

International Business News

Bankers should pay for crisis: German finance minister

AFP, Berlin

Germany's finance minister wants bankers to pay for the financial crisis, according to a letter sent to his G20 counterparts ahead of a September 4-5 meeting in London seen by AFP on Monday.

"The broad majority of our citizens -- who are not among those responsible for the crisis -- now face enormous financial burdens," Peer Steinbrueck said in the letter dated August 27.

"It is therefore of central importance that we arrive at a fair distribution of the burdens arising from the crisis and, in particular, that we enlist those who triggered the crisis in financing of these burdens as well," he said.

"I would like to discuss with you how we can bring the financial markets to make a greater, internationally coordinated contribution to financing the immense burdens of the crisis."

Steinbrueck also called on the meeting of finance ministers from the Group of 20 in London to discuss international rules to facilitate the insolvency and liquidation of large banks in the event of another crisis.

He also called for closer scrutiny of bankers' pay and better international coordination on "exit strategies" from the massive stimulus efforts unrolled by governments around the world.

China vows to improve returns on forex reserves

AFP, Beijing

China's foreign exchange regulator pledged on Monday to improve the long-term returns of its 2.13 trillion dollars in foreign exchange reserves.

Authorities also will continue to try to prevent large amounts of funds from flowing in and out of the country, the State Administration of Foreign Exchange said in a statement.

"With the precondition of ensuring security and liquidity, we will increase the long-term profitability of reserve assets," the agency said, without detailing how it planned to achieve that goal.

The statement was posted after Chinese shares closed down 6.74 percent on Monday -- the biggest single-day percentage fall in 15 months.

The agency also said it would "improve" rules for its Qualified Domestic Institutional Investor and Qualified Foreign Institutional Investor programmes to provide more channels for investors at home and abroad.

The statement said the decisions were made at a recent meeting in Shenyang, in northeast China, attended by the agency's newly appointed director, Yi Gang, and deputy director, Deng Xianhong.



Abu Ahmed a book vendor sits surrounded by books and magazines at his permanent stall at Souk al-Saray in old Baghdad on Sunday. Ahmed has been running his business for the past 50 years, situated in the same place, with famous writers and poets perusing through his collection.

New Zealand economic recovery fragile: Central bank

AFP, Wellington

New Zealand's economy is recovering from the impact of the global crisis but the progress of the upturn is uncertain, central bank governor Alan Bollard said Monday.

Bollard joined other central bank chiefs from around the world in Jackson Hole, Wyoming in the US this month and he said the belief among them was the world was poised for an upturn.

"Now we can see the turning point, we can see how bad it gets, we can see the bottom of the abyss and we can see out the other side," Bollard told Radio New Zealand.

"There was generally a broad feeling of relief, but there's a long way to go yet," he said.

New Zealand had already been in recession from early last year and the impact of the global financial crisis killed off hopes of an early recovery.

The country's economy has shrunk for five consecutive quarters but Bollard said signs of an upturn were clear.

"The New Zealand economy is recovering, and for us it's not so much just the size of the recovery -- its the quality we will be concerned about," he said.

Slovenia emerges from recession

AFP, Ljubljana

The Slovenian economy emerged from recession in the second quarter, notching up modest growth following two consecutive quarters of economic contraction, official data showed Monday.

In the second quarter, Slovenia's gross domestic product (GDP) expanded by 0.7 percent compared with the first quarter of the year, the Slovenian Statistical Office said in a statement.

In the fourth quarter of 2008 and the first quarter of 2009, GDP had contracted by 4.1 percent and 6.4 percent respectively.

The statistics office did not provide a breakdown of the different GDP components, with more detailed data scheduled to be released later this week.

On a year-on-year basis, however, GDP contracted by 9.0 percent in the period from April to June, compared with the same period a year earlier, the statisticians noted.

That was the third consecutive drop in GDP on a 12-month basis.

FASHION

A motley of colours

SOHEL PARVEZ

The crowd thickens slowly in a glass-fronted shopping area on an otherwise quiet floor of Bashundhara City.

Once you are off the moving escalator to the seventh floor, you will find many en route to the new shopping zone that houses 10 local handicraft brands.

