

International Business News

Global crisis hits over 1,300 south China firms

AFP, Beijing

More than 1,300 companies shut down, suspended operations or moved out of south China's Pearl River Delta in the first nine months of the year due to the global downturn, state press said Tuesday.

The number is from the cities of Shenzhen and Dongguan only and the overall figure for all of Guangdong province, just north of Hong Kong, could be much larger, the China Daily said.

About 30 percent of overseas-invested firms in the delta region are losing money, the report said, citing Wu Jun, a senior official with the province's foreign trade department.

Half of them just manage to break even and only 20 percent post a profit, he said.

Exports from the province rose by 13.5 percent in the first nine months, down from 24.2 percent in the same period last year, customs data showed.

The weakening exports has impacted the desire of foreign companies to invest in Guangdong, and the local governments are now introducing new incentives to encourage investment, Wu said.

"The authorities not only provide support to the affected firms but also give them money to persuade them to stay in the city," he said, according to the China Daily.

Financial crisis closes in on GM

AFP, New York

The global financial crisis closed in on two more victims Tuesday after General Motors said it would need a government rescue and major US electronics retailer Circuit City filed for bankruptcy.

The news capped another day of gloomy developments in the United States, the world's largest economy, undermining hopes that coordinated action by governments around the world could keep the global downturn from getting worse.

Fannie Mae, the US mortgage giant bailed out by the government earlier this year, posted a 29 billion dollar loss. Meanwhile the United States expanded its bailout of insurer AIG to more than 150 billion dollars.

The latest dire reports from the United States triggered more woe for Asian stock markets, which lost ground Tuesday in line with US shares. Tokyo lost 3.0 percent while Hong Kong was off 0.6 percent at the mid-day break.

General Motors CEO Rick Wagoner said the US automaker would need state help before Barack Obama takes over the White House in January, telling industry publication Automotive News that time was of the essence.

"This is an issue that needs to be addressed urgently," he said, calling on the government to "overshoot, not under-shoot" the level of assistance.



A pedestrian carries shopping bags as she walks by Christmas-themed window display at a Macy's store in Chicago, Illinois on Monday. Retailers have started decorating their stores with Christmas decorations as they try to extend the holiday shopping season in hopes of bringing in more customers in what could be one of the worst retail shopping seasons in decades.

Japanese bankruptcies surge amid financial crisis

AFP, Tokyo

The economic crisis claimed 1,429 companies in Japan in October, the most so far this year, a survey showed Tuesday.

Corporate bankruptcies soared 13.4 percent from a year earlier as companies struggled to raise funds amid the global credit crunch.

"One factor behind the rising number of bankruptcy is that banks are reducing loans to companies," said Masashi Seki, an official at Tokyo Shoko Research which conducted the survey.

"Banks say that the number of companies meeting their lending criteria are declining, but from the borrowers' point of view, it's the banks that are refusing to lend money in difficult times," he said.

Corporate Japan has been a key driver of a recovery in Asia's biggest economy after the recessions of the 1990s.

Profits are now sliding as the country teeters on the verge of recession and exports suffer from the global economic slowdown.

Australian miners wise to cut iron ore production

AFP, Sydney

Cutting iron ore production was a prudent move by Australian miners battling a slowdown in demand from China ahead of negotiations on contract prices with the Asian giant, analysts said Tuesday.

Rio Tinto Monday slashed output at its western Australian plants by 10 percent to bring production in line with revised customer requirements following a drop in demand from China.

The Anglo-Australian miner said it had revised its iron ore shipments for calendar 2008 down to 170-175 million tonnes from 190-195 million tonnes.

"We believe this will be a short, sharp slowdown in China, with demand rebounding over the course of 2009, as the fundamentals of Chinese economic growth remain sound," chief executive Tom Albanese said in a statement.

IT ENTREPRENEURSHIP

Idea brings him triumph

MD of Pyxisnet speaks to The Daily Star

REFAYET ULLAH MIRDHA

The decision to return home from the US was like a 'make-or-break' for Ali Ishtiaq, a Bangladesh-born career software engineer graduated from Massachusetts Institute of Technology (MIT) and now managing director of Pyxisnet, a local software exporting company.

Keeping in mind that 'Bangladesh is a land of opportunity', he gave up his lucrative job in USA to come back to his motherland in 2003.

