

## Romanian Senate approves Ford payout

By GINA NEAGU  
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The Romanian Senate adopted a bill to approve a payment of over 140 million euro to Ford Motor Company for the development programs in its car factory in Craiova, Romania, this week.

The Emergency Ordinance specifies the allocation of 94.5 million euros for investment in automobile production, and 48.55 million euros for engine production. The Budget Finance Committee adopted the budget without amendments.

Senate president Mircea Geoana also asked the Ministry of Finance to present information on other private applications for government aid.

The Romanian government holds the majority shares in the Automobile Craiova factory. Through sale of the package, Ford is committing to invest 675 million in modernizing the factory, including 430 million for automobile production and 165 million for engines, according to the Ministry of Finance.

Geoana affirmed the importance of firms in the economy, saying "Obviously, Ford is an important company."

Liberal Party Senator Varujan Vosganian also voiced support, saying: "If Ford comes to Romania, our country could be the largest auto producer in Central Europe and Eastern Europe before 2011."

There were also calls for other companies investing in Romania to be supported by the government as well.

# Korea's Hyundai defies auto industry trends

By ANTONIO PEREZ  
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The monthly trends seem all-too-familiar. Reports this week indicated that January auto sales dipped 37 per cent, to the lowest levels in more than a quarter century.

January got off to a rough start in a most critical year for automakers. Sales at General Motors fell a whopping 49 per cent, and similar declines were seen at Ford (40 per cent) and Chrysler (50 per cent).

Even the Japanese automakers saw sales declines. Toyota and Nissan both reported a more than 30 per cent decline while Honda recorded a 28 per cent drop in sales.

But there was a lone bright spot: Korea's Hyundai Motor Co. saw its January sales increase by 14 per cent—an unfathomable feat given the recent contraction in consumer spending and a still-frozen auto loan market.

And Hyundai's performance does not seem like a fluke, analysts say. A weak Korean currency, recent marketing blitz, increased product quality, and the brand's perceived value all contributed to the company's recent revival.

### Hyundai and Korea

Hyundai's future did not always seem this bright. When it entered the U.S. market in 1986, one of its only selling points was affordability. Hyundai vehicles were perceived in the United States during the early to mid-1990s as cheap and unreliable.

In 1998, the company attempted to improve its image, quality, and status among global auto companies. Chung Mong Koo, the current group chairman, took over the reins and immediately poured funds into research and development and product design.

To combat perceived unreliability, Koo introduced a 10-year, 100,000-mile power train warranty in the United States, a program that was soon implemented by rival automakers.

The investments paid off and Hyundai's reputation dramatically improved over the last ten years. In



Hyundai dealers posted a 14 per cent increase in sales in January. JUNG YEON-JE/AFP/GETTY IMAGES

2004, Hyundai ranked second overall in initial quality behind Honda in a study by J.D. Power & Associates. The company ranked third in the 2007 survey and has since remained among the top automakers in quality.

Some analysts argue that Korean corporations have been aided by a weak won, the worst performing Asian currency this year, declining 31 per cent against the U.S. dollar in the past year, according to Bloomberg data.

A weak currency helps exports as the country's products appear relatively cheap to other nations. In addition, a Korean company's foreign sales would be worth more in won after currency translation. In comparison, the Japanese yen has strengthened against the dollar.

But such an argument implies

that all Korean companies should be performing well, which is hardly the case. In addition, a weak won only improves the bottom line—a 14 per cent increase in unit sales has nothing to do with currency valuation.

### Return program

"We got off to a quick start in January thanks to the rollout of our all new Hyundai Assurance Program, which has struck a chord with the American consumer during these uncertain times," said Dave Zuchowski, Hyundai Motor America's vice president of national sales.

Zuchowski referred to the company's buyback program, which allows auto buyers to return vehicles to dealerships if they lose their jobs or source of income within one year of purchase.