Walk in and you will find yourself in a motley of colours brightened by overhead lights. The outlets showcase an array of exhibits -- from punjabi to sari to quilt. The middle of the zone, a 6,500 square feet rectangular area, gives a relaxing breather to visitors.

It is the 'Deshi Dash', an emporium of 10 local fashion boutiques that have joined hands to show off.

"We want to make it a destination for local fabrics and handicrafts. Our spirit is to work together to promote and develop local textiles," says Khalid Mahmood Khan, one of the masterminds of the idea.

In more than 23,000 square feet area, the Deshi Dash, opened on August 20, brings different generations of local fashion boutiques together. From the post-liberation fashion trendsetter, Nipun, to latest entrant Deshal have joined the foray to show off their products made mainly from handloom.

Others are: Prabartana, Kay Kraft, Anjan's, Rang, Banglar Mela, Bibiana, Sadakalo and Nogrodola.

The aim of Deshi Dash is to popularise local textiles, needle works and crafts, and create a platform to promote the handloom industry, which provides livelihood for nearly 15 lakh people in rural Bangladesh.

"We may look small in numbers. But people who work with us are thousands in numbers. About 90 percent people in the sector remain behind the scene as they work in rural areas," says Khalid, also director of Kay Kraft.

These boutiques have brought clothing and textiles items from different handloom hubs, spread sporadically across the country.

From legendary Jamdani and Tangail sari of Narayanganj, Sonargoan and Tangail, bed covers and fabrics for traditional wears from Narsingdi and Manikganj, lungi from Sirajganj and silk sari from Chapainawabganj -- all were dangling and put in shelves in a fashion.

A gradual rise of local fashion houses has created a resurgence for local textiles, needle works and crafts and enabled many weavers to stay afloat in the face of competition from low-priced powerloom cloth.



AMRAN HOSSAIN

Visitors crowd an outlet of Deshi Dash, an emporium of 10 local boutiques that have joined hands to show off their products at Bashundhara City shopping mall in Dhaka.

As revealed in the Handloom Census 2002-03, contribution of handloom industry to total cloth production dropped to 28 percent in fiscal year 2002-03 from 64 percent in 1989-90.

A significant portion was taken over by mills and power looms, according to the census.

Such an uneven competition in the past forced many weavers to quit their ancestral profession.

The Handloom Census showed the total number of looms dropped to 505,556 in 2002-03, from 514,456 in 1989-90. The number of operational looms also declined over the period.

The threat of losing profession is still there. In absence of adequate fund and institutional support in getting raw materials such as yarn and dye, weavers remain vulnerable to the price charged by the yarn merchants and middlemen.

"Much of their helplessness could have been eased if fashion houses had a collective platform to procure raw materials and supply among weavers. But the main problem lies in fund," observes Khalid.

He says the practice of collecting raw materials in credit is on the downturn.

A section of weavers still

depend on collecting raw materials in credit involving higher cost, although getting reasonable prices for the cloth they produce remains uncertain, say stakeholders.

Fashion houses, focusing on local textiles, have not only helped reduce the number of layers in the marketing chain for handloom products but also allowed weavers to get confirmed buyers, who usually add value after collecting cloth.

Entry of fashion houses also enabled many weavers to diversify their product bases from weaving a single type of cloth to a range.

"Growth of boutiques has helped develop a number of handloom pockets. Diversification in product development has also taken place," says Khalid.

"People have welcomed fashion houses that are working with local materials."

Stakeholders say the market for local textiles and crafts is rising, thanks to urban middle and upper-middle class who have propelled the demand for local textiles and design in the last couple of years.

Insiders say the market for boutiques is worth Tk 1,000 crore a year and registers a double-digit growth annually.

Participants believe their collective presence would help boost the demand for local textiles further.

"We are promoting import-substitute products," says Khalid.

"We want to organise festivals and fairs all over the year to popularise local textiles," says Lipi Khandker, managing director of Bibiana.

Under the initiative, each of the participants, which has joined the foray based on uniqueness in product and design, and a clientele base, will maintain sales proceeds separately. Each of them will also display its products at its own outlet.

But a shopper, who buys a product from any of the outlets, will be offered a shopping bag having logo of Deshi Dash.

"After you go out from an outlet buying a product, it will be difficult for an onlooker to understand from which fashion house the item was purchased," says Lipi.

