

International Business News

India strikes free trade deal with South Korea

India and South Korea have negotiated a free trade agreement that is likely to come into effect next year, a report said. The agreement, concluded after two-and-a-half years of talks, comes as India has been aggressively courting its Asian neighbours to boost trade.

"The deal is done and the agreement will be signed by December," a senior Commerce Ministry official told reporters late Tuesday in New Delhi, according to the Press Trust of India.

"It will go to our cabinet (for approval) while the Koreans would need a nod from their National Assembly," the unnamed Indian official said, adding the deal was likely to come into effect next year.

South Korea has also been vigorously courting bilateral trade deals to spur its export-driven economy. The India-South Korea agreement would abolish duty barriers for 90 percent of goods traded between the two countries, amounting to 11.2-billion-dollars worth of bilateral commerce, the report said.

A recent study by the state-run Korea Institute for International Economic Policy has said the pact could boost two-way annual trade by as much as a third.

Foreign direct investment in China up 35.1pc

Foreign direct investment in China expanded by 35.1 percent in the first 10 months of the year compared with the same period in 2007, the government said Wednesday. Foreign companies invested 81.1 billion dollars in the country in the period from January to October, the commerce ministry said in a statement on its website.

The growth rate for the period was slower than the 39.9 percent rise in the first nine months of the year, as inflow moderated for the ninth straight month in October. The ministry did not provide a figure for October alone.

But previous official data showed foreign direct investment in the first nine months totalled 74.4 billion dollars, meaning the inflow in October was 6.72 billion dollars, down slightly from 6.78 billion dollars year on year.

"The global credit squeeze is expected to have directly weighed on foreign direct investment," said Sherman Chan, an analyst with Moody's in Sydney.

"Rising risk aversion due to an unclear global economic outlook has also likely seen foreign businesses switch to a wait-and-see mode," he said.



Job seekers crowd a jobs fair in the New Territories district of Hong Kong yesterday. Financial and property firms in Hong Kong have started laying off staff as they feel the full force of the global financial crisis. Analysts say they also expect to see rounds of massive layoffs in the catering and retailing industries.

SingTel's Q2 profit falls 12.1pc

Singapore Telecommunications said Wednesday net profit fell 12.1 percent for the second quarter as regional income was hit by a strong local currency and rollout costs for the launch of Apple's iPhone.

For the three months to September, net profit came to 868 million Singapore dollars (586 million US), down from 988 million dollars in the same period last year.

The result beat a Dow Jones Newswires poll of analysts who predicted an average net profit of 859.8 million dollars for the quarter.

Operating revenues totalled 3.89 billion dollars, up 5.3 percent from 3.69 billion dollars last year, said SingTel, Southeast Asia's largest telecoms company.

In the half-year to September, net profit fell 8.8 percent year-on-year to 1.75 billion dollars while operating revenues were 5.6 percent stronger at 7.67 billion dollars, the company said.

"Our expansion in the region subjects us to the volatility of the regional currencies," said SingTel's group chief executive officer Chua Sock Koong.

Ford asks for German govt help

The US automaker Ford has asked Berlin for aid but the government is divided on the question of how to help Germany's key but troubled industrial sector, a press report said on Wednesday.

After General Motor's German subsidiary Opel, a second US group implanted in Germany has thus turned to Chancellor Angela Merkel for aid.

"We sent a letter on the say day as Opel," a Ford spokesman told the Sueddeutsche Zeitung newspaper.

Both auto makers have pressed the government for tax measures that would boost the sale of new cars, but neither has received a response for the time being, the report said.

The head of Audi, the high-end line made by the Volkswagen group, said he favoured a "junkyard bonus" to encourage households to get rid of older cars, in an interview with the Frankfurter Allgemeine Zeitung daily on Wednesday.

EMERGING PRODUCTS

Medical furniture out of shell



ICU bed

MOHAMMAD YOUSUF

It is a new and growing business, but not so profitable yet: medical furniture.

The scenario was mostly evident at a recent international medical equipment and healthcare services exposition at Dhaka Sheraton Hotel.

Organisers said the exposition styled Medexpo-2008 was aimed at improving the quality of healthcare services in Bangladesh and creating an opportunity for the local manufacturers of hospital furniture to grow and carve a niche for those in international market.

