

International Business News

Yahoo CEO steps down

AFP, San Francisco

Yahoo co-founder Jerry Yang, who earned the ire of many share-holders for rejecting a 47-billion-dollar takeover offer from Microsoft, is stepping down as chief executive of the Internet company.

The Sunnyvale, California firm announced on Monday that Yang, 40, who took over as chief executive just over a year ago, would remain in the post until a replacement could be found by the board of directors.

"Jerry and the Board have had an ongoing dialogue about succession timing, and we all agree that now is the right time to make the transition to a new CEO who can take the company to the next level," Yahoo chairman Roy Bostock said.

"We are deeply grateful to Jerry for his many contributions as CEO over the past 18 months, and we are pleased that he plans to stay actively involved at Yahoo as a key executive and member of the Board," he added in a statement.

Yang said it was time to turn Yahoo, whose share price has plunged during the past year, over to a new leader.

India sees growth rising to 9pc

AFP, New Delhi

India insisted Tuesday its economy would rebound next year from the global financial crisis, saying it expected to return to robust growth of nine percent.

"What's required now is confidence, courage and taking the steps necessary to compensate for the ill-effects of a world slowdown," Finance Minister Palaniappan Chidambaram told an international business meeting.

"We'll bounce back... we'll be back to a high growth rate (of nine percent) in the second half of the financial year 2009/10," he told the annual India World Economic Forum attended by 700 delegates from India and around the world.

However, observers were skeptical, suggesting he was talking up the growth prospects of Asia's third-largest economy with the Congress-led government facing general elections by May 2009.

"There's an unwillingness to admit reality," Percy Mistry, chairman of Oxford International Finance, told AFP, adding he did not expect any upturn until early 2011.

"He's being a cheerleader for the economy," said a US fund manager who did not wish to be named.

Chidambaram said the lowest official forecast for growth in Asia's third-largest economy was seven percent for the year to March 2009 -- over three times forecast world expansion -- which was not "an occasion for wearing sack cloth and ashes."



Corporate CEOs walk to their seats during the CEO Council economic conference sponsored by The Wall Street Journal at the Four Seasons Hotel in Washington on Monday.

Ford to sell stake in Mazda

AFP, Tokyo

Embattled US carmaker Ford said Tuesday it will sell a 20 percent stake in its Japanese partner Mazda for 540 million dollars to raise cash.

Ford said it would continue a strategic alliance with Japan's fifth largest motor manufacturer after reducing its stake from 33.4 percent to about 13 percent.

Mazda said it would replace its chief executive and president Hisakazu Imaki, who warned business was rapidly deteriorating.

"The financial crisis drastically changed the environment," Imaki said.

Two directors sent to Mazda from Ford will leave, although the US giant will remain the largest shareholder and keep one seat on the Japanese group's board of directors, with Philip Spender staying on as an executive vice president.

"This agreement allows Ford to raise capital that will help fund our product-led transformation," Ford chief executive Alan Mulally said.

Mazda said it would spend up to 17.9 billion yen (185 million dollars) to buy back 6.87 percent of its shares on the market.

Wolseley to axe 2,300 jobs

AFP, London

Wolseley, the world's biggest distributor of plumbing and heating products, said on Tuesday it planned to cut more than 2,300 jobs, mainly in Britain but also in the Nordic region, as its profits slump.

Wolseley had already axed 5,000 jobs, mainly in the United States, during the three months to October 31, the group's first quarter.

"Given the growing impact of the recent turmoil in the financial markets on the broader world economy and the construction industry, the group expects the markets in which it operates to continue to deteriorate," the British company said in a trading update.

It added: "For the three months ended 31 October 2008, the group's results continued to be affected by the unprecedented events in the financial markets and their wide ranging impact on the housing market and consumer sentiment."

"Actions initiated in (the) first quarter have resulted in combined exceptional restructuring charges of 163 million pounds (194 million euros, 245 million dollars), annualised savings of 134 million pounds and headcount reductions of around 5,000."

