating a big part of my life for this cause and I wish to continue doing so."

The social businesses might not be highly profit-oriented but they would definitely be sustainable. "Corporate governance and professionalism make the ultimate difference."

Chaudhury holds South Africa's anti-apartheid leader Nelson Mandela in high esteem and praised how he pieced together the country and worked with the regime he had succeeded. He wants the same in South Asia.

"But the South Asian countries are not like that. We do not come together. We love to defeat each other all the time in the name of competition."

Born and brought up in Nepal, Chaudhary also talked about the role of government in promoting and facilitating business.

"The government should come up with rules that help businesses grow, not to do business themselves. It also needs to make sure that there is no unhealthy competition or monopoly."

READ MORE ON B3

Asian capital flight risk goes beyond hot money

ANDY MUKHERJEE

A reversal of hot money inflows is a worry for Asia. But there's another: policymakers must guard against their own savers turning tail.

The end of quantitative easing is drawing near. Half the members of the US Federal Reserve's monetary policy committee anticipate the liquidity spigots will close by year-end. For Asian households, that means the prospect of earning higher rates abroad than have been available for years.

At the same time, real returns at home look unappetising when compared with pre-financial crisis levels. Take Indonesia, where the inflation-adjusted interest rate was 5 percent in late 2007. Now, the gap between 10-year Indonesian risk-free rates and consumer price inflation has shrunk to 1.2 percent.

Wealth owners in India have it worse; they face minus 3 percent real interest rates on a 10-year bond. A strengthening US dollar further dims the appeal of keeping money at home and boosts the lure of US real interest rates of around 0.7 percent, the best since March 2011.

For savers to chase higher returns overseas wouldn't be all bad. Since the financial crisis, yield-starved depositors have displeased authorities by chasing returns in asset classes that can bring worrying side effects: wealth-management products in China, real estate in Singapore and gold in India. Where savers are able to take their money across borders, some of these vulnerabilities will go away as US interest rates normalise.

Besides, not all economies are equally exposed. Taiwan and South Korea may withstand withdrawal of global excess liquidity better than India or Indonesia. Malaysia and Singapore have acquired more overseas assets in the past six years than foreigners have bought in these two economies. That's a source of strength for their currencies, mitigated only by a surge in Malaysian government debt.

In the event of serious outflows, though, policymakers' hands are tied. Capital controls can be circumvented by fake trade transactions, as China learned earlier this year. Raising interest rates could hurt growth and stall investment, though Indonesia is now being forced to go down that route to stem capital flight. Thailand and the Philippines aside, Asian GDP growth rates are now lower than in late 2007. The Fed has done Asia's depositors a favour, but put its policymakers in a tight corner.

CONTEXT NEWS

- About half of the 19 members of the US Federal Reserve's monetary policy committee expect an end to the Fed's $85 billion-a-month bond-buying programme by the end of this year, according to minutes of their latest meeting released July 10.
- Many other committee members anticipate quantitative easing to continue into next year.
- Bank Indonesia raised its benchmark policy rate by half a percentage point to 6.5 percent on July 11 to stem capital outflows.

The author is a Reuters Breakingviews columnist.

Nissan resurrects Datsun to woo emerging market buyers

AFP

Carlos Ghosn, chairman and chief executive officer of the Renault-Nissan alliance, poses with the newly launched Datsun Go car at an Indian function in Gurgaon on the outskirts of New Delhi yesterday.

AFP, *New Delhi*

JAPANESE carmaker Nissan resurrected its iconic budget Datsun marque on Monday to woo a new generation of economy-minded buyers in emerging markets.

Nissan, which in 1981 killed the Datsun badge that was a favourite of legions of Western drivers, has launched a "next-generation" of the car to penetrate high-growth developing economies.

Nissan Motor Co. chief executive Carlos Ghosn unveiled the first new Datsun model in the New Delhi satellite city of Gurgaon. The car is set to go on sale in India next year.

"The Datsun is back!" Ghosn declared, showing off the five-door hatchback which features swept-back headlights and a sporty grill.

The hatchback will later be rolled out in Russia, South Africa and Indonesia. There are no immediate plans to sell the cars in the United States or Europe.

Ghosn, who also heads French carmaker Renault, said Nissan has retained the Datsun brand concept of "reliability and fuel-efficiency" but "completely updated the product".

He gave no sticker price for the car, to be known as the Datsun GO, but said it would retail for less than 400,000 rupees ($6,678).

With the relaunched Datsun, which will be locally assembled, Nissan aims to fill a low-cost niche from which it has been absent, while keeping its main Nissan brand upmarket.

