International Business News

S Korea offers summit with China, Japan on financial turmoil

AFP, *Seoul*

South Korean President Lee Myung-Bak yesterday proposed holding a summit with his Chinese and Japanese counterparts to discuss ways to calm the global financial turmoil, his ruling party said.

Lee will make the formal offer when he attends the Asia-Europe Meeting (ASEM) in Beijing on October 24-25, said Cha Myung-Jin, spokesman for the ruling Grand National Party.

"East Asia now has the world's largest amount of foreign currency in reserve," Lee was quoted as telling party chief Park Hee-Tae, according to the spokesman who attended their meeting.

Lee said it would be "a good idea" for South Korean, Chinese and Japanese leaders to hold a regional summit on the financial crisis, the spokesman said.

"The three countries can wisely overcome the financial crisis if they join forces," the president was quoted as saying.

Lee on Friday called for finance ministers of the three countries to discuss closer coordination. He warned that the US-born financial crisis was showing signs of spreading globally and depressing the world's real economy.

Nomura to buy Lehman's Indian IT hub

AFP, *Tokyo*

Japan's top broker Nomura Holdings said Monday it would buy Lehman Brothers' IT support hub in India, taking on another 3,000 workers as it picks up the pieces from the Wall Street giant's collapse.

Nomura, which is already buying a swathe of Lehman's operations across Asia, the Middle East and Europe, will take on the failed US bank's India-based back office and information technology support businesses for an undisclosed sum.

The Japanese broker moved swiftly to snap up Lehman businesses outside of the United States after the once-mighty Wall Street titan was brought down by the financial crisis that has rocked world markets.

The Indian subsidiaries, based in the financial hub of Mumbai, were not included in the earlier deal, but Nomura decided it needed to take on the IT experts responsible for running Lehman's state-of-the-art stock trading system.

Nomura chief executive Kenichi Watanabe described the latest acquisition as "an important component of our global expansion strategy."

Dubai announces $95b new city development

AFP, *Dubai*

A Dubai government firm on Monday announced it will build a "new city" in the booming Gulf emirate at a projected cost of 95 billion dollars, shrugging off the global financial turmoil.

The mixed-use Jumeirah Gardens development will be "an integrated city within a city," to be built over 12 years, Meraas Development said at the opening of Cityscape 2008, a four-day international real estate exhibition.

The announcement came one day after Dubai developers Nakheel said it planned to build a tower which could stand one kilometre tall (3,280 feet), beating the city's own world record.

Dubai, part of the oil-rich United Arab Emirates, already boasts the world's tallest building, the yet to be completed Burj Dubai tower, which reached a height of 688 metres (2,257 feet) at the start of September and is still growing, according to developers Emaar.

It now has 160 storeys, the highest skyscraper in the world, Emaar said.

AFP

Visitors look at the model of a tower to be built in a proposed "new city" by Dubai government firm Meraas Development on display at the opening of the Cityscape 2008 international real estate exhibition in Dubai yesterday. Meraas Development announced it would build a "new city" in the booming Gulf emirate at a projected cost of $95 billion, shrugging off the global financial turmoil.

Myanmar steps up development of contract farming zone

XINHUA, *Yangon*

Myanmar is stepping up the development of contract farming zone in the suburban township of Yangon division, working out a systematic plan of plantation of agricultural crops by private entrepreneurs, official press media reported today.

According to the state-run newspaper New Light of Myanmar, the Yangon division special integrated farming zone, set up in Nyaunghnapin village, Hmawby township, is made up of some sub-zones where undertakings including the raising of poultry, growing of beans and pulses, and physic nuts as well as fish breeding, are carried out.

Of the 2,708-hectare Yangon division special integrated farming zone, 50.3 percent have been put under kitchen crops, beans and pulses, and physic nuts, while 30 percent accommodate poultry farming where over 300,000 chickens including layers and broilers are raised, the report said.

The rest of the area goes to special fish farming where 364,000 fish of various species are bred in 51 breeding ponds, the report added.

LIFESTYLE

Trendy trade in schoolbags

SAYEDA AKTER

Zuhairia Anan, a six-year-old student, no longer wishes to go to school with her six-month-old schoolbag, as she barely can take her eyes off a new Harry Potter bag that she sees with her classmate.

She was desperately pleading with her parents to buy her the one decked out with Harry Potter picture and the zipper head carries a mask of the popular teen icon.

"It's so wonderful and lovely, I must get one," Zuhairia insisted.