Ali Ishtiaq, a brilliant student of the country, went to the USA in 1977 to study computer science in MIT and on completion of his study successfully he served different world famous IT companies in USA for 22 years.

To many it may sound funny that Bangladesh is a land of opportunity, where natural calamities, corruption and political unrest are the regular phenomena with a legacy of British bureaucracy eating up good side of the fate of the mass.

But, by breaking all the chains and triumphing over all the odds, Ishtiaq is now successfully running a software company and maintaining a steady export growth by producing quality software. Really, he proved Bangladesh is a land of opportunity.

Dhaka Chamber of Commerce and Industry (DCCI) recently awarded the non-resident Bangladeshi (NRB) for his extraordinary performance in software development and export at the chamber's golden jubilee celebration.

Ali Ishtiaq was awarded under NRB category, and two others got award under the best women entrepreneur and the best innovative entrepreneur categories.

In an exclusive interview with The Daily Star Ishtiaq talked of his journey



Ali Ishtiaq

as an IT entrepreneur in Bangladesh.

In 2005, he along with three others established Pyxisnet, a Bangladesh-Denmark joint venture, with Tk 50 lakh to produce export-oriented software and now they are exporting software worth US\$5 lakh every year,

Ishtiaq said.

A total of 45 employees, most of whom are software engineers emerging from reputed universities, are working in his company. An ambitious Ishtiaq wants to see his country among the top five software export-

ing countries of the world within the next 10 years.

"We need a good number of smart people to make it happen," he said.

He was asked if it is possible. 'Yes' was his answer with some ifs and buts.

He said first of all the IT graduates should be given opportunities for the practical application of their knowledge as IT education is a practical learning process.

Both the government and private sector entrepreneurs should come forward to create such practical fields for the fresh IT graduates so they can apply their knowledge professionally, he said.

"Another important need is creation of market abroad for Bangladeshi software."

The NRBs can play a pivotal role in creating markets abroad. Since the NRBs have enough knowledge about their residing countries, they can use the Bangladeshi software or market their motherland's products in foreign lands, Ishtiaq said.

"The Bangladeshi IT graduates are quite smart. They can handle the situation very well, but we need to create fields for them," he said.

About IT education, Ishtiaq said the curricula in educational institutes are good, but the important thing is who are teaching whom and what.

He said the scope for internship for the IT graduates in the companies is very limited in the country. "Internship for the IT graduates at least for six months is a must," he said.

Ishtiaq also spoke about the market and marketing of software from Bangladesh. His company is exporting mainly to USA and Denmark and continuing efforts to create new markets.

In the world of technology, Bangladesh has the opportunity to

sell its quality software worldwide, he said, adding, "Demand is there, but we need quality assurance and dedication."

Bangladesh itself is a very potential IT market as the government offices and in many cases a good few private sector companies are yet to use IT in the true sense of the term, Ali Ishtiaq said.

So, when the IT usage in Bangladesh will start in full swing the demand for software will increase manifold, he hopes.

According to Bangladesh Association of Software and Information Services (BASIS), USA, Denmark, Japan, Australia, Finland, Switzerland, Canada, Germany, Sweden, Norway, South Africa, Thailand, UAE, Saudi Arabia and Bahrain are the major importers of local software and ICT services.

About the capacity, Ishtiaq said the existing companies have the capability of exporting software worth \$400 million a year and the ability is ever-increasing as new investors are increasingly coming to this sector.

About software export, he said the trend of export is very good and in future it may maintain the same although the current global financial recession may hamper the export to some extent.

According to Export Promotion Bureau, Bangladesh exported software and ICT-enabled services worth \$23.82 million in 2005-06 fiscal year, \$26.08 million in 2006-07, \$24 million in 2007-08, and in the first two months (July and August) of the current fiscal the export was \$4.69 million.

Ali Ishtiaq said more private sector investment can enable this sector to tap its full potential employing brilliant and smart youth of the country.

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COLUMN

SYED NASIM MANZUR

The six-step method

No prizes for guessing the latest 'burning issue' doing the rounds of our seminars, talk shows and roundtables (where the tables are always oval) and no, its not about which party is refusing to go to election and why, this time around. Hint: economic meltdown, Bangladesh, effects.

Before we flog this issue to death by discussion, I must add that even I am guilty of diagnosing the problem and not even thinking about the cure. This is because I believe that the many wise heads that we have in our midst will heed our cries and devote their considerable intellects to put forward the outlines of a plan. We are not so naïve as to believe that we can fully predict or even prevent the extent of the fallout on the Bangladesh economy. But 'chicken little' cannot be the preferred policy reaction either.

