

## International Business News

## Taiwan's recession shows signs of further easing in June

AFP, Taipei

Taiwan's economic contraction appeared to be further slowing as its key indexes in June staged a rebound for the fifth month in a row, the government said Monday.

The June index of leading indicators rose 1.8 percent from May, when it posted a revised 2.6 percent increase, the Council for Economic Planning and Development said.

The index, which is used to evaluate economic performance in the coming three to six months, showed increases in overtime hours, export orders, money supply, semiconductor shipments and share prices, the agency said.

The June index of coincident indicators, which tracks the current pace of economic activity, rose 1.1 percent from a month earlier, compared with a rise of 1.9 percent in May.

"While the economy has showed some positive signs, the job market remains severe... It is necessary to continue to closely monitor the development," the council said in a statement.

Taiwan suffered a record 10.24 percent economic contraction in the first quarter as the island's exports had been hit hard.

Chung-Hua Institution for Economic Research, a think tank, said earlier this month Taiwan's economy is expected to climb out of a recession in the fourth quarter on reviving exports.

## Lending slowdown in US

AFP, Washington

Leading US banks are slowing lending as bankers and borrowers refrain from taking risks in the uncertain economy, The Wall Street Journal reported late Sunday.

An analysis by the Journal showed the total loans held by 15 large US banks shrank by 2.8 percent in the second quarter, and that more than half of the loan volume in April and May came from refinancing mortgages and renewing credit to businesses and not fresh loans.

The banks surveyed include financial giants such as J.P. Morgan Chase, Bank of America and Citigroup as well as regional banks such as Fifth Third Bancorp, based in Cincinnati, and Regions Financial Corp. of Birmingham, Alabama.

The 15 banks hold 47 percent of federally insured deposits and got 182.5 billion dollars in taxpayer-funded capital infusions through the Troubled Asset Relief Program, the report said.

As of June 30, the banks had 4.2 trillion dollars of loans on their balance sheets, down from 4.3 trillion dollars on March 31.

Loan portfolios shrank at 13 of the big banks, with the steepest decline at Comerica Inc., Dallas, where the loan total was down 4.3 percent to 46.6 billion dollars in the latest quarter, the paper noted.



AFP

A woman walks past a share prices board showing the closing numbers of the Tokyo Stock Exchange morning session in Tokyo yesterday. Japanese share prices rose 173.72 points to close at 10,118.27 in the morning session of the Tokyo Stock Exchange, lifting the Nikkei index above the key 10,000-point level for the first time in almost one month.

## Hitachi to take full control of key businesses

AFP, Tokyo

Japan's Hitachi Ltd., hit hard by the global recession, plans to spend up to 3.2 billion dollars to take full control of five domestic units with strong growth prospects, a newspaper said Monday.

The sprawling conglomerate, which last year suffered the largest loss ever for a Japanese manufacturer, is looking to pay to 300 billion yen (3.2 billion dollars) for shares in the businesses, the Nikkei business daily said.

The tender offers will begin in late August and are expected to be announced this week, the newspaper said without naming its sources.

The group currently holds stakes of about 50 to 70 percent in the five subsidiaries -- Hitachi Maxell, Hitachi Plant Technologies, Hitachi Information Systems, Hitachi Software Engineering, and Hitachi Systems & Services.

The Nikkei said of its 16 listed subsidiaries, Hitachi chose those firms for their strong growth prospects.

## Cambodia launches national airline

AFP, Phnom Penh

Cambodia launched its new national airline, Cambodia Angkor Air, in a ceremony Monday, giving the southeast Asian country its first flag carrier since a previous effort folded in 2001.

It is hoped the airline, a joint venture between the government and Vietnam Airlines, will encourage tourism and promote Cambodia, Prime Minister Hun Sen said during the ceremony at Phnom Penh International Airport.

Hun Sen urged airline officials to compete hard with other carriers to "make Cambodia Angkor Air successful and ensure national revenue".

The last national carrier, Royal Air Cambodge, folded in 2001 after running up losses of 30 million dollars.

## CRISIS TALKS

## China, US see recovery signs

AP/AF, Washington

Top officials of the United States and China said Monday they saw hopeful signs that the global economy was beginning to move into a period of recovery.

Treasury Secretary Timothy Geithner said that the joint efforts of the nations to deal with the financial crisis with large stimulus programs marked a turning point in the relationship of the two economic superpowers.

Chinese Vice Premier Wang Qishan said that "at present the world economy is at a critical moment of moving out of crisis and toward recovery."

The officials spoke at the opening of two days of high-level talks covering a range of issues in the area of economic tensions and foreign policy hot spots such as North Korea's nuclear challenges.

Secretary of State Hillary Rodham Clinton has opened talks with high-level Chinese officials, hailing an opportunity for better relations and saying the two countries share common interests and mutual threats.

Kicking off a new dialogue with Beijing, Clinton said that the two "are laying brick by brick the foundation of a stronger relationship." She said it was time to move from "a multipolar world to a multipartner world."

The talks will include discussions of the global economic slide, climate change and commercial relationships. Clinton said the two "will not always see eye to eye." Both sides are emphasising the importance of the meetings.