She is among many such school-goers who always tend to have a new and trendy bag when it hits market, or when the children start a new session in school.

Reading their minds, the market for schoolbags is growing at a faster pace across the country, especially in the capital. The industry has developed in several segments with importing and making bags of different price tags in recent years.

Industry people estimate the overall market size of such items including casual and fashionable schoolbags at around Tk 30 crore a year.

Currently, more than 10 lakh bags are sold every year in the country, with around 7.5 lakh bags coming from China, Thailand and Singapore, said the industry people.

Mainly three types of bags -- backpack, side bag and fancy cartoon bag -- dominate the market, said Shah Alam, managing director of Daniel Corporation, a bag importer.

"In '70s only the rich urban people used to buy schoolbags for their children and most of those were imported," he said, adding that now the bags are essential for almost all rural and urban students.

He said the designs of the bags depend on the age of the clients, for example the students of playgroup to class three need single-compartment bags, class four to seven want double compartment bags and students of higher classes need multi-compartment bags.

Alam imports bags from China, as those are low-priced, stylish and suit Bangladesh's weather.

He said the materials for making the bags are mainly cloths made of nylon, polyester and silk with PVC (polyvinyl chloride), a common thermoplastic resin used in a wide variety of bag and rainwear for ensuring water protection.

The prices of these imported bags range from Tk 280 to Tk 650 each and these are more durable and popular, according to the users and the industry people.

Rakibul Ahmed, owner of Jamuna Bag Store at New Market in Dhaka, said the sales of schoolbags go up in the beginning of a year and mid-year, although the sales remain steady round the year.

"The new session of Bangla medium schools begins in the beginning of a year and the English medium schools in the middle of the year, and so the sales are high these seasons," he said.

Rakibul keeps a wide range of schoolbags with a combination of imported and locally made bags, although the imported ones are more popular.

He imports bags from China, Thailand and Singapore. But the local bags cost low.

Interestingly, the locals started making schoolbags in recent years and the sales of their products are satisfactory now, said industry people.

Aynal Rafi, owner of Rafi Bags, a local manufacturer at Chawkbazar in Dhaka, said he started making bags four years ago, using imported materials from China and Thailand and the wholesale price of his bags ranges from Tk 120 to Tk 160.

He said the local bags can meet at least 20 percent of the total demand and their sales are increasing day by day, as these bags are cheap.

He, however, admitted the criticism of less durability of the bags. The local manufacturers lack enough fund, and quality materials such as waterproof cloths and zippers in the local market, he added.

There is a lack of designers and experienced tailors in this industry who can produce a fine finished product within a tight budget, Aynal explained.

But the quality of design is improving gradually, he added.

However, the sector is facing problems that hold back its growth.

Shah Alam of Daniel Corporation said import duty is a big problem for the growth of the sector, as the businesspeople import a bag from China for $15 and pay an additional $17 in duty.

He said the same thing happens when entrepreneurs import raw materials to make bags locally.

Aynal said the government should encourage the local entrepreneurs by offering them easy access to bank loans that will help them make quality bags.

The industry people also feel the necessity of forming an association, which they think will safeguard the industry.

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AMRAN HOSSAIN

Two children walk to school in Dhaka, carrying books in their bags. The market for schoolbags is growing faster in the capital than in other parts of the country.

COLUMN

MAMUN RASHID

Setbacks to FDI inflow

UNCTAD's World Investment Report 2008 depicts a 16 percent drop in foreign direct investment (FDI) inflows to Bangladesh in 2007 from a year ago. This is in contrast to a 32 percent increase in FDI receipts globally, let alone 18 percent higher investment notched in the region.

The decline for Bangladesh began in 2006 when the figures dropped to $793 million from $854 million in 2005. Political unrest had to do with the sudden fall; but somewhat ironically in 2007 under the caretaker regime, the figure slumped to $666 million.

The confusing signal is: even though there has been no political unrest in the last nearly two years, a certain extent of political uncertainty accompanied by business and investment hesitancy existed.

Significantly, local investment projects registered with the Board of Investment (BOI) have increased substantially -- from 286 in 2007 to 1,055 projects during the first eight months of fiscal 2008. This is perhaps attributable to a switch from mercantile investment to productive ones. The vastly improved performance of Chittagong port has had a positive bearing on local investment, a factor which ought to weigh favourably with potential foreign investors eventually.

We are caught up in a dilemma on infrastructure. While the drawbacks in infrastructure like gas and electricity supply crunches cannot be overcome without massive doses of FDI, the setbacks on the other hand stand in the way of attracting FDI inflows.

