International Business News

Merkel warns EU against financial action on oil price

AFP, *Berlin*

German Chancellor Angela Merkel warned EU states on Thursday against taking financial action to absorb the impact of record oil prices, amid French calls to cap value-added tax on oil.

"Measures, especially of a financial nature, which have been regularly discussed and which at the end of the day will prevent making the necessary changes to adapt to a changing market, should from our point of view be avoided," she told the lower house of parliament.

Merkel made the remarks before leaving for the European Union summit starting in Brussels Thursday.

French President Nicolas Sarkozy has said the bloc should use the two-day summit to consider a proposal he made in May to cap value-added tax on oil to help member states cope with prices nearing 140 dollars a barrel.

The proposal has run into resistance from other EU countries as well as the European Commission, which warned that it would send the wrong signal to oil-producing nations.

Billion-dollar microchip plant opens in Singapore

AFP, *Singapore*

South Korea's Samsung Electronics and Siltronic AG of Germany said they had opened Thursday their one-billion-US-dollar joint venture microchip plant in Singapore.

Siltronic Samsung Wafer Pte Ltd will produce 300 mm wafers and aims to reach a monthly capacity of 300,000 by 2010, a statement said.

"Today's commissioning is a key milestone in further expanding our presence on Asia's growth markets," said Siltronic chief executive officer Wilhelm Sittenthaler.

Oh-Hyun Kwon, president of Samsung Electronics' semiconductor business division, said the 300 mm segment is undergoing rapid growth.

The semiconductor industry's long-term prospects remain bright, Prime Minister Lee Hsien Loong said.

"Singapore has positioned itself to take full advantage of this and remain a leading manufacturing location in Asia for electronics and semiconductors," he said.

Domestic exports of electronic goods from Singapore have been declining since February last year, according to the government's trade promotion agency.

AFP

Japan's toy maker Sega Toys president Isao Kokubun (R) and US toy giant Hasbro global development officer Duncan Billings introduces the humanoid music robot "A.M.P." (Automated Music Personality), which moves on two wheels and plays digital audio music from its built in music system, on display in Tokyo yesterday. Japan's Sega Toys and Hasbro will start to accept orders from August and will deliver to customers at the end of this year.

Toyota to cut US production as sales slow

AFP, *Tokyo*

Japan's Toyota Motor Corp. will cut production at three US plants in response to slowing sales, a spokeswoman said Thursday, hitting a bump on the road to becoming the world's top automaker.

Some 200 temporary workers will lose their jobs as a result of the cutbacks, she said.

"We will slow down assembly lines, reduce operating hours and temporarily suspend production," the spokeswoman said.

The measures were to "cope with slowing sales in North America," she added.

Sales of automobiles, particularly large vehicles, are slumping in the United States due to soaring fuel prices and slack consumer spending amid a weaker economy and mortgage crisis.

BHP Billiton, Indonesian miner agree major nickel venture

AFP, *Jakarta*

Anglo-Australian giant BHP Billiton has agreed with an Indonesian firm a joint venture related to rich nickel deposits in eastern Indonesia, the companies said Thursday.

The venture would be split 50-50 between BHP and state-owned Indonesian company PT Antam Tbk, they said in separate statements.

Few details of the venture were made public and the deal is conditional on final approval by the companies' boards.

A BHP Billiton spokeswoman in Melbourne said the deal related to deposits on the islands of Halmahera, in North Maluku, and environmentally sensitive Gag Island in West Papua.

She could not confirm reports that it could lead to the development of a 4.9-billion-dollar nickel smelter.

SERVICE INDUSTRY

The business of beauty

SAYEDA AKTER

With her face, arms and legs covered in a heavy layer of mud, Nablia lies back on a couch like an Egyptian mummy waiting to be entombed. Not far away women are steaming their faces and hair while others are having their heads covered with henna paste.

Buzzing between them, inside Persona's salon in Dhanmondi, hundreds of Mandi (indigenous people from the Garo community) girls in floral uniforms and aprons are shaping eyebrows, cutting hair, mixing and preparing pastes or busy running with bowls full of tepid water for manicures and pedicures.

