

International Business News

US abandons plan to buy toxic assets

AFP, Washington

The US government has abandoned plans to buy up the toxic mortgage assets at the heart of the global financial crisis, a reversal that helped send ailing world markets spiralling even lower.

Investor sentiment took another hit as Germany on Thursday announced its economy, Europe's biggest, had fallen into recession in the third quarter. Britain said the previous day that it was likely to go into a recession.

Dropping the centrepiece of a 700 billion dollar bailout plan, US Treasury Secretary Henry Paulson said Wednesday the money would be better spent on cash injections for struggling banks and help to shore up consumer credit markets.

Paulson, a Wall Street veteran struggling to put the brakes on the worst financial meltdown in decades, said the crisis had deepened since the controversial rescue plan was approved by the US Congress in early October.

"The facts changed and the situation worsened," he said. The plan to purchase the bad assets that triggered the current crisis was at the heart of the bailout, and many analysts questioned the abrupt about-face, which triggered another massive sell-off on world stock markets.

Wal-Mart posts higher 3Q profit, but cuts outlook

AP, New York

Wal-Mart Stores reported a 10 percent increase in third-quarter profit Thursday but trimmed its profit outlook because of the troubled global economy and the renewed strength of the dollar.

The world's largest retailer said its renewed focus on low prices was attracting financially squeezed shoppers and that it was pleased with the results of early holiday price promotions.

The Bentonville, Ark.-based retailer said it earned \$3.14 billion, or 80 cents per share, in the quarter ended Oct. 31. That's up from \$2.86 billion, or 70 cents per share, a year earlier. Earnings from continuing operations were 77 cents per share.

Analysts surveyed by Thomson Reuters expected 76 cents per share. Net sales for the third quarter were \$97.6 billion, up 7.5 percent from \$90.8 billion a year earlier.

Despite economic difficulties around the world, "Wal-Mart has momentum as we move into the fourth quarter," the company's President and CEO Lee Scott said in a pre-recorded call to analysts. "At a time when our customer is feeling the pressure of a tough economy, Wal-Mart's price leadership is more important than ever."



AFP

A group of Chinese migrant workers return home after they were laid off from the factories in southern China's Guangdong province, in Xian, northern China's Shaanxi province on Wednesday. China's factory output abruptly weakened in October, the government said as Premier Wen Jiabao warned the impact of the global crisis was "much worse" than expected.

Major world economies appear in recession: OECD

AFP, Paris

Leading industrialised nations appear to be in a "protracted" downturn, with the US, Japanese and eurozone economies likely to shrink next year, the OECD said Thursday.

The Organisation for Economic Cooperation and Development predicted a return to modest growth in 2010 but warned that the United States, the world's largest economy, would suffer a whopping 2.8 percent contraction in fourth quarter 2008.

It called for further government stimulus measures and steps to shore up financial markets but also warned against any move that would distort competition or threaten the operation of open markets.

The OECD, the Paris-based grouping of the world's 30 most developed countries, issued a one-page statement ahead of an emergency summit in Washington Saturday of 20 developed and developing nations aimed at dousing a global financial and economic firestorm.

Japan's Mizuho to raise funds as profits dive

AFP, Tokyo

Japan's number two bank Mizuho Financial, hit hard by the credit crunch, said Thursday it would bolster its finances with a capital hike, after suffering a sharp drop in half-year profits.

Mizuho said it would issue preferred securities to domestic institutional investors through a subsidiary in the Cayman Islands.

It said the size of the capital hike had not yet been decided. The Nikkei business daily reported the bank was considering tapping investors for some 300 billion yen (3.1 billion dollars).

Mizuho last month slashed its profit forecast for this financial year by more than half, blaming the falling stock market, rising corporate bankruptcies and the collapse of Wall Street bank Lehman Brothers.

GARMENT

Going retro in fashion

REPAYET ULLAH MIRDHA

Sometimes even traditional fashion designs can be surprisingly successful if it can be highlighted properly to the right customers, at the right time and in the right places.

