

Japan Inc cautious on India despite premiers' love-in

AFP, Tokyo

Even as the friendship between Shinzo Abe and Narendra Modi blossomed during the new Indian leader's first foreign trip, Japan Inc refused to get misty-eyed, wary of the pitfalls of doing business on the sub-continent.

A five-day tour that began with a bear hug and a day of sightseeing in the ancient Japanese capital of Kyoto worked itself up through a crescendo of mutual compliments that culminated in Tokyo's pledge to spend \$34 billion in India over the next five years.

Companies love the idea of India, with its huge untapped market and its vast, cheap workforce. But they know there are potential problems; Japanese suitors have stumbled more than once before.

"India's very weak infrastructure adds to the cost of making and moving things there," said Takashi Kodama, head of Asian economic research at Daiwa Institute of Research.

"Unless you resolve that, the current hopes for India that the world has cannot spark an investment boom," he said.

On top of dodgy roads, ramshackle railways and other weak infrastructure, there are complex local customs for multi-national firms looking for somewhere other than China to set up shop.

Unexpected taxes and economic policy changes in India have also discouraged investors, who want lower costs, high



Right, Indian Prime Minister Narendra Modi shakes hands with his Japanese counterpart Shinzo Abe upon his arrival at the State Guest House in Kyoto, western Japan on August 30.

growth and predictability.

Despite its broadly comparable population, India is home to just over 1,000 Japanese firms, about five percent of the total operating in China.

To be sure, Japanese businesses agree that India has enormous potential as the populous democracy enjoys steady growth, an expanding middle class and modernisation that is boosting

demand for infrastructure, such as trains, sewerage and electricity.

Japanese firms can also use India as a hub to export to regions west of the Indian Ocean, such as Africa and the Middle East.

Economic liberal Modi knows this and was in Tokyo to pitch for investment.

"Businesses and industries need stability and a growth environment. India has become a country

that provides both," Modi told businesses in Japan last week on his first tour since coming to power. "Tell me what you need for the business environment. India will deliver it," he said.

A string of Japanese firms have recently committed to fresh Indian investments, including major electronics parts maker Nidec, which has decided to spend roughly \$1 billion in India

in the next seven to eight years.

But there have been costly failures, among them pharmaceutical maker Daiichi Sankyo's \$4.6 billion purchase of Indian giant Ranbaxy in 2008.

That went sour when US regulators banned imports of its drugs over quality concerns, dealing a huge blow to Daiichi Sankyo's bottom line and leading to a cut-price sale of the unit.

Fellow drugmaker Eisai launched a production and research hub in a special economic zone with tax incentives in 2009.

But India changed its policy and slapped an alternative tax on the company in 2011, said Sayoko Sasaki, Eisai corporate officer.

"It is a big market with a lot of opportunities. But when it comes to tax rules, it has to be predictable," she told AFP. "We hope India's investment environment will continue to improve," she said.

Among winners in India, small-car specialist Suzuki Motors has prospered there for three decades, having entered the market well before the nation became a hot prospect, mostly serving domestic motorists.

But even Suzuki has suffered from bouts of labour unrest, including a 2012 riot that resulted in the death of a personnel manager in India.

For India's part, Japan is a less complicated partner than other nearby countries that have the cash it needs for investment, say analysts.

No new debt for Germany in 2015, first time since 1969

REUTERS, Berlin

Germany's Finance Minister Wolfgang Schaueble said the country would not take on new debt next year for the first time since 1969, underlining the robustness of the country's finances as European partners urge it to do more to boost euro zone growth.

Speaking to the lower house of parliament on Tuesday, Schaueble said budgets that did not include net new borrowing should become the new norm for Germany from 2015 and said Berlin wanted to open the door for more private investment, especially in infrastructure.

"We need private investment above everything else to maintain the economic performance and competitiveness of Germany and Europe," he said, adding that Germany needed to look into new types of public-private partnerships.

Struggling euro zone peers including Italy and France have piled pressure on Germany to boost public investment and cut taxes to jump-start the euro zone's flagging economic recovery. Christine Lagarde, head of the International Monetary Fund (IMF), has also urged Germany to increase investment.

Earlier this month Schaueble said "too many" of his European Union colleagues believed an investment shortfall in the region should be corrected with public investments.

In Tuesday's speech he focused instead on private investment, saying euro-financed projects would be a good idea: "Why should what has worked well, all in all, with the telecoms and energy sectors not also work with the transport sector, especially as other nations have done this?"

Germany is in dire need of investment itself, with total annual investment levels of around 17 percent of GDP - below the average of over 21 percent in other industrialised countries. The media is full of reports about closed bridges and damaged roads causing delays to businesses.

The opposition Greens and Left parties attacked Schaueble's budget for failing to address the problem of dwindling infrastructure spending.