It may be a weekday morning, but trade is brisk and customers were already filling up the waiting room of what claims to be the largest beauty salon in South Asia.

"On weekdays, we have to provide services to around five to seven hundred clients a day and at the weekend the number often reaches more than a thousand," said Seema, an executive at Persona Hair and Beauty Ltd, one of the country's top beauty companies with a chain of salons in Dhaka and Chittagong.

Persona's Dhanmondi salon is huge, able to serve 300 women at a time on a spotlessly clean open planned space and with separate sections for spa services and 'Adams', men in beauty salon talk, one floor up.

But Persona is just one of hundreds, if not thousands of beauty parlours that have sprung up all over the country, mostly in the last decade. Beauty is now a Tk100 crore plus industry, providing employment for an estimated 100,000 women. Some work in top of the range parlours such as Persona, but many more work at smaller establishments set up not just in Dhaka's more exclusive areas, but in poorer areas, small towns and villages throughout Bangladesh.

It is quite a change from when the first beauty parlour, May Fair, was established in Dhaka in 1965, by a Bangladeshi born Chinese woman Carmel Hsieh. At that time only Chinese women were in the business and the clients were foreigners, a few film stars, singers and ladies from the elite society. In 1977, Zerina Asgar established Living Doll, the first Bengali beauty salon.

Kaniz Almas Khan, owner of Persona Hair and Beauty, said the reason for the sector's growth was the increased beauty consciousness among women and a desire to take care of ones appearance, especially among the middle class.

"Consciousness spread through the soap operas on the satellite channels once they were introduced in the 1990s" she said.

"At the same time the number of working women started to increase and that gave women more liberty to spend their own money," she added.

In the past decade there has also been an explosion in the number of women who have been prepared to start up and run salons themselves.

Parveen Boby, owner and beautician of Fair Touch, a mid-end beauty salon at Mirpur, started her parlour in 2001 in her own sitting room with an investment of Tk 60,000 and now has a yearly turnover of Tk 5 lakh.

"When I started my family members and many of my friends said that the money is just going to be wasted, but I have proved them wrong," Parveen said proudly.

"I marked that there was an interest in beauty service, but people were not used to such things. By setting low prices I have been able to bring people into the salon," she said.

The beauty market is well segmented, with prices set to appeal to a broad section of Bangladeshi women. For example, the cost of eyebrow shaping will vary from as little as a few takas in small salons outside Dhaka to Tk40 and Tk50 in the capital's more exclusive establishments.

At the top end of the market are salons such as Farzana Shakil. "If you can provide better services than others, and you have a strong determination to survive in the business, you can succeed," she said.

The industry is growing not only in terms of salons, but also in the huge number of jobs it generates. Industry experts estimate that currently there are around 100,000 people directly involved in the sector, of which 99 percent are women.

Mandis from Mymensingh, Tangail, Netrokona, Sherpur and Sylhet make up the majority of the workforce in most parlours. Legend has it that originally they were favoured because of their appearance, which was seen as more 'Chinese' in an industry that had been started in Bangladesh by a woman of Chinese descent. Now it is seen as a way of advancement in a community that in the past has had few job opportunities.

The government has fixed a minimum wage of Tk 3300 monthly for the women working in the beauty parlours, twice the minimum wage in the ready made garment (RMG) industry. However workers complain that in many salons it is not observed.

One beauty worker who did not want to be named said she had never even heard of the minimum wage. "I got only Tk 800 a month and a meal, when I started six years back and that was all," she said. However with six years experience she is now able to earn Tk 15,000 per month.

Farzana Shakil said one of the main problems the industry faces is a lack of professional training institutes. "People interested to come to the industry suffer from a lack of professional training and skills," she said.

"However, in Dhaka now there are one or two institutes that have opened recently but these are costly, she added.

