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Leather goods production tumbles on hide scarcity

Manufacturers seek duty-free import of raw material

KAWSAR KHAN

When Bangladesh's footwear makers see huge prospects in Europe following imposition of anti-dumping duties on Chinese and Vietnamese shoes, leather goods production in local market tumbles due to scarcity of hides.

Raw hide production has plummeted by 30 per cent following the supply shortage of cattle from India, industry people said.

Leather-based factories and tanneries have been facing a huge crisis of raw hides, wet blue hides, crust and finished leather for the last four months, said M Tipu Sultan, president of Bangladesh Finished Leather, Leather Goods and Footwear Exporters' Association (BFLLFEA).

"We face the problem when we eye increased export market in Europe. The European Union announced punitive anti-dumping duties on imports of leather footwear from China and Vietnam in April this year," said Sultan.

India has increased its leather goods export to EU significantly in recent days, he added.

After Japan, Italy is the largest market of Bangladeshi footwear, industry insiders said.

In a recent letter, the BFLLFEA leaders requested the government to allow duty- free import of leather by commercial importers. Now, only tanners who have bonded warehouses enjoy the facility.

A large number of leather-based factory owners do not have the financial and managerial capability to import leather, Sultan said.

Allowing commercial importers to import leather will weather the raw material crisis, he said, adding that Indian commercial importers import leather for local industry.

Prices of leather have increased by 30-35 per cent in local market, said Rezaul Karim Ansari, former president of BFLLFEA.

In 2005-06 fiscal year, the country's leather export earned US $ 257.27 million, posting 16.45 per cent growth over the previous year while footwear fetched $ 95.44 million, showing a 9.01 per cent growth.

During the same period, leather goods earned $ 7.12 million, a 3.13 per cent decline over the previous year, according to Export Promotion Bureau statistics.

UAE-Bangladesh Investment okays Tk 6.31m cash dividend

UAE-Bangladesh Investment Company (UBICO) Ltd has approved a dividend of Tk 6.31 million for the year 2005 for its shareholders.

The dividend will be distributed on 60:40 basis between the governments of the UAE and Bangladesh, says a press release.

The dividend was approved at the company's 18th annual general meeting (AGM) held recently in Dhaka. Chairman of the company Mohammad Al Mazroui presided over the AGM.

The UBICO is a joint venture financial institution established by Abu Dhabi Fund for Development and Bangladesh government on 60:40 ownership basis.

The company, which started operations in 1989 as a private limited company with a mission to invest in socio-economic development projects in Bangladesh, has enjoyed a growth of 230 per cent of its share value since inception. On an average its share value has achieved an annual growth of nearly 13 per cent.

PHOTO: STAR

Visitors crowd a stall of three separate exhibitions of garments, machinery and export services at Dhaka Sheraton Hotel yesterday. The three-day shows come to a close today.

Skills development centre in Ctg signs deals with Alcatel, ZTE, Ericsson

The recently opened Chittagong Skills Development Centre (CSDC) will utilise telecommunications vendors Alcatel, ZTE and Ericsson's teaching and learning resources for Bangladeshi professionals' skill development in the telecommunications sector.

Three cooperation agreements to this effect were signed between the CSDC and Alcatel University, Ericsson and ZTE University at the CSDC's inauguration in the port city, says a press release.

Salahuddin Kasem Khan, chairman of the CSDC and mobile phone operator AKTEL, Michael Wang, CEO of ZTE Corporation-Bangladesh Office, Magnus Ask, regional head of HR (Southeast Asia) of Ericsson, and Ravi Sharma, president of Alcatel South Asia, signed the deal on behalf of their sides.

Huawei Technologies, a CSDC founder member, will sign a similar cooperation agreement with the CSDC in the coming weeks, the release added.

Hyundai Motor confronts tough competition in China

ANN/ THE KOREA HERALD

Hyundai Motor Co chairman Chung Mong-koo puts great importance on the Chinese car market. Even in the midst of the bribery scandal in April, Chung ventured out to join a groundbreaking ceremony for the company's second production facility in Beijing.

His obsession with the Chinese market is understandable. The world's most populous nation promises a potentially immense opportunity for Hyundai under its global expansion plan. But Chung's grand China plan recently suffered a setback.

Hyundai's Chinese unit lost ground to archrival Toyota in June, a major defeat in almost three years; a development that threw a dark cloud over Hyundai's ambition of playing a dominant role in the Chinese market.

Hyundai sold 18,227 vehicles to Chinese consumers in June, sliding from fifth to seventh in the carmaker rankings there. Toyota's Chinese unit, meanwhile, sold 20,014 vehicles during the same period, climbing five notches from 10th in May to fifth in June.

The reversal came as a shock for Hyundai because it outsmarted the Japanese rival in June 2003 and had no trouble in maintaining its edge until June.