"The dilapidated infrastructure is a threat to the economy," said Dietmar Bartsch, a leader of the opposition Left party.

"You're doing far too little for the infrastructure."



Aziz Al Kaiser, immediate past chairman of City Bank, and Mashrur Arefin, deputy managing director, pose with a trophy, as the bank was honoured as the Best Commercial Bank in Bangladesh, at the FinanceAsia Country Awards in Singapore recently.

CITY BANK

Australia's economy faces difficult ride: analysts

AFP, Sydney

As Australia approaches a sharp fall-off in resources investment later this year, the question dominating the outlook for the mining-dependent economy is where growth will come from next.

The search for the next growth cycle became more urgent following the recent corporate earnings season, where dividend payments reportedly reached a record US\$63.3 billion, cost-cutting was a key theme and companies remained cautious about investing.

"What we are seeing in reporting season in our view is rational for companies -- and that is to save," Credit Suisse strategist Damien Boey told AFP.

"It's not the ideal outcome for the economy and it could well also be another factor which entrenches the slowdown in Australia." Slowdowns and recessions are a distant memory for Australians.



STANDARD BANK

Standard Bank CEO Md Nazmus Salehin and Trust Bank Managing Director Ishtiaque Ahmed Chowdhury exchange documents of a deal at a programme recently. Standard Bank became a sub agent of Xpress Money to make payment of remittance globally.

Apple takes shape with watch, bigger iPhones

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Apple Pay, the mobile payments system, works by placing an iPhone next to a terminal at a retail outlet equipped with so-called near-field communication technology. A customer confirms a purchase by using finger-print reading technology in the new iPhone 6 models.

It will work with the Apple Watch when it's released, the company said.

The service, which will work with the latest iPhones and the Apple Watch, will be available starting next month. Apple is partnering with credit-card companies including American Express Co, MasterCard Inc and Visa Inc. Retailers that will support Apple Pay include Staples Inc and Whole Foods Market Inc, the company said.

Apple Pay will work with services including mobile car-booking application Uber Technologies Inc, restaurant reservation system OpenTable and daily deals company Groupon Inc, the company said.

In starting a mobile-transaction service, Apple said its design and partnerships will help it succeed where other companies such as Google Inc and eBay Inc are working to gain more traction. "Our vision is to replace this," Cook said as a picture of an old wallet was flashed on screen at the event.

The service would provide a new revenue stream for Apple. The company will collect a fee from banks on each purchase, people familiar with the service said.

Even with the hubbub over the new smartwatch and payments products, the iPhone remains the most important piece of Apple's business. The handset accounted for about half of Apple's \$171 billion in revenue last year, and with sales of the iPad slowing, the company needs to keep the iPhone a blockbuster to maintain growth.

The new iPhones, called iPhone 6 and 6 Plus, will have rounded edges and a thinner frame than earlier models, as well as higher-resolution displays. They will come with 4.7-inch and 5.5-inch screens.

two-year contract, while the 6 Plus is priced at \$299 to \$499. The devices will come in silver, gold and space gray.

The handsets will initially be available in a limited set of markets -- including the US, Australia, Canada, France, Germany, Hong Kong, Japan, Puerto Rico, Singapore and the UK -- for pre-order on Sept 12 and shipping on Sept 19, the company said. China, one of Apple's biggest markets, won't get the new devices at first, though the company said it plans to have the devices in 150 countries by the end of the year.

The website said the new phones will be available in India on Oct 17.

While the Apple website earlier today indicated the new handsets will be available in China on Sept 26, it no longer says that.

"China is a key market for us and we will get there as soon as possible," Carolyn Wu, a Beijing-based spokesman for Apple said by phone today.

The new iPhones come with a custom A8 64-bit processor, which Apple said is 25 percent faster than the chips in previous models. A new motion processor works with fitness and health-related applications.

Apple is betting the success of the iPhone will aid the other products introduced yesterday. While the new handsets are widely anticipated to be huge hits, the watch, payments system and health software are no sure thing.

Sony unveiled its LiveView watch in 2010 and showed its SmartWatch 3, which accepts voice commands, earlier this month in Berlin. Samsung released its first Galaxy Gear a year ago, with the newest version, the Gear S, announced last week.

According to Parks Associates, 2.8 million so-called smartwatches were sold last year, along with another 13.6 million fitness tracking devices. By comparison, 1 billion smartphones were shipped last year, according to IDC.

"The question is can you get people to buy a new iPad, a new iPhone and now the new watch every two years," said Evans. "At some point, something is going to give."

China, world's third largest investor in 2013

BBC NEWS

China was the world's third largest investor in 2013 for the second year running, according to state news agency Xinhua.