Stalls of a few local furniture makers at the fair drew attention of the visitors with a variety of furniture essential for hospital.

The number of hospitals, clinics as well as prime medical colleges mushroomed in the country over the last few decades, but local furniture manufacturers failed to grab a pie of the big medical furniture market.

A senior official of a leading furniture firm said present market size of hospital furniture in Bangladesh is estimated at around Tk 50 crore a year.

Although some companies

started making hospital furniture a few years back, the industry is yet to reach break-even point. "It's a growing industry but not profitable yet," said Sabbir Hasan Nasir, chief executive officer of Otobi, the premium partner of Medexpo-2008.

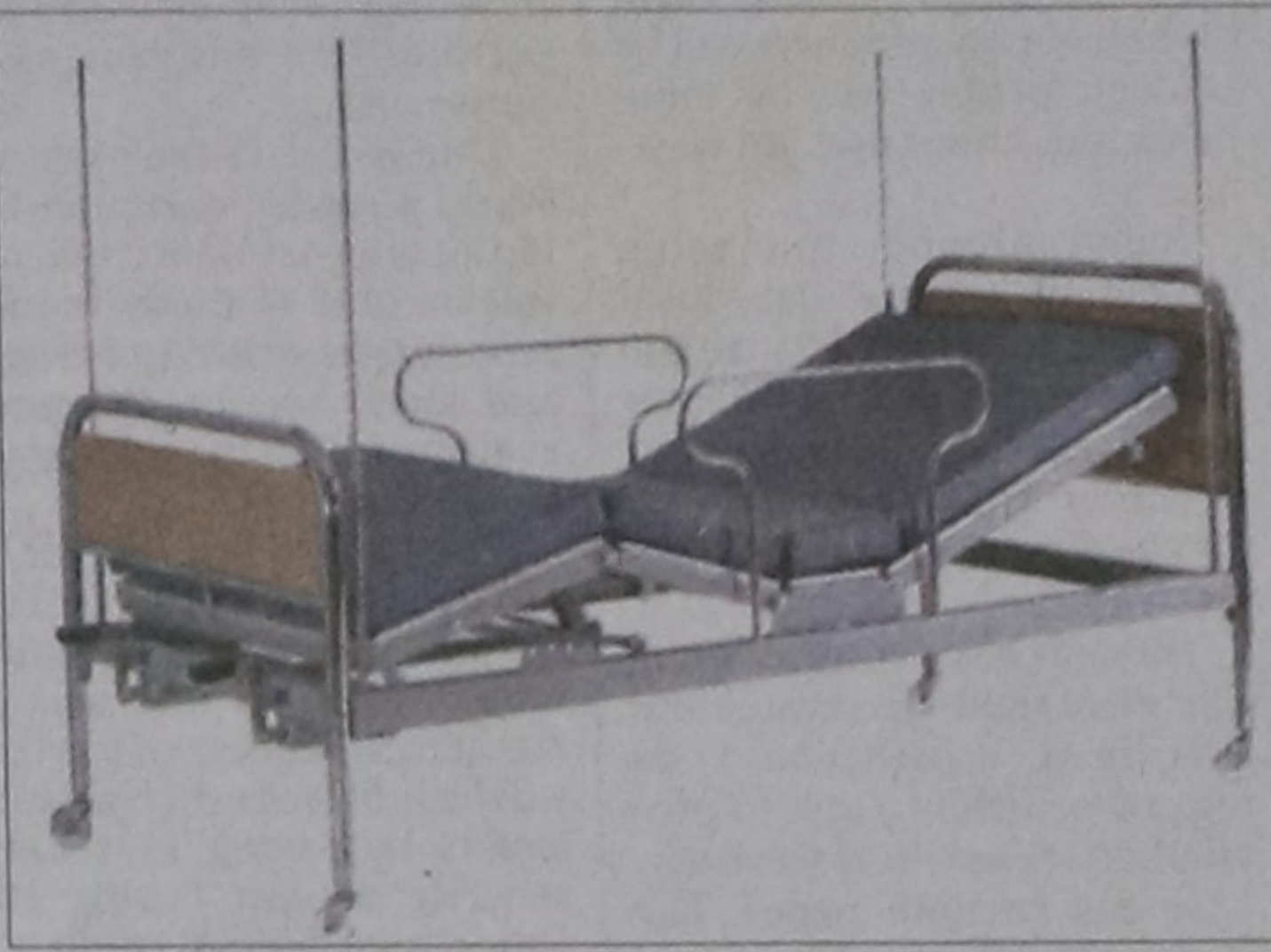
Set up in 1974, Otobi started making medical furniture in 1990s on a small scale. It now produces a wide variety of furniture for hospitals. Navana Furniture and Bangladesh Befit Ltd also make hospital furniture among others.

