

International Business News

British Airways-Iberia deal aims giant blow at rivals

AFP, London

British Airways is aiming to hold its ranking as a giant in the skies through a tie-up with Spanish carrier Iberia that will give it access to South American routes, the group's boss said on Friday.

The tie-up is being seen as a move to avoid being sidelined by rivals Air France-KLM and Lufthansa as the economic crisis and the rise of low-cost airlines drives airline alliances and steep cost cutting.

However, BA chief executive Willie Walsh also admitted that there would be more job cuts as a result of the proposed marriage, sparking concern among trade unions in Britain and Spain.

The deal, creating Europe's second-biggest airline by market capitalisation after Lufthansa, will combine Iberia's strong presence in Latin America with BA's solid position in North America, Asia-Pacific and Africa.

The pair agreed late Thursday on a four-billion-pound (4.5-billion-euro, 6.6-billion-dollar) merger to form one of the world's biggest airlines.

Walsh said his loss-making company did not want to be "left behind" after a series of critical industry alliances, citing the 2003 creation of Air France-KLM and a series of European acquisitions by Germany's Lufthansa.

India inflation gains pace

AFP, New Delhi

India's inflation jumped in October, official data showed Saturday, putting pressure on the central bank to start reversing an aggressive series of interest rate cuts.

Inflation rose 1.34 percent in October from the same month a year earlier, according to the Wholesale Price Index, India's most-watched cost-of-living benchmark.

The rate was more than twice the annual 0.50 percent increase logged in September, according to the Commerce and Industry Ministry figures, which were presented on a monthly basis for the first time.

The government has begun calculating inflation data on a monthly rather than a weekly basis to allow more time to compile the figures and give a more accurate snapshot of price movements.

The central Reserve Bank of India cut interest rates to record lows to shield the economy from the impact of the global financial crisis.

But economists say accelerating inflation combined with signs of a rebound in Asia's third-largest economy could prompt the central bank to begin increasing benchmark borrowing rates early in the new year.



Visitors pass a statue of a nurse with angel wings at the Kerala state pavilion on the opening day of the 29th India International Trade Fair in New Delhi yesterday. Forty-four countries and 27 Indian states participate in the 14-day multi-product show focusing on the themes of tourism, industry and promoting exports of small and medium sized companies.

Hong Kong sees further

GDP growth in Q3

AFP, Hong Kong

Hong Kong's economy continued to rebound in the third quarter on stronger domestic demand, government figures showed Friday, but the improvement was limited by sluggish export trade.

The city's GDP grew 0.4 percent in the three months ending September 30 compared to the second quarter, the government said in a statement.

But the growth was much lower than the 2 percent predicted by economists in a Dow Jones Newswires poll.

Year-on-year, GDP fell 2.4 percent for the third quarter, narrowing from the 3.6 percent decline in the second quarter, the data showed.

"We have seen the worst of the economic downturn and we are on our way out," Helen Chan, the government economist, told a press briefing.

"But we are still some way from a general recovery," she said, warning of "unstable risks in the external environment ... the global recovery could stall after the exceptional fiscal boost begins to fade out."

HSBC sells London HQ to South Korean fund

AFP, London

Banking giant HSBC said Friday it was selling its London headquarters to the National Pension Service of South Korea (NPS) for 772.5 million pounds (1.3 billion dollars, 864.4 million euros).

"We actively manage our global real estate portfolio in accordance with the needs of our businesses and in the interests of our shareholders," Ken Harvey, HSBC's chief technology and services officer, said in a statement.

"We are delighted the National Pension Service of Korea, one of Asia's largest sovereign investors, will be our new landlord," he added.

HSBC will retain occupancy of the building under the leaseback deal.

The headquarters is a skyscraper in London's distinctive Canary Wharf business district along the River Thames.

INTERVIEW

Germans keen on investment

German-Bangladesh chamber leader says

REFAYET ULLAH MIRDHA

Economic theory shows every risk ushers an opportunity. The global recession has created openings for some countries, especially South Asia, a relatively consumer-driven market.

Many say the sub-prime mortgage crisis, the recession roots, deepened in the United States when major western investors targeted the South Asian region as an investment destination.

Bangladesh has remained resilient to this financial crisis worldwide, with maintaining of around 15 percent growth in readymade garment (RMG) exports last fiscal (2008-09).

The recent visit of a good number of prospective investors from Germany and other European Union countries to this country in a short span of time is an indicator to the fact that it is considered a more focused destination.