Outbound direct investment (ODI) from China reached a record high of \$108 billion last year, a 22.8 percent rise on ODI made in 2012, the agency said.

Meanwhile, on Sunday the government said it would relax rules for Chinese companies making overseas investments.

The new rules will take effect on October 6.

Published by the Ministry of Commerce on Sunday, Xinhua said the new procedures for domestic companies were "aimed at allowing more freedom for outbound investment".

At the moment, any overseas investment project worth more than \$100m needs to be approved by the ministry.

However, any investments made into projects overseas "in sensitive countries or regions, as well as in sensitive industries" would still require approval by the government, the agency said.

China may have been the world's third-largest investor in 2013, according to its own data, but this year the numbers may change.

Retailers give themselves makeover as millennials follow own beat

REUTERS, New York

Alison LePard, a 19-year-old college sophomore from Wellesley, Massachusetts, says that when she shops for clothes and accessories, her goal is a look that is uniquely hers. So she does a lot of mixing and matching.

"I don't blindly follow what they put out," LePard said of store displays. "I don't want to wear just one brand. I don't want to be a stereotype."

She's hardly alone. Recent surveys have found that members of the US Millennial Generation - the roughly 80 million Americans born between 1977 and 2000 - pride themselves on their individuality, and shop accordingly.

Compared with their parents, millennials are far less likely to identify with a political party or to formally affiliate with a religion - key indicators of an independent streak - according to Pew Research Centre. As shoppers, they are less attached to brands and more willing to create their own style, surveys by Nielsen, The Boston Consulting Group and other researchers have found.

This generational trait is forcing retailers to rethink everything from their merchandise and marketing to their dressing rooms and logos. Some companies, including H&M and Urban Outfitters Inc, have ridden the individuality wave while others, such as Abercrombie & Fitch and Aeropostale, have been slow to react and are paying the price.

At stake is the \$600 billion millennials spend a year in the United States, according to Accenture, a sum that's projected to grow to an estimated \$1.4 trillion in 2020, when the oldest of the cohort will be 43. Millennial men spend twice as much a year on apparel as non-millennial men, while millennial women

outsent other generations by a third, the consultants said.

Abercrombie's woes came into sharp relief last month when the company said it was shrinking its well-known logo and increasing its assortment of fashion for women, all to appeal more to 16- to 22-year-olds who don't want to look like everyone else. The move came after 10 straight declines in quarterly same-store sales.

"They no longer want to be a walking billboard of a brand," said Michael Scheiner, an Abercrombie spokesman. "Individualism is important to them, having their own sense of style."

Other companies are also adjusting their strategies to reach this elusive group. Gap Inc's new ad campaign, with the facetious tagline, "dress normal," is all about creating an individual style, the idea being that there is no normal. Aeropostale, for its part, says its new product lines by blogger Bethany Mota are meant to convey "authenticity, emotion and relevance."

Mall owners have had to adjust, too. Indianapolis-based Simon Property Group Inc is now working with fashion magazines and fashion website Refinery29.com to entice millennial shoppers to the mall with videos, new designers and personalized advice.

"Not looking like everyone else is key to everything about what we do," said Chidi Achara, Simon's global creative director.

The drive to reach millennials comes during a difficult environment for retailers. Retail spending was flat in August, according to the US Commerce Department, and household spending dropped by 0.1 percent in July, the first decline since January. In August, retailers ranging from Wal-Mart Stores Inc to Macy's Inc cut their sales forecasts.

Thanks to the Internet and smart

phones, millennials are more informed shoppers than older generations. More than 70 percent of 18- to 34-year-olds recently surveyed by The Intelligence Group said they research options online before going to a store.

Millennials spend a higher share of dollars online than other generations, according to market research and consulting firm NPD Group, though they still make 75 percent of their purchases at brick and mortar stores.

With vast amounts of information easily available, they are savvy shoppers who know how to compare price, quality and convenience.

Accustomed to building Facebook pages and other online identities, millennials are comfortable with the notion of mixing and matching different elements of their persona, a trait that carries over into their shopping choices, according to analysts and academics.

To reach this first generation of "digital natives," it's no longer enough for stores to offer a rack and a dressing room. "People are looking to create a unique identity," said Allen Adamson, an author and branding expert at Landor Associates. "They want to put together their own story rather than have someone else tell them."

In addition to an inviting website and easy payment system, retailers are trying to make shopping more exciting for this over-stimulated generation. At H&M's midtown Manhattan store, for example, shoppers can strut their stuff on the store's fashion walk and then possibly have their video selected to be displayed outside.

Gap is stressing that same aspiration with its new "dress normal" ad campaign, which uses taglines such as "dress like no one's watching" and "simple clothes for you to complicate." Sales at Gap stores fell 5 percent in the last quarter.