

International Business News

China's new investment rules seen good for foreign firms

AFP, Beijing

China on Thursday defended its foreign investment rules, with a senior government official saying companies may think Beijing is being too stringent but they would benefit in the long term.

"Most companies understand the policy adjustments. But some other companies have said the frequent changes were putting quite big pressure on them," Wang Chao, assistant minister of commerce, told reporters at a briefing.

China, one of the world's most popular investment destinations, has tightened foreign investment policies in recent years, introducing new rules in areas such as labour, land use and taxes and tariffs.

For example, a law that took effect on January 1 orders foreign and domestic companies to pay the same corporate income tax rate at 25 percent.

Previously, foreign companies paid 15 percent tax, while Chinese companies paid 33 percent, although there were many exceptions.

EU scraps preferential tariffs for Vietnamese footwear

AFP, Brussels

The European Union has decided to end preferential tariffs for Vietnamese-made footwear and some other goods, the European Commission said Wednesday.

EU foreign ministers, at a meeting in Brussels, on Tuesday backed the renewal of the bloc's system of general preferences for products from developing countries from January 2009 to the end of 2011.

However, as part of the decision, they withdrew Vietnam's preferential market access for footwear, headgear, umbrellas, sun umbrellas, artificial flowers and other goods, according to the commission.

The decision was taken after the Vietnamese goods were deemed to be competitive enough not to need preferential market access.

Rolls-Royce says net profit dips on weak dollar, higher costs

AFP, London

Rolls-Royce, the maker of plane engines, said on Thursday that first-half net profit fell 3.9 percent to 294 million pounds (374 million euros, 587 million dollars) owing to a weak dollar and higher costs.

In comments issued alongside the results, the British group's chief executive John Rose voiced optimism about the outlook for Rolls-Royce despite a downturn for the airline industry amid an economic slowdown.

Rolls-Royce said in a statement that its order book grew almost 17 percent to 53.5 billion pounds in the first six months of 2008 from a year earlier, "further extending the visibility of future revenues."



Indian models pose with the ASUS Eee PC 904H and 1000H Netbooks in Mumbai yesterday. Taiwanese company ASUS in collaboration with Intel and Microsoft launched two models of India's first netbook priced between INR 26,990-29,990 (USD 630-700). The netbooks which are powered by an Intel Atom processor and pre-installed with Windows XP, Microsoft Works are targeted for the lower end of the internet usage spectrum.

US airlines battling stiff headwinds from high fuel prices

AFP, Washington

The top US airlines have posted heavy losses in the current earnings season as spiraling fuel prices have forced them to cut flights, fleets and staff, as well as raise fares and add fees.

The outlook for 2009 appears equally overcast for the major carriers, most of them recently emerged from the bankruptcy protection they sought after the September 11, 2001 terrorist attacks that decimated air travel.

United Airlines, the second-largest US airline, was the hardest hit in the second quarter, reporting a 2.7 billion dollar loss.

Market leader American Airlines lost 1.4 billion dollars, Delta Air Lines dropped 1.04 billion dollars, US Airways shed 567 million and Northwest Airlines 377 million. The least scathed was Continental Airlines, which lost three million dollars.

India mobile phone giant Bharti Q1 profit up 34pc

AFP, Mumbai

India's top mobile phone company, Bharti Airtel, said its first-quarter net profit increased by a better-than-expected 34 percent, as subscriptions rose in the world's fastest-growing wireless market.

Net profit for the three months to June was 20.25 billion rupees (470 million dollars) from 15.12 billion rupees for the same period a year ago.

Revenues climbed 44 percent to 84.83 billion rupees. "On the mobile side, monthly customer adds crossed the 2.5 million mark in the quarter," Bharti chairman Sunil Bharti Mittal said in a statement.

ELECTRONICS GOODS

TV warranty or exploitation?

SAIJADUR RAHMAN

You don't know how long you can use the television you bought today although its warranty period is 10 years. Heck, it may not even run for 10 days. But if you are lucky, it may function well beyond the time you bargained for.