US President Barack Obama was set to inaugurate the two-day dialogue, part of the US leader's push to build a broader relationship between the biggest developed and developing economies.

With China increasingly uneasy about its massive exposure to the US economy, Secretary of State Hillary Clinton and Treasury Secretary Timothy Geithner made a joint appeal to Beijing to work together to spur global growth.

"Simply put, few global problems can be solved by the US or



US Treasury Secretary Timothy Geithner (4th-R) and US Secretary of State Hillary Rodham Clinton (5th-R), Chinese Vice Premier Wang Qishan (6th-R) and Chinese State Councillor Dai Bingguo (4th-L) pose with other delegates for a family photo before the start of the US-China Strategic and Economic Dialogue at the Ronald Reagan Building and International Trade Centre in Washington, DC, yesterday.

China alone. And few can be solved without the US and China together." Geithner and Clinton wrote in an article published Monday in The Wall Street Journal.

"The success of the world's major economies in blunting the force of the global recession and setting the stage for recovery is due in substantial measure to the bold steps our two nations have taken," they said.

"As we move toward recovery, we must take additional steps to lay the foundation for balanced and sustainable growth in the years to come."

No major announcements were

expected in the Washington talks but a flurry of press briefings could shed some light on the sometimes fraught relationship of the two intertwined giants.

Charles Freeman, a China expert at the Centre for Strategic and International Studies, a Washington think-tank, said the dialogue's main purpose was to build confidence between Washington and Beijing.

"While the United States and China have developed an increasingly close relationship over the years, there still remains a fundamental sense of mutual strategic mistrust," Freeman said.

The United States, along with close US ally Japan, has voiced concern about Beijing's rapid military build-up; Chinese and US ships have repeatedly confronted each other at sea.

Beijing's human rights record has also long been a sore point, with many US lawmakers dismayed over recent ethnic violence in China's Muslim-majority Xinjiang province that left at least 192 people dead.

Clinton and Geithner made no direct reference to China's human rights record in their article but said Washington and Beijing "must be frank about our differ-

ences."

China is the largest creditor to the United States and has voiced growing concern about the fragility of the dollar and the safety of its more than 750 billion dollars invested in US Treasury bonds.

Zhu Guangyao, assistant finance minister, told reporters in Beijing that China would press the United States to ensure the safety of its investments.

"As an important investor, China is deeply concerned about the US economic situation and hopes the US stimulus policy could make effective progress," Zhu said.

## COLUMN

## Is it retail invasion?

ASJADUL KIBRIA

Two separate news items have appeared at almost the same time.

One is from the next-door neighbour: a cash-and-carry superstore in India is to be opened under a joint venture between India's Bharti Group and Wal-Mart, the world's largest retailer. It is the first initiative through which foreign capital enters India's retail market, with large expansion plans.

The other is within the country: ACI Logistic, a subsidiary of ACI Group, has unveiled plans to expand its retail chain business outside Dhaka.

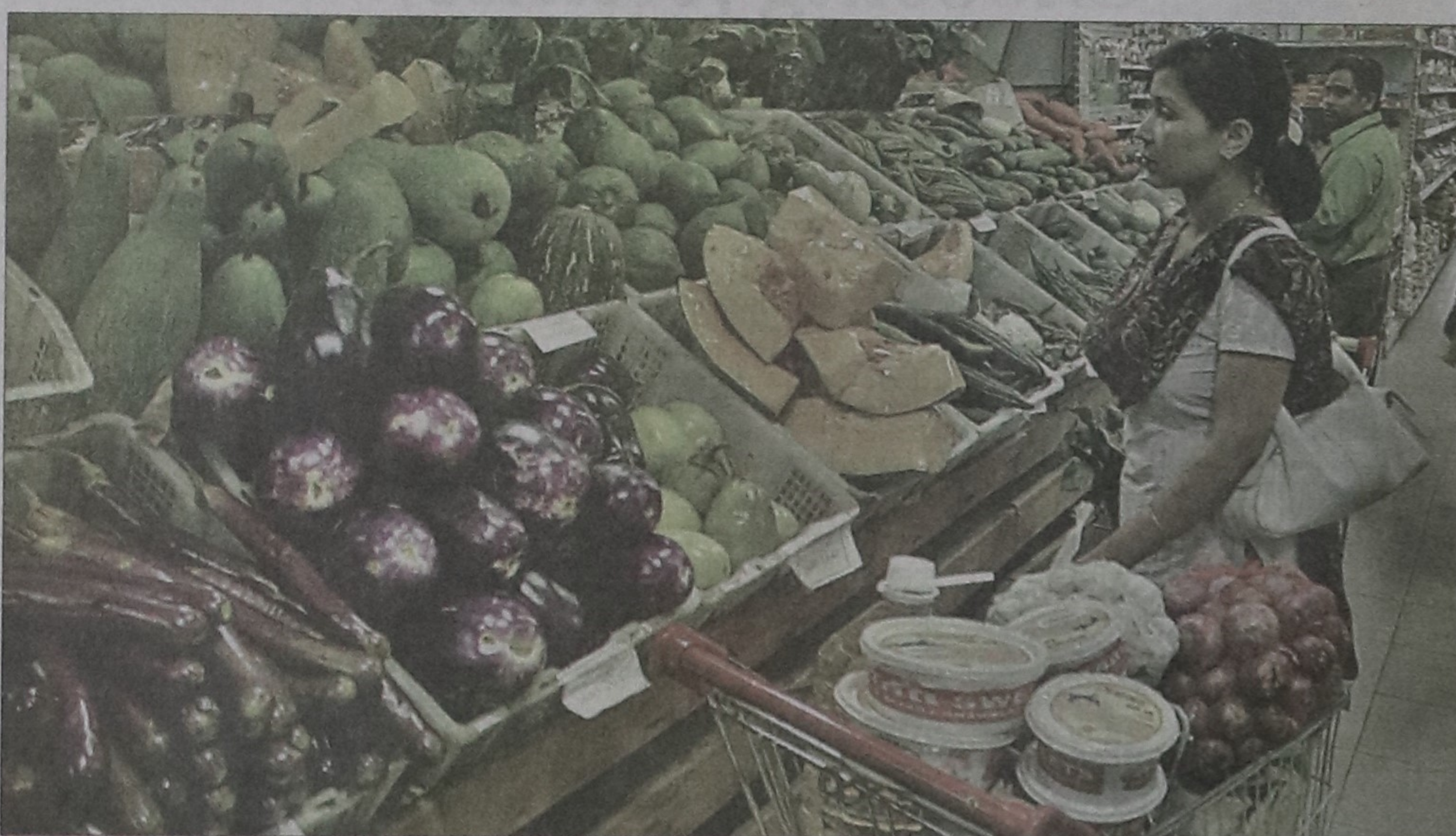
The basic similarity is that big businesses are aggressively entering the retail sector in different economies.

