

International Business News

Toyota to announce action soon for Prius hybrids

AP, Tokyo

Toyota said Sunday that it will soon announce plans to deal with braking problems in its prized Prius hybrid amid reports it has decided to issue a recall for the latest model in Japan, a possible new embarrassment for the world's biggest automaker.

Toyota Motor Corp has already had to recall more than 7 million other cars in the US, Europe and China over a sticky accelerator and floor mats that can get caught in the gas pedal. Those problems and criticism of Toyota's response to them have sullied the stellar reputation for quality long enjoyed by one of Japan's corporate icons.

Separately, the company has told dealers in the United States it is preparing to repair the brakes on thousands of Prius vehicles there, according to an e-mail sent by a company executive. It was unclear whether Toyota planned a formal US recall.

"We will make an announcement soon on the action we plan to take," spokeswoman Ririko Takeuchi said, commenting on media reports Sunday that the company has decided to issue a Japan recall. Takeuchi did not confirm those reports.

The Prius is the world's top-selling gas-electric hybrid and its fuel efficiency has drawn intense interest amid concerns about global warming and dependence on fossil fuels.

China economy to grow 10pc in 2010: State think tank

AFP, Beijing

A top state-run think tank has forecast that China will return to double digit growth this year, with a 10 percent rise in gross domestic product, state media reported Sunday.

The Centre for Forecasting Science at the Chinese Academy of Sciences said GDP could grow by 11 percent in the first quarter of the year, before slightly slowing down for the rest of 2010, the official Xinhua news agency reported.

Investment was expected to increase as a result of the government's economic stimulus package, but overall growth in investment for the year would fall to 25 percent, Xinhua quoted a report by the state-run institution as saying.

China's GDP, which analysts say could overtake that of Japan, expanded by 8.7 percent in 2009. It returned to double-digit growth in the fourth quarter last year, with a 10.7 percent growth -- the fastest in two years.

A government stimulus package worth four trillion yuan (586 billion dollars) has widely been credited with sustaining growth in a year when much of the global economy was in crisis.



A labourer works on the top of an iron scaffolding next to a giant advertisement board in Jakarta yesterday. Last year Indonesia was able to withstand the global financial downturn because of its robust domestic demand, with the government targeting growth of at least 7.0 percent by 2014.

'The worst is over' for food inflation, says India's PM

AFP, New Delhi

India's Prime Minister Manmohan Singh, under attack over rising food prices, said Saturday the worst of the country's food price inflation was over and that there was no need for panic over supplies.

The weakest monsoon rains in nearly four decades hit crops last year, sending food prices rocketing, with the cost of some staples such as pulses doubling from a year earlier.

Singh's comments came days after new figures showed India's food inflation accelerated for a second consecutive week to hit 17.56 percent from a year earlier after moderating for several weeks.

"I am confident we will soon be able to stabilise food prices," Singh told a meeting of state chief ministers in New Delhi, noting that the outlook for farm output was more optimistic than original estimates.

"The worst is over as far as food inflation is concerned" and there are sufficient supplies, Singh added, in copy of the speech posted on the government website.

Australia to withdraw bank funding guarantee

AFP, Sydney

Australia's treasurer said on Sunday the government would withdraw its bank funding guarantee due to improved conditions, ending a scheme put in place at the height of the global crisis.

Treasurer Wayne Swan said the Council of Financial Regulators had recommended ending the measure, which he said had been vital in stabilising Australia's banking system "when others were collapsing across the globe".

"It gave our banks continued access to global capital markets on competitive terms, which has been critical in supporting the flow of credit through the Australian economy," he said.

COLUMN

Cotton concern

SYED SHADMAN RAHIM

The continually surging global cotton prices in recent times have caused growing concerns among local textile makers and knitters. Domestic yarn of 30-count surged over 30 percent in the last two months.

"Yarn prices witnessed a rising trend in the last two months, but it went out of bounds 15 days ago," said MA Baset, second vice president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), according to a report published in The Daily Star on December 14.

Bangladesh Textile Mills Association (BTMA) President Abdul Hai Sarker claims that prices will "rise further", largely due to a limited supply of cotton and growing demand from China. Compounding the problem is dissimilarity between global and regional prices. Prices increased in India more than twofold the global price rise in recent months.

Existing global cotton stock reserves were expected to shrink by 13 percent to 10.7 million tonnes by the end of fiscal 2009-10. This will be the largest drop in stock reserves since 2002-03 due to a combination of lower production and rebounding consumption.

World cotton production is projected at 22.2 million tonnes in 2009-10, 5 percent lower than in 2008-09, due to lower yields, according to United States Department of Agriculture (USDA).

World cotton mill use is projected up by 2 percent to 23.8 million tonnes in 2009-10, pushed by expected global economic recovery. Asian users, like China, India, Pakistan and Bangladesh in particular, are expected to experience growth in



Yarn bobbins are on display at a recent fair in Dhaka. Domestic yarn of 30-count surged over 30 percent in the last two months.

cotton mill use during 2009-10. The combined share of these four Asian countries in world cotton mill use is forecasted to grow to 70 percent.