The program seems counterintuitive at first, but Hyundai is offering assurances to consumers on the fence about purchasing a new car, perhaps due to fears over job security. It remains to be seen if other automakers will follow suit if the program succeeds.

### Genesis marketing blitz

Viewers of last weekend's Super Bowl undoubtedly saw Hyundai's ads touting its new model, the 2009 Genesis. While Detroit's Big Three stayed on the sidelines, Hyundai was one of only three automakers to purchase airtime last Sunday.

Earlier this month, Genesis, Hyundai's new luxury vehicle, won "Car of the Year" accolades at the 2009 North American Auto Show.

With a \$32,000 starting price, Genesis is Hyundai's first real at-

tempt at reaching upscale buyers and challenging the likes of Toyota's Lexus brand, Mercedes-Benz, and BMW.

The Genesis adheres to Hyundai's emphasis on value. It comes with features found on its competitors' high-end models—high-end stereo, leather and wood trim, and even an optional V-8 engine—yet has a sticker price similar to an entry-level luxury sedan.

"And we're not stopping here... Genesis will share company in Hyundai showrooms this spring with its rear-wheel drive platform-mate, the Genesis Coupe," John Krafcik, CEO at Hyundai Motor America, said in a statement.

Can Hyundai attract buyers looking for a \$50,000 automobile with a \$35,000 alternative? In this market, the answer is a resounding "yes."

## WTO members warn on emerging protectionism

GENEVA (Reuters)—The risk of a global lurch into protectionism is getting worse, though trade measures taken to tackle the financial crisis have not seriously fuelled it so far, World Trade Organisation (WTO) members agreed earlier this week.

The WTO's 153 members agreed to intensify monitoring of the impact of moves to block imports or boost exports, a senior WTO official told a news briefing.

"Whilst there was an appreciation that so far we don't appear to be deep in the mire, I think everybody expects things to get worse before they get better," said Richard Eglin, director of the WTO's trade policies review division.

WTO members had earlier re-



(L-R) The Managing Director of the International Monetary Fund Dominique Strauss-Kahn, the Director-General of the World Trade Organization Pascal Lamy and the Director-General of the International Labour Organization, Juan Somavia, talk ahead of a meeting. MICHAEL GOTTSCHEK/AFP/GETTY IMAGES

only the last quarter of 2008, the early stages of the crisis.

An updated report due in mid-March will give G20 leaders more information about protectionist trends before their summit in London on April 2.

Erecting trade barriers to defend jobs may deepen the global recession by making it harder for other countries to sell their goods abroad, as occurred during the 1930s Great Depression.

The latest International Monetary Fund (IMF) forecast sees world trade contracting by 2.8 percent this year after growing 4.1 percent in 2008 and 7.2 percent in 2007, a particularly worrying trend as slowing trade growth is now the main depressing factor on world output, according to Lamy.

Members also agreed to notify changes in tariffs and other trade measures promptly. Lack of official information meant the January report was largely based on news gleaned from the press.

### Information too slow

"There is not nearly enough real-time flow of information on trade policies or trade-related measures available for the WTO, the members, or the international community to draw serious conclusions on the state of trade policy-making in these very, very difficult economic times," Eglin said.

The WTO monitoring does not aim to criticise individual WTO members. "The purpose of this exercise... is to put a thermometer in there and see: Is the temperature of protectionism going up? and we'll see that from looking overall at 153 members, not from pointing a finger at this member or that member," Eglin said.

Some countries had been concerned the monitoring could turn into an IMF-style policing of agreements, and Bolivia and some other members said the report neglected the interests of poor countries. The impact of trade measures on developing countries will be analysed in the next report.

But the meeting heard some

criticism of individual countries' moves, especially the European Union's decision to reinstate export subsidies for dairy produce.

The WTO report looks at tariff rises, mainly by developing countries which can raise duties under existing rules. Rich countries' tariffs are already at or near agreed ceilings.

It details stimulus packages, such as for the car industry, which many developing countries see as a more insidious form of protectionism because they favour domestic producers and poor countries cannot afford the cash.