EXPORTS

RMG under rebate pressure

REFAYET ULLAH MIRDHA

Bangladesh's ready-made garments (RMG) sector, it seems, is stuck between two walls made of glass. On one hand, exporters operate under intense competition, pushing selling prices to rock bottom. On the other hand, international buyers are playing ace after ace, as they demand rebates or discounts on shipped products.

A mirror image appears when it comes to issues of importing raw materials for production.

The local traders import virgin cotton, accessories and capital machinery from foreign exporters who do not give any rebates or discounts to them, not even when prices of such products in the world markets fall.

A disheartened importer said virgin cotton prices declined by more than 15 percent, from 80 cents to 65 cents, but exporters refused to pass on the discounts, despite pleas.

The importer, also one of the biggest exporters of Bangladesh, has to give 2 percent discounts on shipped products to foreign buyers. He termed the practice 'an unethical business transaction'.

Rebates and discounts are nothing new to Bangladesh, but the practice has become more popular after the global financial recession, although the volume of exports is on the rise, says the exporter. International buyers are sending letters requesting rebates to most manufacturers in the country, he adds.

The pressures do not end here; international RMG buyers demand that manufacturers improve compliance issues, bring the businesses up to international standards.

Presently, most garment factories in Bangladesh are compliant as they follow international codes of business, such as following the latest wage structure of the country, says the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

In the face of intense competition, such pressures for rebates and high quality of products and work processes have been squishing profits, exporters lament.

Survival translates to increasing work order volumes, they add.

"Even though we religiously act in accordance with every compliance issue, buyers demand rebates and are not willing to pay the extra buck for Bangladesh apparels," a local manufacturer told The Daily Star.



SYED ZAKIR HOSSAIN

Shirts on display at a garment factory in Gazipur.

Bangladeshi manufacturers have low bargaining and negotiation capacities with the international buyers, an exporter pointed out.

"We need business intellectuals to step into newer markets, and ultimately to enhance bargaining and negotiation capacities of Bangladeshi makers," he says.

It is most common among Bangladeshi exporters to count their pennies rather than focus on the details, such as developing new techniques of negotiation, skills and product development with new designs and a modern outlook.

Local exporters say that a shirt sold for \$50 at any retail house in the US is bought from Bangladesh at a maximum price of \$7.

In China, for instance, international buyers have to quote just

prices for apparels, as the nation enjoys greater bargaining powers.

"We do not wish for a big jump in the prices of our products, just reasonable prices that meets our business expenses and ethical buying practices," an exporter says.

The continuing downward pressures on prices by international buyers is negatively hitting profitability of this sector and undermining efforts to improve working conditions, industry leaders warn.

Despite the cost rise of around 15 percent last year, the sector failed to pass the higher cost of production on to buyers because of cutthroat competition.

On the contrary, unit garment prices have fallen by between 1-2 percent in the immediate past fiscal year.

In order to try and stem falling prices, leading Bangladeshi garment manufacturers have launched campaigns to persuade major international buyers for ethical buying practices.

In this connection, Bangladeshi RMG manufacturers and exporters addressed the issue at a two-day meeting involving international buyers in Dhaka on June 28-29.

The MFB (Multi-stakeholders Forum-Bangladesh) meeting brought together public institutions, labour and civil society organisations and businesses.

Nazma Akhtar, a founder of the Bangladesh Garment Workers' Federation, recently says international buyers reduce prices all the time. "Then they emphasise how compliance is important for them. It's a two-phase scam," she says.

According to the industry, erratic supply of gas and power, higher freight charges in local and international markets, yarn price hikes, implementation of minimum wages for workers, higher transport costs and higher prices of capital machinery were some of the main reasons behind the higher cost of doing business over the last year.

Meanwhile, Bangladesh earned \$10.7 billion from the export of woven and knitwear products in FY2007-08.

In the first two months (July and August) of FY2008-09, the total export from woven and knitwear reckons \$2.243 billion against its target of \$2.102 billion, the Export Promotion Bureau (EPB) data reveals.