The Datsun, which first went on sale in 1931, was sold in 190 countries.

But Nissan scrapped the well-known name more than two decades ago, opting to use its own badge for the cars in what was a shock brand change for many loyal owners.

Ghosn said the new Datsun would give Nissan a "meaningful presence in high-growth markets" where small low-cost cars dominate.

In a couple of years, Nissan expects 60 percent of all auto sales globally to take place in high-growth markets such as India, Indonesia and Russia, he said.

In the United States, 500 out of every 1,000 people have cars, while Russia the figure drops to 280. In South Africa, the number falls to 160 and is 70 in Indonesia, he noted.

In India, which has a population of 1.2 billion and where global automakers see the greatest potential, car owners represent just 15 out of 1,000 people.

"There is a signficant transition (in buying patterns) in global markets," Ghosn said.

But Datsun will not face an easy ride in India's fiercely competitive auto segment, where market leader Maruti Suzuki, controlled by Japan's Suzuki, sells its low-cost Alto hatchback for less than $5,000.

Uniqlo looks to cash in on Bangladesh's middle class

BBC NEWS, *Dhaka*

KOLI Ahmed browses through the brightly lit clothing store just off Elephant Road, one of Dhaka's busiest shopping streets, with an unusual familiarity.

It seems odd because this Uniqlo outlet, the first of any major global retail clothing brand in Bangladesh, has only just opened.

Sales staff eagerly explain to shoppers what is on offer - basic polo T-shirts, jeans, and some traditional wear.

A lot of it is similar to what you can find at any of Japanese company's much larger flagship stores in London, New York or Tokyo.

"I have known Uniqlo for a long time. My brother lives in Tokyo, and I have clothes from their store," says Ms Ahmed, who runs a small business.

"I am really glad that they are now available in my country. I can now buy them here."

Producer to consumer

There is another similarity between what shoppers such as Ms Ahmed can now buy and the Uniqlo stock available to her bargain-hunting Western counterparts.

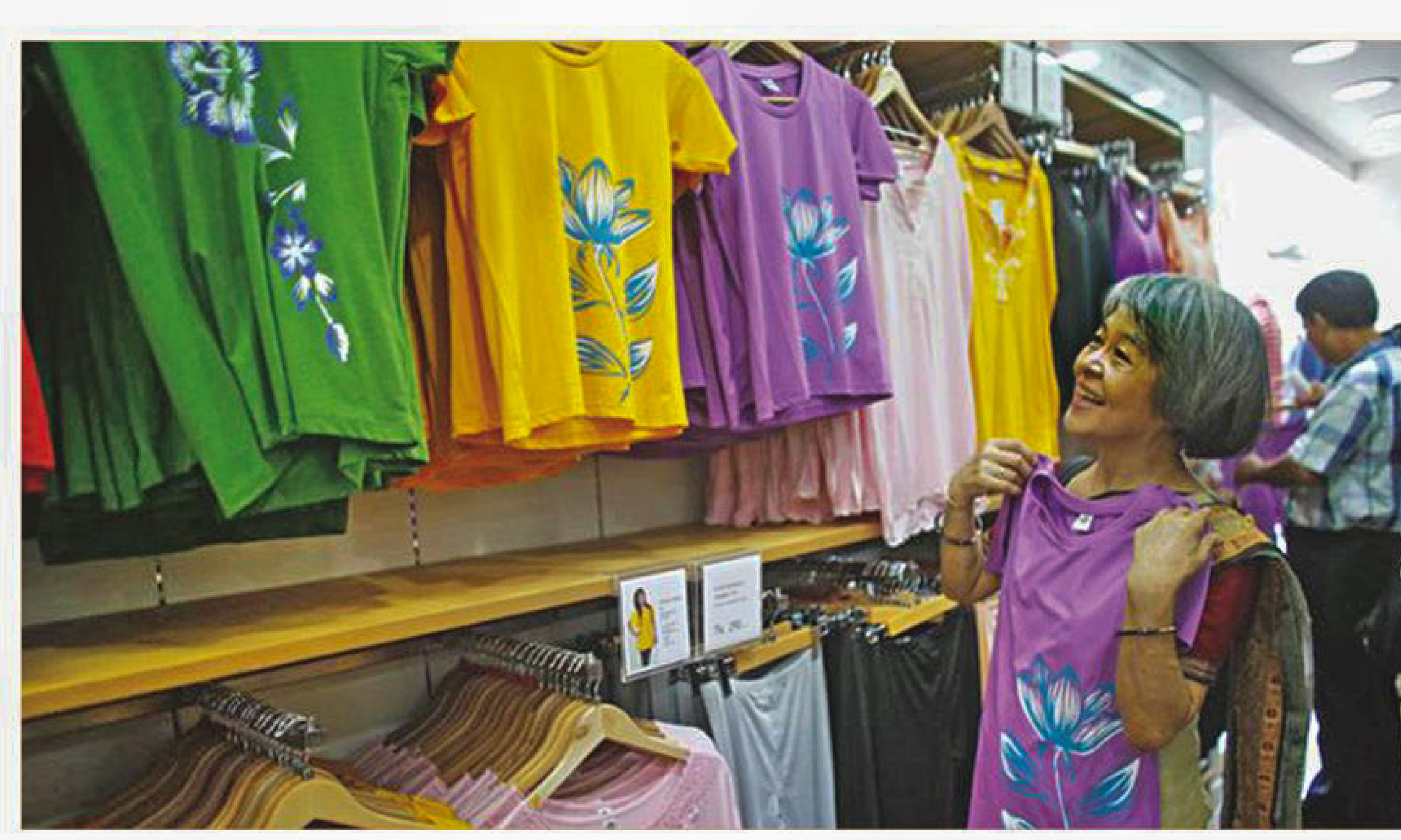
They are all "made in Bangladesh", at factories just a few kilometres from the new store.