Sabbir said local firms could compete with many global ones if they got government support and incentives.

The Otobi chief executive stressed a deep cut in import duty on raw materials and extra incentives from the government to help grow the industry, as high import duty on raw materials pushes up the prices of the products.

China can make furniture at much cheaper rate as it uses plastic as raw materials, he said, adding that Bangladeshi firms cannot take the benefit as the country's plastic industry is weak.

Sabbir said Otobi is expanding its medical furniture unit but the company is still far



Mechanical bed with head-side adjustment

away from making profit. Its profit in hospital furniture was minus nine percent last year.

Most of the modern hospitals of the country use imported furniture, as local furniture manufacturers cannot meet their demands, according to officials of some well-known private hospitals.

But the Otobi CEO contradicts them.

He said many people have a sort of passion for foreign products and often do not examine the quality of local furniture.

"We supply furniture to many government and private hospitals, and clinics including Bangabandhu Sheikh Mujib Medical University hospital, BIRDEM Hospital and Ibrahim Cardiac Hospital and Research Institute. These hospitals buy our products because we maintain quality."

"Local hospitals offer local firms much less price than they pay to the foreign companies even though we produce better quality furniture," Sabbir said.

"We can't cut manufacturing cost as we don't want to compromise with our quality."

Otobi's medical furniture includes various types of bed, trolley, baby cot, bowl stand,

kick-bucket, over-bed table, emergency card, saline stand, isolation screen, bedside locker, bedside cabinet, medicine cupboard and revolving stool.

Navana makes bed, trolley, isolation screen, cart, stretcher, locker, cabinet, medicine cupboard, saline stand, waiting chair and baby cot.

Bangladesh Befit Ltd with the brand name of Babel also produces a variety of medical furniture including bed, trolley, foot tool, over bed table, saline stand and revolving stool.

AKM Fazlul Haque, in-charge of bio-medical engineering department of LabAid Hospital, said medical furniture being used in the hospital is imported, mainly from Malaysia and Finland.

LabAid hardly buys any item from local manufacturers. A few minor items such as saline stand and over bed table are purchased from Otobi, Haque said.

He said they tried to buy furniture from local makers, giving some samples to a local manufacturer but its finishing was not up to the standard.

Local manufacturers however differed with Haque.

"The furniture we make is



ICU bed with pneumatic control

not of lower quality than the furniture LabAid uses," Sabbir said.

Haque said all the medical furniture now being used at the hospital cost up to \$ 2.5 lakh.

Another senior official of LabAid Hospital said a bed it buys from Malaysia costs up to Tk 4 lakh. The same bed is available here at Tk 1 lakh which is not that durable.

Brig Gen (ret) John Gomes, general manager (management support service) of Square Hospitals Ltd, was a little bit diplomatic about the issue.

"We imported almost all the medical furniture during construction of the hospital when Bangladeshi firms were not manufacturing such items," Gomes said.

Asked if they would buy furniture from local makers, he said: "Yes, we can buy some items." He said they use auto-bed that is not made in Bangladesh.

The demand for beds to be fitted with a motor drive and remote control system has been increasing in recent years, especially with the arrival of high profile hospitals such as Apollo and United, aimed at the country's upper

middle class. Such beds are still being imported from Malaysia, Indonesia, Taiwan and Singapore.

Md Giashuddin Ahmed, general manager (public relations) of Apollo Hospitals Dhaka, said some local items are purchased for the hospital. But the beds are imported, as the hospital does not use manually operated beds.

Sabbir hoped it would take up to four years for Bangladesh to manufacture such beds as the high-profile hospitals demand.