To attract FDIs, policymakers should develop investment policies across industries. Every industry segment should have policies for foreign investors in terms of obtaining business licences and setting up infrastructure. The government should also come up with regulations to protect the interests of foreign investors, faster legal settlement, ease of getting credit as well as ease of getting out also.

We can cut through the barrier by responding timely to big foreign investment proposals with better negotiating skills based on firm estimates of our projected energy needs and availabilities underpinned by a decisive political will. As part of a balanced strategy we might try to attract FDIs in the service sector.

Coupled with the government's indecisiveness, weak or no infrastructure, there seems to be huge confusion about importance of FDIs in Bangladesh and their contribution in nation building. In fiscal 2008, the earnings of National Board of Revenue (NBR) was Tk 472 billion compared to its previous year's earnings of Tk 372 billion, a growth of 27 percent. Among the top ten corporate taxpayers in FY08, five were MNCs, which paid corporate taxes of Tk 10.3 billion, around 66 percent of the total tax payments from the top ten tax payers of the country. The five companies paid corporate taxes of Tk 5.2 billion in FY07, which says tax payments by the companies got doubled within a year.

The same was the case with value-added tax (VAT). According to The Daily Star's July 10 report, four foreign companies paid Tk 51.4 billion in FY2007-08, which is about 11 percent of the total earnings of NBR and 65 percent of the VAT paid in by top 10 VAT payers. Here we are not talking about global standards, corporate governance and other success transfers being brought in by the global corporations. We, at times, get to hear global corporations are not doing enough about employment generation or technology transfers. What Intel, IBM, Telenor or HSBC of this world are doing in other parts of the world, are not supposed to do different in Bangladesh, provided there is a level playing ground for all players and regulatory environment and guidelines are transparent.

In USD millions

FDI inflow	2003	2004	2005	2006	2007
Equity capital	156.1	155.9	425.6	503.6	401.6
Reinvested earnings	170.1	239.8	247.5	264.7	213.2
Intra-company loans	24	64.7	172.2	24.1	51.6
Total FDI inflow	**350.2**	**460.4**	**845.3**	**792.4**	**666.4**

Source: Bangladesh Bank

The critical investment factors are fewer restrictions for profit remittances or repatriation, sound legal framework, a transparent customs and tariff procedures, favourable tax policies, political and economic stability, availability of land and suitable infrastructure and lack of corruption. The time has arrived when we must think whether our government or government agencies are truly committed to foreign investors by creating a level playing ground for them. Whoever is in the government, once invited, it is their job also to make sure, foreign companies, who have travelled thousand miles to explore investment friendly environment in the country and ensure handsome return on their investments, can make money. While the government needs to keep its commitment to the people at 'bottom of the pyramid', at the same time, they must prove what they are doing enough for the business community, local or foreign to keep them adequately attracted or engaged. To attract higher FDI inflows the other countries in South Asia are creating level playing grounds for these foreign companies by formulating favourable policies and investment or repatriation benefits.

A recent report quoting Bangladesh Bank sources says that 65 percent of the total FDI that came in last 10 years has been repatriated as profit. Total FDI inflow reached its peak in 2005 ($845.3 million) and declined to $666.4 million in 2007. Of $845.3 million FDI inflow in 2005, 50 percent came in equity capital, 20 percent came in intra-company loans and reinvested earnings was 29 percent. Of $666.4 million of FDI inflow in 2007, around 60 percent came in equity capital and 8 percent was intra-company loans. The share of reinvested earnings was 32 percent, which is an encouraging improvement.

Companies, who invest, are always likely to take out their profits or dividends back. However, it is the job of the home country regime to keep the cycle on and make sure inflows and reinvestments are always higher than outflows and disinvestment. Foreign entrepreneurs are greatly dampened by bureaucratic tangles in the region. The impression that despite a technocrat government, red tape has not lessened in Bangladesh must be removed.

A recently published Daily Star report said six large-scale foreign direct investment proposals ($8.3 billion) have been on hold for the past several years because of government indecisiveness, absence of proper policies and inadequate infrastructure. For the setbacks we have lost many attractive FDI opportunities in the past and foreign companies pull out their investments from Bangladesh. If this trend continues and our Government remains hesitant for year after year doing pros and cons analysis Bangladesh will soon face an image crisis. The country will lose its potential as an emerging economy and new destination for the foreign investors.

Mamun Rashid is a banker and economic analyst.