No one at the meeting mentioned France's pledge earlier this week of 3 billion euros (\$3.89 billion) each to ailing carmakers PSA Peugeot Citroen and Renault SA in return for promises to safeguard jobs in France.

The WTO report lists financial bailouts, saying they, too, can distort competition between institutions by providing state aid or subsidies, though it is not clear how they will affect trade.

## Wall Street CEOs face Washington's fury

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Blankfein, one of the first financial executives to decline a bonus last year, presides over the most powerful investment bank on Wall Street. Goldman received \$10 billion in federal money.

Most of the banking executives at the hearing did not receive bonuses last year, but the \$18 billion in total bonuses Wall Street handed out last month troubled lawmakers.

According to Blankfein, Goldman used TARP capital to finance Sallie Mae in providing more than \$1.5 billion in student loans. The company also committed capital to a number of corporate loans.

Citigroup CEO Vikram Pandit said that his company has used TARP funds for "expanding mortgages; personal loans and lines of credit for individuals, families and businesses; and creating liquidity in the secondary markets."

In the fourth quarter alone, Citi provided \$75 billion in loans for U.S. consumers and businesses, he said.

As one of the largest beneficiaries of TARP—having received \$45 billion and \$7 billion in guarantees—Pandit defended Citi's usage of the TARP funds.

"We have extended our foreclosure moratorium to help millions of other eligible homeowners whose mortgages we service," Pandit said.

In a detailed report, Citi outlined its initiatives—totaling \$36.5 billion—made possible by using TARP funds.

Citi used \$25.7 billion to restructure its U.S. residential mortgage activities, including supporting Fannie Mae and Freddie Mac, as well as reducing mortgage payments for homeowners it services. An additional \$2.5 billion was used to provide business and personal loans, and \$1 billion was used to fund student loans.

Bank of America CEO Ken-

neth Lewis also outlined how his company has used TARP money to stimulate commercial and personal lending activities. He also focused on returns for taxpayers.

"We will make our first dividend payment to the Treasury of more than \$400 million next week, and we will pay the Treasury, and ultimately taxpayers, about \$2.8 billion in dividends alone for the year," Lewis said in a prepared speech.

During the hearing, all eight CEOs said they would provide Congress with the amount of new loans directly derived from TARP money.

### The bonus argument

Most of the banking executives at the hearing did not receive bonuses last year, but the \$18 billion in total bonuses Wall Street handed out last month troubled lawmakers.

Citi's Pandit said, "I've told my board of directors that my salary should be \$1 per year with no bonus until we return to profitability."

But the bonus issue remains a sensitive one. Wall Street employees expect annual bonuses, and without incentives, the banks argue that they would lose their top employees to their competitors overseas, or to other industries.

In a Tuesday letter to House Financial Services Committee Chair Barney Frank, New York Attorney General Andrew Cuomo alleged that Merrill Lynch "secretly and prematurely" awarded \$3.6 billion in bonuses to top executives, with Bank of America's "apparent complicity."

Bank of America acquired Merrill last September, and went ahead with the deal despite Merrill's staggering losses—\$15.3 billion in the fourth quarter alone.

According to Cuomo's office, the top four Merrill bonus recipients received a combined \$121 million in bonuses, at a time when the federal government invested \$20 billion of taxpayer money into Bank of America for the transaction and agreed to guarantee \$118 billion of Merrill's assets against loss.

Responding to a question regarding Merrill bonuses from Rep. Caroline Maloney (D-N.Y.), Lewis said, "Severance payments for departing executives skewed the bonus numbers."

## Erecting trade barriers to defend jobs may deepen the global recession by making it harder for other countries to sell their goods abroad

viewed Director-General Pascal Lamy's January report showing that countries had ignored a Group of 20 (G20) plea in November not to raise trade barriers.

"The report has a clear unequivocal pattern: one of emerging protectionism," Brazil's WTO ambassador, Roberto Azevedo, told the meeting, noting the report covered