As the world's second-largest exporter of High Street clothes, after China, the country is a top destination for global brands looking to make garments at a low cost.

"Bangladesh has, originally, been an attractive production base," says Yukihiro Nitta, chief executive of Grameen Uniqlo, the social business set up as a collaboration between the Nobel Prize-winning founder of Grameen Bank, Dr Mohammad Yunus, and Uniqlo.

But by opening retail outlets here, the company is acknowledging what economists have been pointing out for a few years.

"The economy is growing rapidly. There are 160 million people living in Bangladesh. So, we found that we have a great opportunity to start



BBC

Uniqlo becomes the first global fashion retailer to open stores in Bangladesh.

a retail business," says Mr Nitta.

Nearly $100bn (£66bn) is spent on private consumption in the country every year, according to the latest World Bank data, with non-essential items such as fashion retail accounting for a growing proportion of that number.

As is the case among many of its Asian neighbours, this rapid consumption growth is being fuelled by the growing middle class of Bangladesh.

"Within the last decade alone, the size of the middle class has nearly doubled to more than 30 million. During this same period, their incomes have doubled too," says Dr Zahid Hussain, a senior economist at the World Bank.

These Bangladeshis have more disposable money to spend from their growing incomes.

Until now they have been well catered for by local clothing brands, and a steady trickle of imported global ones.

There also exists a burgeoning market of counterfeits and rejected export items.

But their wish list is growing.

"Many Bangladeshis are travelling abroad, taking holidays abroad," says Prof Imran Rahman, vice chancellor and director of the School of Business at the University of Liberal Arts Bangladesh.

"They are being exposed to how people in neighbouring countries live, what kind of clothes they wear...

"The increase in their expectations and growth in disposable income will create a situation and market for foreign branded items to come in here."

And there are already hints of that happening. Inside the Uniqlo store, Golam Kibria has nearly filled up his small blue shopping basket with special launch-edition T-shirts and denims.

"I have heard of the brand Uniqlo. And I have also seen the brand abroad. I have visited a few [of their] stores," Mr Kibria, a young professional, tells the BBC.

Safety plan

Like other major global brands, and as Asia's largest retail clothing chain with growing global ambitions, Uniqlo's owner, Fast Retailing Company, has been manufacturing clothes in Bangladesh since 2008.

But the collapse of a garment factory on the outskirts of the capital, Dhaka, in April, which killed more than 1,100 people, has put pressure on global clothing retailers to improve safety standards and increase labour rights in factories that make their clothes.

Since the April disaster, 70 retailers and brands, mainly from Europe, have joined a legally binding international safety accord for Bangladesh launched by global trade unions.

Major US retailers have also launched their own alternative safety alliance. However, Uniqlo is yet to join either of these plans.

Fast Retailing Company has told the BBC that they are scrutinising the details of the global accord, and they expect their own investigations into safety at partner factories to last till the middle of September.

The Japanese retailer says it has established its own code of conduct for production partners, and monitors their working conditions.

Most Bangladeshi labour unions have rejected the North American plan, pointing out that it lacks accountability.

READ MORE ON B3