In India, the formal entry of Wal-Mart may be the latest event. But the process of 'Wal-Martisation' was initiated some years back when Indian conglomerates began investing in the retail sector.

RPG Group, Pantaloon Retail, the Wadias, the Rahejas, Aditya Birla Group and Reliance Group now have a strong presence across India and are trying to scale up operations. Although the move has faced some resistance in many places, growth is present.

Thus the number of superstores in urban India are rising rapidly and attracting consumers to buy in bulk from the stores, enjoying several comforts. People are apparently happy as they are walk across the spacious floors, picking products from shelves. From household consumer durables to groceries like rice, vegetables, onions, and potatoes are all available under a single roof.

Superstores like Agora, Meena Bazar and Nandan are also growing in Bangladesh, although at a slower rate. Shapnaw, the initiative of ACI Logistic, is the latest in the rally. Beside these large superstores, a number of medium and small superstores are also flourish-



AMRAN HOSSAIN

Superstores are growing in Bangladesh, although at a slower rate, replacing traditional outlets.

ishing.

Superstores offer a wide range of products so that people can make their weekly or monthly household shopping. To attract consumers, there are various promotional offers. The dazzling malls with chilled interiors also accept credit cards, reducing the risk of carrying cash. People do not mind bearing additional costs because of such amenities, in comparison to traditional kitchen markets and street vendors.

Although the number of superstores is still low and mostly centralised in the capital, there is a trend of setting up semi-superstores in other big cities in the country. ACI's move to disperse outside Dhaka and Chittagong is an indication that retail marketing opportunities around the country are being

grabbed.

Despite insufficient information regarding the size of the country's retail market, it is clear that millions earn their livelihood from it. The volume of retail transactions is also big undoubtedly. However, the retail sector in Bangladesh is pre-dominantly informal or unorganised. There are no reasonable or comprehensive official data on the sector. But big businesses have surely researched the market.

Interestingly, strong corporate houses have mostly entered the retail sector on a large scale.

Rahimafrooz extended operations to the retail sector by establishing Agora, after consolidating operations in automotive and power and energy. Gemcon Group set up Meena Bazar, after a strong foothold in other areas, including

the food and beverage industry.

ACI Limited has also consolidated its position in pharmaceuticals and agribusiness, prior to starting the new venture.

Against this backdrop, one can now put forward a relevant question: Is the entry of big businesses in the retail market in Bangladesh a retail invasion?

In fact, when big businesses take control of the supply chain of a country and outnumber the people who depended on retailing essentials, it is termed as retail invasion. It is also known as 'Wal-Martisation' as it is an attempt to overturn the traditional way of selling goods. Indian fortnightly magazine Frontline made extensive coverage on the subject in the context of India two years back.

As big businesses have strong

financial and logistic support, they can easily grab the supply chain of essentials and other household items. Superstores also have large storage capacities with preservation facilities. But traditional retailers, hawkers and street vendors enjoy no such facilities.

Traditionally, retailing is a way of life for millions of poor in the country. Thus, displacing people from the job will aggravate poverty further. Although an expansion of corporate entities in the retail sector in the country is still nominal, current trends show that they are moving forward. The move is organised and formal. It is not possible for small retailers to fight and sustain in the long run, unless alternate measures are taken.

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