Let's look at what others have been up to:

- China has stepped up its policy support to promote employment.
- Hong Kong names crack financial crisis taskforce.
- Sarkozy unveils job-boosting measures.
- China unveils nearly \$600 billion economic stimulus plan.

So, what can Bangladesh do?

First and foremost, who are our people tasked to monitor and develop responses to the crisis? The financial crisis taskforce in Hong Kong includes the chairman of Standard Chartered Plc, vice chancellor of a Chinese university, chairman of a real estate firm, a KPMG partner, chairman of the International Chamber of Commerce and executive director of an arts group.

In Bangladesh, our taskforce consists of seven bureaucrats. Is it too much to expect that as the affected parties, business leaders, bankers and consumer along with academics, all these parties should be represented? I leave it to you, fair reader, to decide.

The second issue is the value of the Bangladeshi taka. I can already hear the chorus of dissent -- here we go

again, these spoilt, inefficient exporters, here they go again whining for handouts. Equally popular: Bangladesh is an import dependent economy so devaluation will lead to importing inflation. And my favourite: the taka is fairly valued already.

My response: when the model of efficiency, globalisation and corporate responsibility, Toyota Motors, announces that net profit for the last quarter is down by more than two-thirds, it is not just a business cycle downturn. If GM can ask for help today, why not Bangladeshi exporters?

To the imported inflation theory, we see that the prices of most of our major imported commodities have already suffered major decline in prices (rice, petroleum, soybean oil, scrap iron) so now maybe there is some cushion for adjustment without stoking inflation.

In the last three months, the IRS has gone from 42 against the US dollar to 48, a devaluation of 14 percent. In contrast, the Bangladeshi currency has actually strengthened by 1 percent against the dollar going from Tk 67.76 per dollar to 66.92 in the same period. So simply put, assuming fixed prices, Indian garments have become 15 percent cheaper than Bangladesh in just three months, in terms of the dollar.

The two largest sources of foreign exchange for our country are remittances and exports. Remittances maybe less sensitive to exchange rates but if due to our exchange rates, exporters lose competitiveness then ultimately we lose foreign exchange to pay for imports.

Devaluation is not the only way, why cannot we consider preferential exchange rates for exporters and remittances along the lines of the wage earners scheme? In the UK they have announced that VAT payments can be deferred for six months for small businesses. In China they are offering multiple incentives to boost the real estate sector. Why are we so reluctant to help business?

Third, the difference between the



An investor walks by a share price board at a security firm in Hefei, eastern China's Anhui province. Chinese share prices closed up after the government announced a multi-trillion yuan stimulus package to boost the domestic economy.

buying and selling rates of the taka against the euro and the dollar is almost double than that of India and six times than that of Pakistan. So not only are we getting less for every dollar that we export in taka terms today but we are also having to pay much more for every dollar of imports that we make compared to the competition. So revenue going down in taka terms but import costs are not going down as much. What does that do to the bottom line?

Fourth, lending rates. The Bank of England has reduced rates by a record 1.5 percent to 3 percent and instructed banks to reduce mortgage rates. The Reserve Bank of India has cut both its repo rate and cash reserve ratio to infuse additional liquidity and also lower interest rates. In

Bangladesh, our private banks continue to charge 11-14 percent for local and export businesses. Here, unless the government allows deposit rates to drop, lending rates can never come down. As a manufacturing friend remarked: "You have to be a fool to manufacture here and struggle to make a 10 percent net profit, when you can put the money in the bank and earn 12-13 percent."

Fifth, it is time for Bangladesh to expand its basket of currencies and move beyond the simple dollar peg. This exaggerates our movements against other major currencies such as the euro. The taka has gained 16 percent against the euro in the three months, which means that where every euro of export was earning Tk 101 in August. Today it earns only Tk

85. Do we really believe this is a correct reflection of the relative strength of our economy?

Sixth is the new focus interest on productivity and efficiency that enterprises must develop. As margins erode, we all need to pay more attention to learning ways to boost productivity, as has been pioneered by the BKMEA recently.

So there it is -- my six-step process to help us cope with this crisis. I am the first to admit that many of these ideas might be flawed or impractical but I hope that this will at least provoke action. Time to move from seminar to shop floor.

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