Dr Vandana Bhandari, a professor at the National Institute of Fashion Technology (NIFT) in New Delhi, India, says Bangladesh can start promoting and marketing its traditional designs, as the country is not well-equipped at the moment to produce world-class designs by itself. The country is dominating the global RMG business with its fine apparel items, though.

At present, the international buyers provide the designs, which are popularly known as 'cut-and-paste' designs.

The design of a product is not only a fundamental aspect but also creates value addition. In today's era of fashion-conscious populations and razor-sharp competition, the design of a product is what makes or breaks the deal, says Bhandari.

"The world is in a race against time to capture the essence of people in fashion designing through value addition, and ultimately profit from it," she adds.

"Value addition is not about making the garment more expensive; it is about adding elements of interest and uniqueness to the garment, within the dimensions of the same price tag. Design often consists of putting together standard, known routines in a way to deliver a new value," Bhandari says.

Recently, Bhandari visited Dhaka to deliver a speech at an international seminar on "Value Addition Through Fashion Design" at the 19th Batexpo at Sonargaon Hotel.

The Bangladesh Apparel and



Dr Vandana Bhandari

Textile Exposition (Batexpo) is an annual exposition of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). This year, BGMEA hosted the event from November 6 to November 8 to showcase the local apparel products and accessories.

On the sidelines of Batexpo, in an exclusive interview with The Daily Star, Bhandari says there is a misconception that designs are only applica-

ble to high-end apparel products. A simple product can be made to look smart and sophisticated via designs. "Ideas and creativity are all that are needed to revamp a bland product."

Apparel factory owners should spend more money and time on the creation of designs and marketing their products appropriately. The design of a product should be treated like any other input to the final product, she says.

"Apparel factory owners should spend more money and time on the creation of designs and marketing their products appropriately. The design of a product should be treated like any other input to the final product"

It is a pre-requisite that designers travel a lot, for exposure to contemporary and old designs of different countries, areas or communities, Bhandari says.

Design processes start from broad trends and research on trends and forecasts, compilation of data and presenting final ranges, preparation of technical packs and sample development, she says.

"Each level of the market is design driven and the leaders often pioneer innovation in fibre, fabric colour, silhouette, and detail in the business. Forecasting is the key to anticipating future developments by watching, for signals of change in current situation and events and supplying the forecasting frameworks to predict possible outcomes," she quotes Brannon.

The value chain defined through production stages in the textiles and apparel segment can broadly be divided into five categories, including fibre to yarn, yarn to fibre by weaving/knitting, dyeing, printing finishing of fabrics, cutting of fabrics into clothing parts and assembly of garments with trims, Bhandari says.

Bhandari says, in India, a lot of designs originated from traditional customs of different communities, which later got popular among both local and international customers.

Establishing educational institutes related to fashion and design is important because designing is a sophisticated profession; it needs a lot of learning -- both theoretical and practical. "Fashion designing should not be confined to theory," she argues.

Bhandari lauded the initiatives of BGMEA Institute of Fashion and Technology (BIFT) for making a university where students will enjoy wider scope for learning and practicing fashion and design. Recently, BIFT has applied to the Ministry of Education for turning the institute to a full-fledged university.

Moreover, BIFT and the London College of Fashion (LCF) recently signed an agreement in Dhaka, to exchange expertise for cultivating more human resources in the line of fashion designing in Bangladesh.

Bhandari says fashion designing should have an international outlook and be delicately intertwined with business activities.

About NIFT, Bhandari said that 1,200 people graduate from the institute a year and it has 12 centres all over India. Institutions and fashion houses snatch graduates from this university, offering high compensation packages. This is because demand for such graduates is high in India."

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ANALYSIS

Outsourcing one bright light in gloom

AFP, Manila

Business outsourcing may not be the most glamorous industry in the world but it is one of the few bright lights amid the doom and gloom of the global financial crisis.

The two countries which have benefited the most from outsourcing, India and the Philippines, expect to see some initial pain from the financial turmoil but the industry is confident it will ride out the storm.