She believes the initiative would benefit all of them as option to choose from ten separate boutiques will inspire shoppers to visit the Deshi Dash emporium.

Shahid A Shamim, director of Prabartana, belongs to the same

belief as of Lipi.

"Business will be more sustainable here. It strengthens our client base and offers options to our existing and prospective clients," he says.

"Deshi Dash will be effective in branding local textiles."

However much of its success now depends on the customers' response, although some of the participants believe that the venture would start getting returns after a year as Deshi Dash will slowly be a destination for fashion lovers.

"I believe this concept will be appreciated and this place will slowly be a destination for local products," says Khalid.

And such success may encourage them to realise another dream of expanding Deshi Dash not only to other major cities in Bangladesh but also abroad.

But given the fund dearth, lack of skilled and professional textile designers, problems in organisational and supply chain management, much of the good intention can end in vain.

For expansion, Khalid sought support from Equity and Entrepreneurship Fund under the Bangladesh Bank.

sohel@thedailystar.net

MARKETS

Japan's post-poll euphoria short-lived

AFP, Tokyo

Japanese financial markets staged a brief victory rally Monday after a landslide win by the opposition Democrats, but the initial euphoria soon gave way to doubts about how they will run the economy.

The Democratic Party of Japan's historic victory raised hopes of a fresh start for the world's second-largest economy following its worst post-war recession and two decades of more general economic malaise.

The yen scaled a seven-week peak against the dollar and the Nikkei index touched a new high for 2009 in early trade as investors gave a positive early reaction to the DPJ's overwhelming victory.

The dollar fell to as low as 92.54 yen, its lowest level since July 13, down from 93.29 in New York late Friday.

But the stock rally proved short-lived -- partly because of the stronger yen and losses on the Chinese market, but also because markets are unsure what the DPJ will do when it takes power. The Nikkei ended down 0.40 percent.

In particular, markets are waiting to see who will take the key cabinet posts, including the job of finance minister.

"The direction of DPJ economic policy will remain unclear for several weeks at least, until political factors settle," said Morgan Stanley senior economist Robert Feldman.

"The DPJ will have to choose coalition partners, appoint personnel, determine policies, and then propose and pass legislation."

The centre-left DPJ has promised to boost household incomes with measures including cash allowances for child-raising, free high-school education, a higher minimum wage, petrol tax cuts and an end to highway tolls.

"There is the prospect of a short-term boost to growth, but its basic economic policy stance is not particularly market-friendly," said Richard Jerram, chief Japan economist at Macquarie Securities.

"If the DPJ decides to push ahead with its spending plans without being able to find cost savings, then we would expect the bond and currency markets to react negatively," he warned.

The DPJ is generally seen as less business-friendly than the outgoing Liberal Democratic Party and has pledged to shift the focus from big business to households to create a more equitable society.

DPJ leader Yukio Hatoyama



AFP

Democratic Party of Japan leader Yukio Hatoyama as he exits a conference room at the party headquarters in Tokyo yesterday. The DPJ has begun talks on forming a new government, faced with the challenge of reviving the struggling economy and reshaping ties with key allies after its crushing election win.

has also floated the idea of creating a single Asian currency.

Fujio Mitarai, the head of Japan's top business lobby Nippon Keidanren, urged the

DPJ to work with other political parties on economic reforms.

"What's most important as a short-term goal is to secure a recovery from the economic

crisis," Mitarai, who is also chairman of high-tech Canon Inc., said in a statement.

The Japan Automobile Manufacturers Association expressed concern about the DPJ's ambitious plans to curb greenhouse gas emissions, which it said would "have a large impact on economic activities and employment."

The DPJ's victory comes as Japan slowly emerges from a year-long recession caused by a collapse in exports due to the global economic downturn. Its economy grew in April-June for the first time in five quarters.

In a further sign of improvement, factory output rose by 1.9 percent in July from June, marking a fifth straight monthly gain.

But with unemployment at a record high of 5.7 percent and deflation deepening, the fear is that the recovery shoots may soon wilt.

Other data released Monday highlighted the weakness of the domestic economy. Average monthly wages fell 4.8 percent in July from a year earlier, after a record decline of 7.0 percent in June.

Retail sales dropped 2.5 percent in the same month -- their 11th straight year-on-year decline.