Hyundai set its feet into the Chinese auto market in October 2002 and set about manufacturing its flagship sedan Sonata just two months after its Chinese subsidiary was founded.

Signs of trouble began to appear early this year when Toyota ratcheted up its marketing in China, introducing new models. Toyota launched the Camry, a strategic model that it hopes would beat Hyundai's Sonata. Toyota also raised the stakes by introducing the Carole sedan to stage a direct showdown with Hyundai's Avante.

Pricing played a role. In the United States, Toyota's Camry and Carola are about 20 per cent more expensive than Hyundai's Sonata and Avante. But the price gap is 10 per cent in China, which resulted in reduced competitiveness for Hyundai.

India cuts tariffs to jump-start stalled Asean trade talks

AFP, *Kuala Limpur*

India said Friday it had offered concessions to restart stalled trade talks with Southeast Asia, slashing tariffs on imports of sensitive agriculture products such as palm oil, tea and pepper.

However, Malaysia dismissed the move, saying the negotiations remained suspended over India's unwillingless to cut down a list of mostly agricultural products excluded from tariff reductions.

India said in a statement that it had offered to "substantially reduce import duty on the following highly sensitive products which are of significant export interest to certain Asean members."

Earlier, Indian trade officials met their counterparts from the 10-member Association of Southeast Asian Nations (Asean) ahead of a ministerial meeting here next week.

India said it will cut tariffs on refined palm oil to 60 percent from 90 percent, crude palm oil to 50 percent from 80 percent, black tea by half to 50 percent and pepper to 50 percent from 70 percent.

However, Malaysia's trade minister Rafidah Aziz said negotiations with India remain suspended because of its 854-product exclusion list.

The number has been reduced from the 1,414 India had originally proposed, but is still far higher than Asean's target of 400.

"The moment you have so many products up front regarded as sensitive, not to be negotiated especially when these products are of interest to Asean and at present these products constitute substantial trade with India, it (talks) cannot move," she said.

"It is a question of principle. What is the premise? The premise is market opening. So if up front you stop market opening for these products, meaning it is a standstill, it does not make sense to negotiate," she added.

"Malaysia as the coordinating country, does feel it is not necessary to negotiate if that is going to be the attitude."

The agreement between India and the 10-member Asean is scheduled to come into force on January 1, 2007, but negotiations have stalled over the list of mostly agricultural items to be exempted from tariff cuts.

Officials here have said that India has cited the fear of political fallout and its suicide epidemic among farmers as obstacles to hammering out a free-trade deal with Southeast Asia.

India, which adopted a free market economy in the early 1990s, is keen to expand trade ties with Asean, but wants to protect its own sensitive sectors, such as agriculture and textile which provide livelihoods to millions of Indians.

PHOTO: NCC BANK

MA Shahid, senior vice president of Al Fardan Exchange Co, and Md Nurul Amin, managing director of National Credit and Commerce (NCC) Bank Ltd, exchange documents after signing a remittance agreement in Doha, Qatar recently. Under the deal, Bangladeshi expatriates in Qatar will be able to send their money home easily and quickly through the branches of the bank. Senior officials from both the sides are also seen.

China unveils 8 automobile export zones

ANN/ CHINA DAILY

Chinese Commerce Minister Bo Xilai on Thursday named eight cities as the country's first batch of automobile export zones.

At a ceremony in Beijing attended by Vice-Premier Wu Yi, Shanghai, Tianjin and Chongqing municipalities, as well as Changchun in Jilin Province, Wuhan in Hubei Province, Xiamen in Fujian Province, Wuhu in Anhui Province, and Taizhou in Zhejiang Province were named as the first eight zones.

The ministry and the National Development and Reform Commission also named 160 vehicle and spare parts manufacturers from these cities as the first batch of national automobile and spare parts exporting enterprises.

Among these firms, 61 are foreign-funded companies, according to the ministry.

The long-awaited move comes amid the rapid growth of China's exports of vehicles and spare parts.

However, the industry's export volume remains small and domestic companies have been engaged in bitter overseas price wars.

Bo said that industry regulators would soon issue measures to help boost the nation's vehicle and spare part exports, and put the market in order.

"Expanding the exports of vehicles and spare parts, especially our own brands and those with our own intellectual property rights, is the only way to enhance our auto industry's international competitiveness and enable China to turn from a major auto-making nation into a strong one," Bo said.

The auto sector should fully utilise markets and resources at home and abroad, and domestic manufacturers should become internationally competitive, he added.

China's vehicle and spare parts exports were worth US$10.9 billion last year, up 34 per cent from 2004.

In addition, the nation's vehicle exports more than doubled to 173,000 units in 2005, surpassing vehicle imports for the first time.