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FINANCIAL TURMOIL

Thai tourism in blues

AFP, Bangkok

Sitting outside his Thai kickboxing equipment shop in Bangkok, Soombut Yinglap says he has a plan for coping with the global financial downturn -- eat less and hope the tourists eventually arrive.

"Now there are not many tourists. Before in the high season it would be full," he told AFP gesturing to the nearly empty pavement where vendors try to sell holiday-makers everything from fake DVDs to knuckle dusters.

"I cannot do anything, just wait and see. Eat little, spend little -- try and save some money," the 37-year-old said outside his shop selling shorts, shin pads and headguards in the downtown Nana district.

Up the road at Boss Avenue tailor shop, 28-year-old Peter Geri says his store will cope by marketing cheaper fabrics.

Fewer tourists in need of a new suit are coming through his doors this year, a slowdown he blames on "the business crash down all around the world".

Thailand's high season has just begun and runs to February, but the signs for one of Southeast Asia's top tourism destinations are worrying.

Rising fuel costs pushed international arrivals at Bangkok's main airport down to about 600,000 in August -- a 33 percent drop from a year earlier after a jump of 5.5 percent in July, Ministry of Tourism figures show.

In September, arrivals were down 21 percent, and industry experts say numbers are expected to remain low as the global credit crunch prompts consumers wor-



Foreign tourists board a ferry at a pier along the Chao Phraya River in Bangkok. Thailand's high season has just begun and runs to February, but the signs for one of Southeast Asia's top tourism destinations are worrying.

ried about their jobs and mortgages to stay at home.

"We will probably have a very bad high season," said Oliver Martin of industry body the Pacific Asia Travel Association (PATA).

"You're going to have it across the board. It's going to be everyone -- from the luxury resort right down to a small tour operator, a mom-and-pop shop or a restaurant," he added.

Thailand is suffering from what Martin calls a "double whammy," as bloody anti-government street protests in Bangkok also make the

news worldwide, worrying potential holiday-makers.

Adding to the woes, a territorial dispute with Cambodia erupted into a deadly firefight in October affecting border arrivals, while a separatist bomb attack injured 74 people near Thailand's frontier with Malaysia.

Kongkirt Hiranyakit, chairman of government body the Tourism Council of Thailand, warned that the perfect storm of factors could lead to the loss of up to 70,000 tourism industry jobs.

An estimated one million

people work in the tourism business and around 700,000 in small and medium enterprises, he said, adding: "The current crisis could hit around 10 percent of those or around 60,000 to 70,000 people."

Although the Tourism Authority of Thailand (TAT) has been trying to lure luxury travellers, seen as more immune to global downturns, one of the problems with that strategy is that the kingdom still relies on mass-market package tourists, Martin said.

"This is your middle-income and middle-class market and this is very much the market that's been affected by their mortgages, potential jobs losses," he said.

PATA had forecast Thai tourist growth at four to five percent this year. The first nine months of the year were on track, but now the group is expecting growth to fall to about two or three percent.

Tourism businesses will also be lowering prices to lure thrifty holiday-makers, which may keep numbers steady but impact profit.

From the small stallholders at Nana to the five-star resorts stringing Thailand's beaches, businesses are finding ways to cope.

Debbie Dionysius, marketing director at Laguna Phuket, a resort complex on the southern holiday isle, said they had seen a 12 percent slowdown in revenue so far in the last quarter of 2008 compared to last year.

To counter falling numbers from long-haul destinations such as Europe and the United States, the company is looking to the Middle East and China.

"The economies of these regions have not experienced the same impact from the downturn as western economies, and potentially serve as more positive markets," she said.

The TAT, meanwhile, is trying to entice tourists from Southeast Asian markets like Singapore and Malaysia, which have so far managed to avoid any serious impact from the financial woes.

"Thailand is generally better suited to weather this kind of storm. Because the economy is so dependent on tourism they were very relatively quick to react," said Martin.