In the Philippines the business process outsourcing (BPO) industry expects growth this year of between 35-40 percent on revenues of around seven billion dollars.

"We are part of the solution, not part of the problem," Oscar Sanz, the chief executive of the Business Process Association of the Philippines (BPAP) said in a recent interview.

The BPO sector expects annual growth of around 40 percent with revenues hitting 12 billion dollars by 2010 and employing one million people compared with 300,000 this year.

In India, where the industry generates some 40 billion dollars in annual export revenues, the story is much the same although it admits that it could expect some initial pain.

The sector traditionally views bad times as offering opportunities as Western companies cut costs by moving work to cheaper destinations offshore.

India leads the world when it comes to outsourcing with more than half the global business while the Philippines is a distant second with around 10 percent.

Both countries place a great deal of importance on the sector as its growth creates jobs and much-needed revenue.

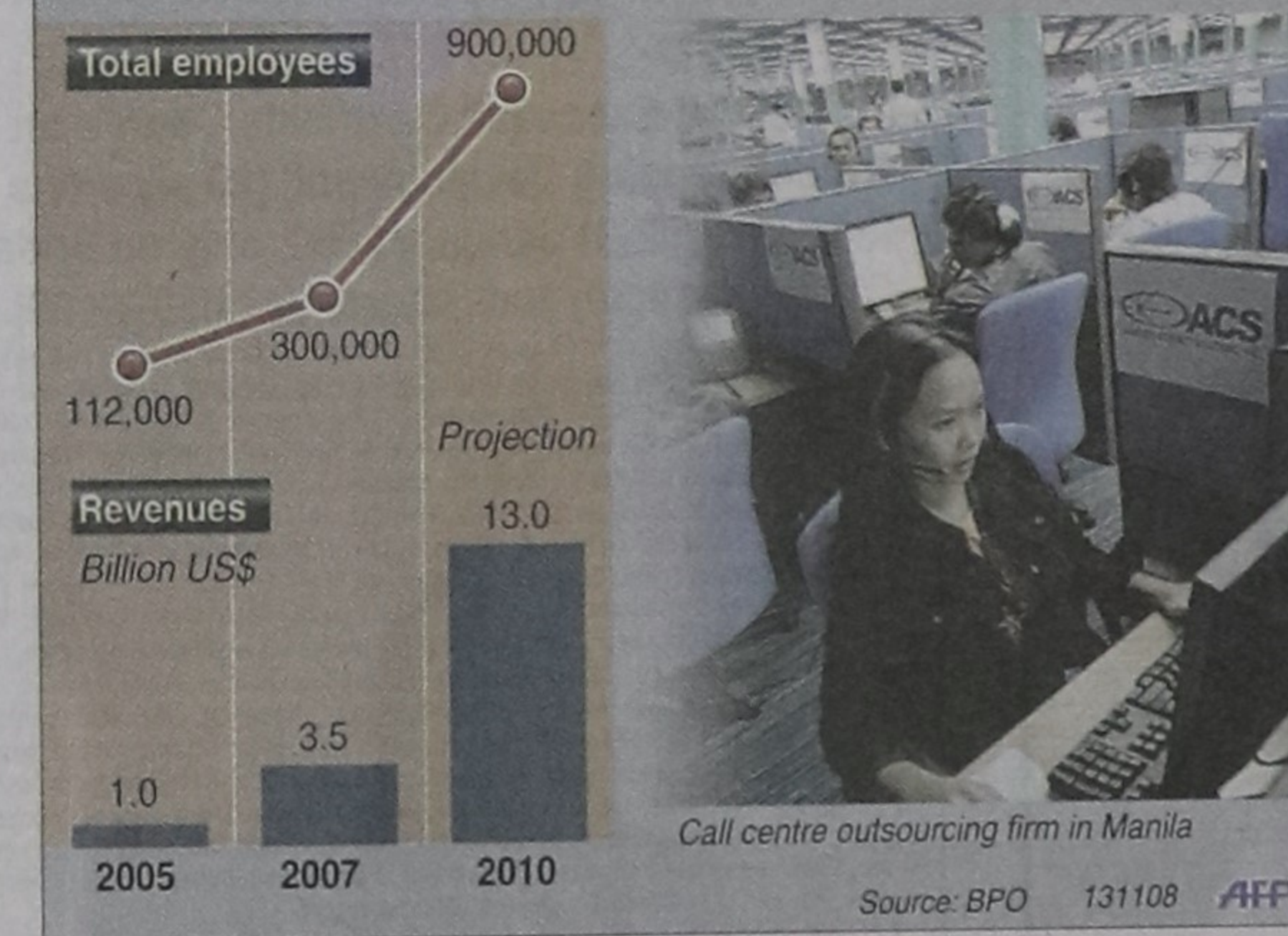
Rick Santos, the Philippine country chairman for global property services company CB Richard Ellis, told AFP that the crisis would "actually drive more BPO business to the Philippines".