Otobi exports furniture to some neighboring countries including India but its medical furniture is yet to enter foreign market. But the Otobi CEO is very optimistic about that. He hopes Otobi's medical furniture would soon enter foreign markets.

Sabbir said Otobi wants to go global with its own brand. "We want to be a global brand."

He said their furniture will soon enter the Middle East countries.

The company will also be able to grab a market share of hospital furniture there, Sabbir hoped, as local hospital furniture has already come to the fore.

ANALYSIS

G20 summit only the beginning

AFP, Paris

The upcoming Group of 20 summit of the world's leading economic powers is only the starting point for reform of the financial markets and practices at the heart of the current crisis, analysts say.

The meeting comes against a backdrop of continued turmoil and increasing signs that the global economy is tumbling headlong into what many fear could be a deep and long-lasting recession.

Massive government intervention costing trillions of dollars to support and bail out banks or boost the underlying economy have so far failed to stop the rot, with political leaders calling for more to be done.

But what exactly? The modern, free market financial system model has gone global while regulation and oversight remain largely under national control -- a mismatch which needs to be fixed, analysts said.

The G20 summit on Saturday in Washington "is not the end, it is a starting point for laying the foundations of a process that will allow real reform of the workings and organisation of the markets," a French diplomatic source said.

The most common refrain is for more regulation of markets that took on ever more risky investments as official oversight was relaxed from the 1980s in pursuit of a purer, more effective form of capitalism.

That model is now discredited, with politicians, economists, analysts and commentators promoting a long wish list of remedies. Among these

are: - Tax havens and new types of financial operator -- especially speculative hedge funds -- should all be brought into the regulatory framework so that complex investment and capital flows become more transparent.

Transparency means broadly a high level of information about business being done, capital being used and risk being accepted.

Finance sector pay and bonuses should be pegged back to encourage conservative practices instead of the uncontrolled risk-taking that saw US banks load down home buyers with more debt than they could ever hope to repay.

Credit rating agencies, which were supposed to judge and rate corporate risk levels but failed to raise a warning flag when they should have, need to be brought to book.

The list of topics to be covered at the meeting is long and difficult, complicating the task of finding common ground.

"Because of finance sector innovation, regulation has consistently lagged behind. At the same time, too much regulation will only encourage the finance industry to move to offshore havens even more," said Gunther Capelle-Blancard, professor at Paris-I university.

Not all governments, however, may share that aim, seeking to maintain as much freedom as possible for their finance sectors when an increase in regulation may put even more of a premium on such services.

Most in Europe, led by France, and China will likely



want change.

"But the United States, and possibly Britain, will be reluctant to come down too hard on their finance sectors which contribute more than 10 percent of their gross domestic product (GDP)," said Henry Sterdyniak, an economist at a

respected French university research department called OFCE.

The summit will be hosted by outgoing US President George W. Bush who, analysts say, is unlikely to make any commitments which will tie the hands of his Democrat

successor Barack Obama who will not be at the meeting.

Obama's election promise of change seems to be more in keeping with the times, analysts say, noting that the economic crisis played a key role in his victory as Bush's Republican legacy collapsed

along with the markets.

"With the economic crisis, ideas about the necessary complementarity of the market and the state, and a more equitable share of the wealth, have gained strength," said Jezebel Couppey-Soubeyran of Paris-I.

Emerging economic powers such as China, India and Brazil, analysts say, will want to make their voice heard at the summit and in the new or revamped global institutions which will implement any new regulations.

The International Monetary Fund and the World Bank, the two key institutions set up at the end of World War II, need to be overhauled to ensure greater participation in the policing of the new world economy, observers say.

To tackle the underlying economic problems, the G20 will try to coordinate actions, with great hopes resting on emerging giants such as China which at the weekend announced a massive stimulus package worth 586 billion dollars (455 million euros).

"We have to convince the Americans to save more and the Chinese to save less and spend more," said Henri Sterdyniak.

On Tuesday, British Prime Minister Gordon Brown and EU Economic Affairs head Joaquin Almunia called for increased joint action.

"If we have a fiscal stimulus in Britain and it is not repeated in other countries, then it will have far less effect and far less benefit than if it were done in every other major economy around the world," Brown said.