Kaniz Almas Khan, owner of Persona, said the industry needed an association to protect its interests and an initiative to set up one was now in hand.

And the industry is starting to get attention from the government. Last week, Rasheda K. Chowdhury, adviser to the caretaker government for Women and Children, was present at the opening of a new branch of the salon chain Women's World in Dhaka.

Frivolous? Not a bit of it, according to Rasheda. "This industry has grown a lot and it is growing day by day and generating a huge number of jobs. The government should recognize the industry."

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Beauticians busy at Persona Hair and Beauty Ltd. SYED ZAKIR HOSSAIN

(Left) A beautician in uniform prepares a girl for attending a party, and (right) another prepares a customer for modeling at two separate salons.

ENERGY USAGE

China's cheap fuel underpins global oil price spike

AFP, *Beijing*

To find out why global crude prices are at historic highs, look no further than Christina Lu and her silver Honda Odyssey.

A beneficiary of China's artificially cheap gasoline, she drives as though the world's energy resources are limitless.

"The current price of gasoline has no influence on my use of the car," said the 40-year-old, who works for a foreign company in Beijing.

"The price could even go a bit higher as far as I'm concerned. It would limit the use of cars -- there are just too many of them on the streets."

China and other emerging economies have recently accounted for the entire growth in global oil demand as more mature economies have cut consumption.

This is partly expected, since China is in the middle of what looks set to be its sixth year of double-digit economic growth.

But price caps on gasoline and other oil products also play a huge part, insulating China's consumers from the real price of energy.

The nation's oil majors, Sinopec and Petrochina, suffer under price caps as they cannot pass the costs on to their customers. In turn, they get subsidies from the government to cover most of their losses.

Observers see it as a classic example of how government interference covers up the actual state of the market, leaving people with little direct sense of the value of the goods they consume.

"The money is paid from the tax revenue, so people actually wind up paying the same price," said Li Youcheng, an analyst with Hong Yuan Securities.

This is not just China's business. Since it is a power with growing global clout, economic developments such as this have repercussions far beyond its borders.

"A reform in the energy pricing system will not only benefit China itself, but the whole world," the China International Capital Corporation, or CICC, an investment bank, said in a research note.

"The international crude oil price largely depends on China's energy pricing policy, because China accounts for around 40 percent of the increment of global oil consumption."

CICC cited a detailed simulation which showed what would happen if China raises its oil product prices by 50 percent around mid-2008 to put the domestic refining gross profit margin in line with international levels.

Under this scenario, international oil prices would decline to 110 dollars per barrel by the end of 2008, and 90 dollars one year later.

By contrast, if China continues to control domestic oil product prices, international crude oil price will hit 200 dollars per barrel, the CICC's simulation shows.

According to Lin Yixiang, general manager of TX Investment Consulting, the Chinese system has brought about a litany of social ills.

"The measures have led to waste of energy, chaos in the market, queues of consumers, corruption of those in power and losses of producers. Moreover, it has exacerbated the supply shortage and inflation," he said.

"Curbs on energy prices are policies favourable for the rich classes, putting the unprivileged at a disadvantage and endangering social harmony," he said.

However, the government may be reluctant to change, as a rise in the cap on fuel prices could boost inflation, potentially a source of immense public dissatisfaction.

China's consumer price index rose by 7.7 percent last month, easing only slightly from April's 8.5 percent and still hovering near 12-year highs.

"The caps on oil product prices are vital now, because the government is seeking to rein in inflationary expectations," said Hong Yuan Securities' Li.

"The price caps must be removed, but given the concerns about stabilising the economy, it's not workable now."

The question is how much longer the government can afford to subsidise energy use.

As late as 2007, the value of China's direct and indirect subsidies was a manageable 0.9 percent of gross domestic product, lower than the three percent seen in many other economies.

AFP

Cars are gridlocked on one of Beijing's major ringroads. China is in the middle of what looks set to be its sixth year of double-digit economic growth but price caps on gasoline and other oil products also play a huge part, insulating China's consumers from the real price of energy.