However, vehicle and spare part exports only accounted for 7.3 per cent of total output value of China's auto sector. In contrast, more than 40 per cent of vehicles made in Germany, Japan and South Korea are exported.

China is currently the world's fourth-biggest auto-making nation after the United States, Japan and Germany. It produced 5.71 million vehicles last year and output is expected to reach 7 million this year. Meanwhile, the nation has more than 5,800 vehicle and spare parts manufacturers.

Bo said China's vehicle and spare part exporters face major risks due to a host of problems, such as domestic producers' weak independent development capabilities, stricter foreign environmental and safety standards, and a lack of shipping capacity. Domestic automakers mainly sell buses, trucks and low-end cars in overseas markets.

Also on Thursday, 17 of the automakers named by the minister agreed to form 15-year strategic alliances with China Ocean Shipping Group and China Export & Credit Insurance Corp to expand their shipping capacity and avoid export credit risks.

India's Reliance announces start of giant retail store roll-out

AFP, *New Delhi*

India's biggest private company Reliance Industries, said Friday it aims to launch its first store next month in the southern city of Hyderabad, part of a plan to build an Indian version of Wal-Mart, the world's largest retail chain.

Reliance, whose main business is petrochemicals, has said it plans to invest nearly six billion dollars in setting up the store subsidiary covering nearly 1,500 cities and towns in India.

"We will be opening our first store in Hyderabad in September and this will be a very large store with food, vegetables and staples," Reliance Retail president Raghu Pillai told reporters in the Indian capital.

Pillai said the company, which Reliance intends to list on the stock market, "plans to be across the country ... as soon as we can" and would quickly reach 100 stores but gave no specific timeframe.

He said Reliance Retail would offer competitive prices by removing "extra costs from the supply chain." As part of its drive to cut costs, it is considering partnering consumer durable companies to procure goods directly and sourcing items from low-cost manufacturers like China.

Mukesh Ambani, chairman of Reliance Industries, has said he wants to make the retail chain "a Wall-Mart in India" with an annual sales target of 25 billion dollars by 2011.

US retailer Wal-Mart is the largest retailer in the world, having revolutionised the business through a super efficient management system overseeing thousands of suppliers.

India's retail market is reckoned by analysts to be worth around 200 billion dollars a year. It is dominated by small mom-and-pop street corner stores with organised retail outlets comprising just two percent of the sector.

Japanese business upbeat

AFP, *Tokyo*

Most local business leaders in Japan are upbeat about the economy, but growth has not been evenly spread with widespread pessimism in the northern island of Hokkaido, a poll said Friday.

Some 61 percent of regional industry leaders believe the economy has improved or is showing signs of improving, with only two percent convinced the situation is deteriorating, the Nihon Keizai Shimbun said.

But only 17 percent on Hokkaido see an improving economy, the daily said. The northern island is heavily dependent on public works, which Prime Minister Junichiro Koizumi's government has slashed in a liberalization drive.

Optimism is also less than half on the southwestern island of Shikoku, at 44 percent, it said.

Japan, which was mired in recession for much of the 1990s, said last week its economy expanded for the sixth straight quarter in the three months to June in part due to strong domestic consumption.

ROK to ink FTA with Asean next week

XINHUA, *Kuala Lumpur*

South Korea will sign the Free Trade Agreement (FTA) in trade and goods with the Association of Southeast Asian Nations (Asean) next week with the exception of Thailand, an official said Thursday.

Thailand has chosen to be excluded following inconclusive negotiations on the issue of rice, said South Korea's Deputy Director-General of the Bilateral Trade Bureau Hong Ji-in.

Hong made the remarks here after attending the Senior Economic Officials Meeting-Republic of Korea Consultations, which are in preparation for the 38th Asean Economic Ministers (AEM) meeting and other related meetings expected to kick off later this month.

"Even without Thailand, the agreement will go on but we hope Thailand will join as soon as possible," Hong was quoted by the Bernama news agency as saying.

Asean, with the exception of Thailand, signed the framework for the FTA last December during the inaugural East Asia Summit held in Kuala Lumpur.

Thailand decided to defer signing the agreement after Thai-South Korean trade negotiators failed to reach a compromise on South Korea's refusal to open its rice market to Thailand.

The Asean-South Korea FTA is reported to be likely implemented early next year with or without Thailand's participation.

The Asean-South Korea FTA will help liberalize the flow of goods and services by 2016 and create a market of some 550 million people with a combined economy off more than 1.4 trillion US dollars, Bernama reported.

The agreement will end tariffs on 97 per cent of about 4,000 categories of goods, while the remaining 3 per cent consisting of rice, poultry, fish and agricultural products will be retained in "a sensitive list."

Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Asean six to abolish most electronics tariffs

An AFP report from Kuala Lumpur adds: Six Asean countries will abolish tariffs on most electronic products traded between them by next January, three years ahead of schedule, in a bid to claw back foreign investment from China and India, officials said.

Ramon Vicente Kabigting, a director at the Philippines' department of trade and industry said the six countries to accelerate the program were Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

"Because it is a priority sector, 85 percent of the products will have zero tariff next year," he told AFP.

"Eighty-five percent of the products will cross the borders freely. This will lower costs and make the products more competitive," he added.

An Association of Southeast Asian Nations (Asean) official confirmed the move. "Duties covered under the priority sector integration will be eliminated by January 2007," he told AFP on condition of anonymity.

Islamic banking booming as sector goes mainstream

AFP, *Kuala Lumpur*

Japan's decision to explore issuing Islamic bonds is the latest step forward for a booming sector that has broken out of its niche market and is being embraced by mainstream banks and businesses.

Islamic finance, banking and insurance complies with Sharia or Muslim religious laws that ban the earning of interest, or involvement in alcoholic drinks and gambling.

From basic bank deposits and investment accounts, the sector has expanded into complex areas including equity funds, bonds and Islamic hedge funds and swap equivalents, and more new products are in the pipeline.

Japan will be the first major industrialised country to issue Islamic bonds if the Japan Bank for International Cooperation goes ahead with the plan announced Friday which is aimed at attracting money from oil-rich Muslim countries.

It is working with the central bank of Malaysia, a predominantly Muslim country that has established itself as the Asian leader in Islamic banking after introducing the service in 1983.

The sector now makes up nearly 10 percent of the nation's banking system and the government aims to double this to 20 percent by 2010, but it faces stiff competition from elsewhere in Asia, particularly Singapore.

While aiming to target Muslims, who consider traditional banking as impure, Islamic products have also attracted non-Muslim clients partly because banks operating under Shariah law charge no interest.

And unlike in conventional banking where clients usually bear all the brunt in case of a financial loss, Islamic banks share in absorbing risks.

Funds are also banned from investing in companies associated with tobacco, alcohol or gambling considered as taboo to Muslims -- a feature attractive to so-called "ethical" investors.

Major banks like HSBC and Britain's Lloyds TSB now offer Islamic products, and the US Treasury Department has appointed an Islamic scholar as its principal adviser on Islamic finance in an effort to better understand the market.

Malaysian-based budget carrier AirAsia this month signed its first-ever Islamic financing agreement to fund the purchase of six A320-200 aircraft in a deal worth some 230 million dollars.

Total worldwide assets of Islamic financial institutions exceed an estimated 250 billion dollars and are growing 15 percent annually, according to the International Monetary Fund.

Lankan economy booms despite bloodshed

AFP, *Colombo*

Sri Lanka is expected to record its highest annual economic growth in 28 years despite escalating violence in the decades-old separatist conflict, analysts said.

Security has deteriorated since December with aerial bombings, artillery attacks, suicide bombings and fierce face-to-face confrontations that have officially claimed at least 1,500 lives.

However, the 24-billion-dollar economy is booming, analysts said, with a staggering 8.1 percent growth in the first three months of this year and forecasts of 8.0 percent for the full year, the best since 1978.

Treasury Secretary P.B. Jayasundara said growth was expected to be more than 7.0 percent in the second quarter of this year.

The growth has been fuelled by the successful garment industry which has cornered a niche market for exotic lingerie, as well as farm exports. Hotels and roads built after the December 2004 tsunami have also helped, the Central Bank of Sri Lanka has said.

Media minister Anura Yapa said tourism was also assisting, with hotels reporting solid bookings as holidaymakers shrug off concerns of violence and terrorism and continue to travel.

"Hotels in Colombo are full," the minister said.

"We are getting ready for the South Asian games on Friday," he said of the games running for 10 days in the capital.

"I don't think the violence has caused any big impact on the economy. The hotels are having a blast."

However the fighting has had some impact, with international ratings agencies Fitch and Standard and Poor's downgrading Sri Lanka's outlook to negative. They warn an escalation in violence could lead to full-scale civil war, curb growth and bleed the treasury.

Paul Rawkins, senior director in Fitch's sovereign team, said Sri Lanka was continuing to perform well despite the seemingly unending bloodshed in the island's north-east and bomb attacks in Colombo.

Pioneer Ins chairman re-elected

AKM Rahmatullah has been re-elected chairman of Pioneer Insurance Company Ltd for the term 2006-07, says a press release.

A former member of parliament, Rahmatullah is the managing director of Apex Tannery Ltd and Dai-Ichi-Pex Textiles Mills Ltd and the chief adviser to Bangladesh Finished Leather, Leather Goods and Footwear Exporters' Association.