



# Star BUSINESS

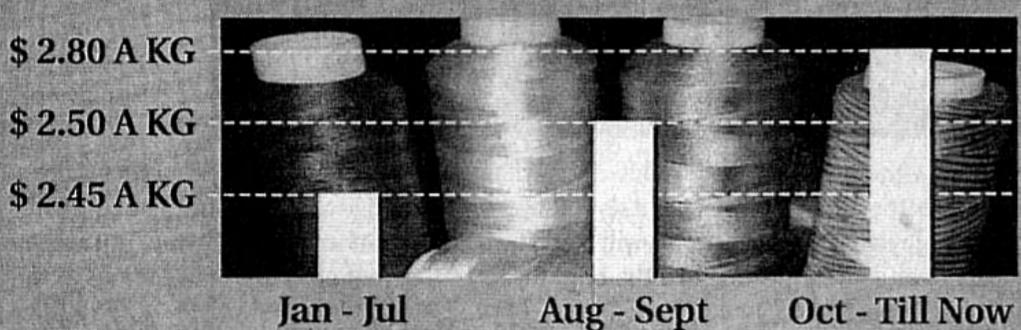
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## Local RMG to lose competitiveness on rising yarn prices

Garment makers fear

### 30 COUNT YARN PRICE TREND IN LOCAL MARKET



#### STAR BUSINESS REPORT

Exporters fear Bangladesh's knitwear and readymade garments (RMG) industry may lose international competitiveness due to the persistent price rises of yarn in the local market.

The '30 count' variety of yarn is now selling at a price ranging from US\$2.75 to \$2.80 per kg, up from \$2.40 and \$2.45 at the beginning of the current year.

Yarn producers say they have no choice, blaming the rise on the cost of raw materials. For example, the cotton price increased to US\$ 78 cents per pound from \$60 cents a pound in September, according to industry insiders.

Yarn producers said the price of yarn was \$2.40 per kg in January, which reached around \$2.45 in July. It increased to \$2.50 in August and the rate continued upwards in September, they said.

In neighbouring India, yarn is now selling at \$2.55 a kg, 25 cents lower than in Bangladesh, according to Abu Zafar Nizami, managing director of Royal Denim.

Talking to The Daily Star, MA Baset, a director of Bangladesh

Knitwear Manufacturers and Exporters Association (BKMEA), said the continued price hike of yarn will have a negative impact on the local knit exporters.

He said they will lose out to other exporting countries in the international market primarily, and in a long run entrepreneurs may feel discouraged to invest in the knit sector.

Baset argued, "The impact of global cotton price hike on Bangladesh is different from the cases of China and India as those countries could produce cotton, the raw material for yarn. A major portion of the demand for cotton is met by their domestic production. Moreover, these two big countries can depend on the machinery of their own to produce yarn."

On the contrary, Bangladesh cannot enjoy those facilities, as the country is totally dependent on imported cotton and machinery, he said.

Baset, also the owner of Southern Knitwear, sees a great trouble for the small factory owners because of the hike in prices of yarn.

"Even many small knit factory owners may announce closure of such items in the global market."

their production units when they will see that they could hardly make any profit," he added.

The problem will turn more acute when the exporters will fix an enhanced rate for the RMG new orders from foreign buyers, he said, adding that the buyers will not be ready to buy the items at a higher price caused by the price hike of yarn in the local market.

He suggested the process of yarn import from India through Benapole Land Port should be eased to make the sector more lucrative.

When asked, Bangladesh Textile Mills Association (BTMA) President Abdul Hai Sarker said mainly the higher cotton price is responsible for the price hike of yarn.

Moreover, higher bank interest rate and production costs have also caused such a price hike," he said.

When contacted, some local knit and RMG product exporters pointed out that the imposition of 10 percent import duty and 15 percent VAT in the current fiscal on some textile raw materials has affected the competitiveness of such items in the global market.

"Even many small knit factory owners may announce closure of such items in the global market."

## India PM hints at review of subsidies

#### ANN/THE STATESMAN

Indian Prime Minister Dr Manmohan Singh on Saturday underlined the need for a re-look at subsidies that have failed to achieve the objective of reducing inequities.

"We spend far too much money funding subsidies in the name of equity, with neither equity objective nor efficiency objective being met," he said while speaking at the Golden Jubilee celebrations of the Institute of Economic Growth in New Delhi.

On an earlier occasion, Dr Singh had said the country's food, fertiliser and petroleum goods subsidy bills were likely to exceed Rs 1,00,000 crore during the current financial year.

Stating that India needs to constantly renew its commitment to economic reforms, the Prime Minister made a case for finding

rational solutions to reduce regional imbalances and make growth more widespread.

He also expressed optimism that India would be able to catch up with South-East Asia and East Asia if it stays on course and implements the growth strategy spelt out in the Eleventh Five-Year Plan (2007-12).

The momentum of growth, the Prime Minister said, needs to be sustained by accelerating investments and savings rates, increasing investment in social and economic infrastructure and providing focused attention to the agriculture sector and energy security issues.

Such an approach, he said, was also necessary to address the major concerns pertaining to rural-urban divide and inter-regional imbalance.