A shop owner was found saying this to a man who purchased a 21-inch wide colour television two weeks back from a shop at Moulana Bhashani Stadium. His television defaulted within just two weeks of his purchase even though the seller had assured his spirit by giving him 10 years of warranty.

Companies often offer such warranties to allure customers into making purchases but surely they do not intend to provide them with any due services. Many of these companies do not even have any service centre to make provisions for these after-sale services. Even in cases where warranties are provided, customers have to pay service charges, which negates the concept of providing warranty.

"Some companies offer warranty, ranging from 8 to 12 years, just to exploit the unknowing customers. No one can guarantee that these companies will exist for 10 or 12 years," said Engineer Mohabbat Ullah, president, Bangladesh TV Manufacturers Association.

It was found some companies, which sold assembled televisions a few years back, are now off the market. They are World Vision, Skyline, Bright, Golden, Nipun and Gold Crown.

Instances of such 'hit and run business' are not unheard of and the practice has been growing fast as more and more companies are offering warranties for the televisions they assemble here by importing all the required parts from China. All thanks to the Chinese manufacturers!

Some of the brands that offer up to 10 years of warranty include Gold Star, SVL, Triton, Royal, Mitsui, Nova, Golden Star and Sunny.

Today, a 14 and 21 inch



A buyer checks on a television set at a showroom in Dhaka before making a decision to purchase it. Being often allured by a long time warranty offered by sellers, the customers of this electronic goods are sometimes allegedly deceived.

colour TV costs only Tk 5,000 and Tk 7,000 respectively, which was unthinkable 20 years ago.

One of the main vehicles of media in Bangladesh is television and several satellite TV stations have also made their headway here. With the growing number of viewing options and a lack of other recreational activities in the city, consumers are rushing to buy these cheap televisions by being attracted by lucrative offers, especially the warranty benefit. To take advantage of the opportunities, some traders are coming up and importing parts of televisions from China to assemble those locally and market these under different brand names.

But the trick of the trade lies in evolving the right value proposition a combination of quality and low price, a market

analysis found. And as for the quality, some companies and consumers understand only 'warranty'.

A television requires about 700 parts, of which, the picture tube is the most vital and costs almost 50 percent of the total expenses.

The total investment in the country's electronics industry would be around Tk 300 crore, according to the association that estimates an annual sale of 450,000 to 500,000 televisions. There are about 40,000 retailers and wholesalers of television in the country.

"In a sense, these companies deceive customers. If the warranty is five years for the picture tube, two years for parts and three years for services, the companies totals the warranty period at 10 years," said a businessman at the city's stadium market, the country's largest retail market

for television.

He sells televisions of around 10 brands.

"You can't give guarantee separately for different parts," said Mohabbat Ullah, who produces two brands, Gold Star and Mitsui.

He and some other retailers unanimously said three months warranty is enough for a television.

"Actually, consumers need no more than three months warranty because if an electronic item runs smoothly for three months, it will last longer!" said Iftexhar Ahmed Khan, a showroom manager of Philips Transcom at Moulana Bhashani Stadium.

Interestingly, reputed brands such as Philips, Sony, Samsung, Toshiba and Singer cost much higher and their warranty period is much lower -- a maximum of five years -- than the televisions assembled

locally by signboard-based companies.

A 21-inch Philips TV costs a minimum of Tk 14,900, whereas a locally assembled television of the same attributes costs only Tk 7,000. Furthermore, the warranty period is double for the low-cost television, in certain cases.

"Extended warranties on TVs are becoming mainstream and offering comfort to the lower end group," said Abdul Huq, another retailer at the stadium market.

He said poor and unknowing consumers do not understand that expensive purchases are more protected and provide more value for money.

The association president however said the industry has bright prospects in Bangladesh, with a population of 150 million.

"This is a very big market.

The government needs to take care of such issues so that consumers are not cheated and get better services from sellers," Mohabbat Ullah said.

This is a labour-intensive sector and generates a lot of revenue for the government and creates employment opportunities for many, the tv manufacturers association president said.