"You will see many more companies having to go offshore just to survive," he said.

He said he expects about 502,000 square metres (5.4 million square feet) of Philippine office space to be

Outsourcing boom in the Philippines

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An outsourcing representative talks to a client inside a business outsourcing centre in Manila. Business outsourcing may not be the most glamorous industry in the world but it is one of the few bright lights amid the doom and gloom of the world financial crisis.

leased this year, up 52 percent from 2007.

India and the Philippines are the preferred destinations for European and American banks and IT companies for outsourcing their back room and call centre operations due to the highly educated work force and English speaking skills in both countries.

Sanz said that despite the financial turmoil he was confident the BPO industry in the Philippines will continue to see growth.

"Judging from the investor meetings we've been having recently our clients will want to ramp up their outsourcing activities in order to accelerate cost savings," he said.

"The Philippines is in a very strategic position due to its strong and successful experience with BPO particularly with large American and British multinationals giving it a high level of credibility and trust especially in critical times."

-- Call centre business can only get better --

He conceded that in the short term there could be a "bit of distraction" due to management and ownership

realignments in the banking sector.

"But this should not affect outsourcing operations as these are critical functions especially those that connect with customers," he said.

Some 85 percent of the BPO business in the Philippines is in banking and comes mainly from the US.

In India the BPO industry expects there will be a short to medium term impact on the sector as much of its business is IT-related.

Some of the pain from the bankruptcy of Wall Street giant Lehman Brothers, the sale of Merrill Lynch and the US government's bailout of insurance giant AIG -- all ravaged by credit woes -- is already being felt, according to industry sources.

But it's still very much a mixed picture in India where companies are at best "cautious" on the outlook for the sector and not peering too far into the future because they say that all the dominoes have yet to fall.

The main industry body said it will look at its sales forecast for this financial year to March 31, 2009, in December -- and says it may be revising expectations downward.

But it's not looking any further forward than the current year in number terms, it said.

Sales growth could fall below 20 percent this year from 28 percent last year while decisions on new projects have come to a virtual halt, said Som Mittal, head of the National Association of Software and Services Companies (Nasscom).

"New projects are always the first to feel the hit," said Mittal.

He said sales growth has slowed but added: "Companies are hiring from university campuses for the next quarter," although the frenetic pace has slowed.

"We've got to pay attention to other parts of the world like Japan and the Middle East," said Mittal. "There is no way we can rely so heavily on the US."

Some 60 percent of India's outsourcing work comes from the US and 30 percent from Europe with the rest of the world contributing just 10 percent.

However, Indian firms doing legal outsourcing work are experiencing a mini-boom as a result of the financial turmoil with US bankruptcies, mergers and acquisitions growing by the day and demand growing for help with litigation.

Legal work in India costs a tenth of what US lawyers charge.

Sanz also believes there are many industries outside the banking sector that can be tapped for new business.

"Industries like construction, food, retail and distribution, high tech, heavy industries and the pharmaceutical sectors have yet to be tapped," he said.