Pointing out that often frustration results from the government's

inability to meet expectations, he said: "We need rapid expansion of labour-intensive manufacturing industries. We need new ways to increase agriculture output and productivity."

"Equity does not always imply offering subsidies. If such subsidies do not reach the poor, they do not, in fact, address the objectives they are meant to," he said.

Regetting that "mixed economy" often becomes "mixed up economy", Dr Singh said, the country needs to look for a new middle path for development that "combines the efficiency considerations of the market with the equity considerations of a liberal economy."

Stating that agriculture cannot provide livelihood to over two-thirds of the country's population, Dr Singh said the nation needs policies to encourage non-farm employment.

## Thai luxury vehicles may bounce back

#### ANN/THE NATION

The Thai luxury-car market may experience growth next year after a long period of sluggish sales, said Wolfgang Huppenbauer, president of Mercedes-Benz (Thailand), the market leader.

Huppenbauer told reporters that the market could reach 8,000 units next year, depending on the economic and political situation.

"It will depend, after the general elections, on what kind of policies will come from the new government, especially in terms of megaprojects which would play a major role in supporting investment in the country," he said at a press briefing on Friday.

This year the luxury-car market is expected to come in at less than 7,000 units, he said.

"We'll have to see who gets to

become the new government and whether the new government has enough stability. After the first quarter of next year we'll see whether the market will become active once again. We will be able to see things more clearly then," he added.

In the first 11 months of the year, Mercedes-Benz sold 3,700 vehicles: 600 A-Class, 900 C-Class, 1,700 E-Class, 500 S-Class and other models.

Huppenbauer said that Mercedes-Benz planned to grab a 50-per-cent market share in the luxury segment. This may not be an easy achievement, but is possible thanks to introduction of new models such as the C-Class. The C-Class was recently introduced in CBU (completely built-up) form and 80 units were sold during the past two months.

"We plan to start offering the CKD (completely knocked-down) version in January but we still cannot disclose prices. One thing for sure is that it will be able to stimulate the market," Huppenbauer said, adding that Mercedes-Benz needs to adopt a wait-and-see attitude before deciding to offer the diesel version of the C-Class in Thailand.

Huppenbauer said that Mercedes-Benz was also closely working with its leasing arm, Mercedes-Benz Leasing, in coming out with new sales campaigns to make it easier for customers to own its cars.

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## India, Russia, China to boost economic ties

AFP, New Delhi

India, Russia and China vowed to boost trade and investment with each other after a one-day meeting that saw officials and businessmen from the three countries gather in New Delhi this weekend.

A top Indian foreign official admitted that the three countries need to do much more to further economic links.

"Investment between these three countries is quite insignificant," said Nalin Surie Saturday, according to a Press Trust of India agency report.

"India, China and Russia have huge raw material and energy reserves. All three of us should come together to form a India-China-Russia business partnership."

The Russian ambassador to New Delhi, Vyacheslav I. Trubnikov, said he looked forward to further investment in his country's energy resources by the high tariff rates discourage local investors to invest in the software sector," Rowly said.

"The three of us can work together to promote joint ventures that could infuse more investments in oil exploration and production blocks in Russia, ensuring energy security in India and China," said Trubnikov, according to PTI.

But the countries vowed to work together in other arenas as well, including technology, pharmaceuticals and services, according to a statement from the Federation of Indian Chambers of Commerce and Industry.

Chinese delegate Bu Jian Guo said efforts needed to be made to surpass the three-way trade of 39-billion dollars, the statement from FICCI, one of the conference organisers, said.

## Bank of Japan may find rate hike difficult

ANN/THE YOMIURI SHIMBUN

The Bank of Japan's Tankan survey indicated the Japanese economy is showing signs of instability, despite recent steady growth.

Business confidence has waned among major manufacturers in 11 of 15 industries, increasing from eight in the September Tankan survey.

Three major factors are believed to be affecting the Japanese economy: a poor outlook for the U.S. economy due to the subprime mortgage crisis; recent surges in the price of crude oil and other raw materials; and the lingering influence of the revised Building Standards Law on housing investment.

The subprime loan crisis has affected Japanese financial institutions less than those in the United States and Europe. Consequently, there is little concern that the mortgage crisis will result in domestic financial turmoil.

"Equity does not always imply offering subsidies. If such subsidies do not reach the poor, they do not, in fact, address the objectives they are meant to," he said.

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Stating that agriculture cannot provide livelihood to over two-thirds of the country's population, Dr Singh said the nation needs policies to encourage non-farm employment.

"We have to look at nuclear, which is proven technology," he said in an interview with AFP in the run-up to key climate change talks in Indonesia.

Governments are also citing climate change as a reason for their switch to nuclear power.

Some hail it as a clean energy that will help lessen the world's dependence on the polluting fossil fuels, gas, oil and coal, which spew damaging greenhouse gases into the air and drive global warming.

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## High internet tariff holds back software growth

BASIS chief tells The Daily Star

MD HASAN

The government's high internet tariff is holding back the country's software industry to have a strong position in the global market, says the chief of software makers' association.

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Rafiqul Islam Rowly

If anybody thinks Bangladesh means a country of flood and political chaos, business will not come here, Rowly explained.

Asked if there are other reasons,

he said, "Our banks are not ready