"For the last 10 years, we have been demanding of the government to allot a piece of land for building up a belt for the industry. But the issue is yet to be addressed," he said.

Customers should not go hurry in purchasing television sets, he suggested, underscoring the best use of their options. Some companies that provide warranties may not even exist till the warranty period expires, he warned.

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ANALYSIS

US housing bill may stem downward spiral

AFP, Washington

A wide-ranging housing rescue plan passed by the US House of Representatives on Wednesday could help ease the downward spiral in the property market that is weighing on the US economy, analysts say.

The plan, which offers aid to homeowners facing foreclosure and seeks to support mortgage finance giants Fannie Mae and Freddie Mac, cleared a major hurdle before the House vote Wednesday when the White House dropped its threat to veto the plan, despite some reservations.

"This is a positive step," said Gary Thayer, senior economist at Wachovia Securities.

"If the housing market continues to decline it will hurt homeowners and lenders. I think it's important to stabilize the situation because the Fed (Federal Reserve) can't do much more in cutting rates."

The legislation, which passed in the House by 272 votes to 152 and will now be submitted to the Senate for approval before going to President George W. Bush for his signature, provides some 3.9 billion dollars to help local governments buy and rehabilitate foreclosed homes.

It also permanently boosts the dollar limit for mortgages that can be repurchased by Fannie and Freddie and expands the federal mortgage insurance program, moves that could add liquidity to the housing market. The bill would allow the Federal Housing Administration to insure an additional 300 billion dollars in loans.

Significantly, the bill reforms Fannie and Freddie's oversight and would provide for new credit and direct federal investment in the government-sponsored enterprises (GSEs), which have a congressional charter but are owned by shareholders.

White House spokeswoman Dana Perino said Bush agreed to the plan to help deal with the crisis, despite a number of objections.

"The president would not have signed this bill if we had a lot of extra time on our hands. We don't," she said.

"Congress is set to go out to recess -- on its next recess, and we do not believe that given the essential need to move promptly right now that a prolonged veto fight -- even though we think we would win it -- that a prolonged veto fight would be good for the housing industry right now."

Perino said the administration was concerned that the aid package "does nothing to



Hundreds of people facing difficulties paying their mortgages wait in line in front a hotel in downtown Washington, DC, on Wednesday to receive free financial counseling from the Neighborhood Assistance Corporation of America (NACA). The US Senate recently passed a mammoth housing rescue bill aimed at helping thousands of Americans to keep their homes, amid a deepening mortgage foreclosure crisis.

help people actually stay in their home, and in fact there are some people who believe it would actually cause more foreclosures."

She said banks now have an incentive to keep homeowners in place but that "if they know they're going to get a bailout from the federal government or from their state government

because we're providing them money, they're less likely to try to help people stay in their homes."

Brian Bethune, economist at Global Insight, said Congress and the White House were forced to compromise amid fears of a meltdown in Fannie and Freddie, which could have further roiled a

troubled financial system.

"This bill is long overdue -- but it took a crisis to break the logjam," Bethune said.

"Stabilizing the GSEs at this point is a 'must do.' The recent support from the Fed and the Treasury, combined with increased financial authority under this bill for the Treasury to backstop their capital,

should catalyze renewed private investor interest."

A congressional estimate indicated the government might shell out 25 billion dollars in aiding the GSEs, although there is a possibility it may cost between zero and 100 billion dollars.

Overall, Bethune said the measure appears to support a fragile economic recovery that has been held back by housing and credit concerns.

"The right constellation of monetary and fiscal policies should promote a stabilization of the housing market and get the economy rolling again -- in this case the Treasury could be on the hook for much less than 25 billion dollars," he said.

"Any major missteps, however, would mushroom the cost to the Treasury, and the American taxpayer, to 100 billion."

The House of Representatives' Republican whip Roy Blunt objected to what he said would be "a 300-billion-dollar bailout of mortgage lenders, allowing them to offload their worst loans onto the Federal Housing Administration."

"I believe rewarding, encouraging and reinforcing risky investments should not be the role of the government -- and certainly shouldn't be financed by taxpayers," Blunt said.