The Daily Star has had a conversation with the German-Bangla chamber leader at his office in Dhaka where the tour of a business team from Europe's largest economy got prominence.

The German team was on a visit here on October 25-29.

Checking out the investment opportunities in Bangladesh was its goal, according to Saiful Islam, the president of Bangladesh-German Chamber of Commerce and Industry.

Islam coordinated this visit.

RMG, shipbuilding, inland transport system, solar power and chemical sectors are some key areas Germans keen to invest and for this purpose a feasibility study is now underway.

The investors from the West, now showing signs of recovering recession, are now busy in re-fixing their future strategies, says Saiful Islam.

Now they turn to South Asian countries who recorded a stable GDP (gross domestic product) growth over the last few years, the entrepreneurs' trade body chief pointed out.

Profit factors outshine the risk factors of investment in Bangladesh, Islam says, and so is the observation of the team that visited Dhaka. German businesspeople are eager to visit here again to study investment climate.



Saiful Islam

However some loopholes they identified in the way of smooth investment, Islam says. Dhaka's traffic congestion and weak infrastructure countrywide are the two major things they complained about, the German-Bangla chamber's key person added.

Such gridlock causes a rise in transportation costs, the German team pointed out.

"A lot of homework is needed to lure foreign investment," he also suggested.

On another query, Islam pointed his finger at German retail giant Metro Group's interest in raising the volume of

imports from Bangladesh. This globally renowned group registered a \$58 billion turnover last year.

Metro Group, now outsourcing manager from Pakistan, has recently proposed imports of Bangladesh mangoes.

Stressing acceleration of uplift works here, Germans also complained that bad transportation system leads to the fall in merchandising quality, Islam further said narrating the German delegation's visit experience.

He said shipbuilding is an emerging industry in Bangladesh and demand for small and medium ships in Germany is also on the rise, as at least 15,000 such water vessels lost their utility last year.

Germany is one of the major water vessel users in the world, Islam maintained. "So, we, as a shipbuilding country, have immense opportunity to grab German market," he said.

He also pointed to Bangladesh's widening export basket to Germany. "Enhanced trade ties have contributed to this."

Exports to Germany were recorded at \$1.59 billion up to June 2009, while imports from Germany stood at \$270 million during the period.

In FY 2008-09, Bangladesh posted a 24 percent growth in exports to Germany, while imports grew 10 percent. The export figure was \$2.5 billion, while the import was \$330 million, Islam said.

In FY 2008-09, finished leather goods exports to that country reached \$177 million and leather and leather goods \$204 million. Germany is one of the major leather and leather goods markets in the world.

Saiful Islam said Bangladesh's main export item to Germany is RMG, while it imports mainly spare parts of vehicles.

Islam suggested the government deploy a trade expert in Germany as a trade commissioner from the private sector as government officials can hardly handle business scope efficiently.

Islam, an ex-mariner, also asked the government for providing two important things -- primary healthcare facility and primary education -- to raise workers' capacity.

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COLUMN

Biogas: Blue and beautiful



Students, aware of the need for alternate and clean energy, showcase a model village having solar panel, wind turbine and biogas at a science fair in Dhaka recently.

9,000 on the total cost of nearly Tk 22,000 per installation, the user has to finance the rest for which a microcredit loan is also available. The biogas plant pays back within five years. Other organisations including a major contributor BCSIR (Bangladesh Council of Scientific and Industrial Research) have been promoting biogas for years now, and it is estimated that more than 40,000 of these biogas units are installed. Do they work?

According to Faisal, half do. The other half plants are underfed with manure and cannot produce enough gas. However as their experience curve has gone up, With an IDCOL subsidy of Tk

Faisal and his team are not making the initial teething mistakes and IDCOL's success rate is 97.5 percent. This is because of their farmer selection process that ensures enough cattle heads to feed the biogas unit.

In the recent science fair of our Foundation School in Dhaka, I was amazed how our young students have become aware of the need for alternate and clean energy. One particular group led by Raimat Kibria had all the alternative energies to show, solar panel, wind turbine and of course biogas for a model village.

If there is anything that makes Faisal thrive, it is innovation. This innovative approach to help our folks use waste into a resource instills in him the energy to travel around and spread the gospel of blue and beautiful clean energy, indeed a great godsend for rural Bangladesh. As these biogas plants spread, rural Bangladesh can wean out of the faltering electrical gridline energy to these alternate means and eventually and truly build up these model villages.

The writer is managing director of Syngenta Bangladesh Ltd.