Globally, imports were projected up by 6 percent to 7 million tonnes in 2009-10, driven by stronger mill use. Chinese imports are expected to increase by 15 percent to 1.8 million tonnes to make up for the smaller domestic crop. The Chinese government recently announced larger-than-expected import quotas, thereby removing a key constraint on imports and consumption. Given this supply-demand backdrop, there is growing interest in cotton futures among large global commodity

indices and international commodity speculators like Jim Rogers.

In The Daily Star report, our knit goods exports have declined almost 10 percent in the first quarter of 2009-10 compared to the same period last year, according to Export Promotion Bureau.

We simply cannot afford to be passive observers and "victims" of global and local commodity price volatility. As our economy and industry grow in size and sophistication, we must actively mitigate such risks through innovative means. Standard Chartered Bank has been a pioneer in the local market by introducing structured products for price risk mitigation

by successfully introducing 'Zero Cost Collar' for a local conglomerate on April 3, 2008.

In the absence of protection against price hikes, cotton price dependent downstream industries find themselves in the current predicament of rising input costs and consequently the prospect of lower margins in the future.

Conversely, if prices fall rapidly, the lower input costs do not translate into lower prices downstream. The existing inventory purchased at the previous higher prices need to clear before prices can adjust down. This significantly hampers the competitiveness of yarn and textile makers, reducing price elasticity in the market as a whole.

Apart from oil, private sector players dominate most other commodity markets in Bangladesh. Their activity is limited to the physical market. Either offshore or onshore uses of financial products are rare among local players.

In an increasingly volatile global economic environment, quantifiable positive benefits to the end users of using such instruments should generate increased interest among importers and downstream users to integrate them in their business practices.

The writer is the product sales manager, Financial Institutions Sales, Standard Chartered Bank Bangladesh.

AFGHANISTAN

Insecurity pushes gold business down

AFP, Kabul

Sayed Mukhtar's shop in downtown Kabul is heaving with heavy 24-carat gold necklaces, rings and bracelets gleaming under fluorescent lights, but buyers these days are few and far between.

Business is down 90 percent in the past year, Mukhtar said, blaming the increasingly volatile security situation as the war against Taliban militants drags into a ninth year.

With the war escalating in the most restive southern parts of the country, the Taliban are also bringing their fight to the capital, forcing people indoors and those with money and assets to flee abroad, he said.

On January 18, Taliban gunmen and suicide bombers attacked buildings across the heart of Kabul -- some of them not far from Mukhtar's shop on the ground floor of the Pashtuni Bank -- killing at least five people including a child.

Fires raged after two shopping centres, a cinema and the only five-star hotel in the Afghan capital, the Serena just round the corner, were targeted by militants who set off a wave of explosions.

Seventy-one people were wounded in the most dramatic strike on Kabul since Taliban militants laid siege to government buildings in February 2009, killing at least 26 people.

For Mukhtar and the other traders at Kabul's gold bazaar -- a row of tiny, white-tiled shops beneath the bank in the city's busiest shopping district -- it was the lowest point in tough times that they see only getting worse.

As gold looks increasingly like a solid bet for international investors, bouncing and holding above 1,000 dollars an ounce amid predictions it could hit 1,300 dollars in coming months, for some Afghans it has lost its lustre.

"My costs are based on the world price, of course, because a lot of my stock comes in from



In the photo taken on Thursday, Sayed Mukhtar, 47, the owner of Sayed Samim Reza Gold store, waits for customers at his jewellery shop in Kabul.

Dubai, but rising prices will not be good for me because the higher the price, the lower my business," Mukhtar said.

Gold is fetching 1,700 afghanis per gram (36 dollars), he said, 400 afghanis less than at the same time a year ago.

"This is a bad time to be a gold trader, about the worst I've seen in 15 years in the business," he told AFP.

"Until a couple of years ago the business was very, very good, but I think the rich people have left the country," he said, adding he has received death threats and fears kidnap by criminal gangs.

"When the market was good I could sell 15-20 items per day, but now we hardly sell more than two items. Sometimes we don't sell

anything at all and some days we have no customers at all."

For Afghans, like many people in South Asia, gold is a wedding tradition and prospective husbands can spend thousands of dollars on jewellery for their betrothed -- everything from simple rings to elaborate breast plates and crowns.

But said Mukhtar: "It's been two years since I sold one of those high-priced items, a necklace costing a million afghanis."

In another shop on the well-guarded strip, 21-year-old Parisa Bakhshi slides a gold filigree and sapphire ring onto her wedding finger as her future mother-in-law, a dark woollen shawl pulled over her head, nods approval.

The following day she was

booked on a plane to Oslo to join her fiance -- "and I want something to show off," she said.

Her fiance's brother Jamil said when he married two years ago, gold was selling for 950 afghanis per gram.

"I was lucky then and now it is good to have," he grins.

Mukhtar said most his customers nowadays come to sell their old jewellery or to exchange it for new items for a 10 percent premium.

Whereas Afghans have long bought gold as a store of wealth, the lack of business is a sign that they lack confidence in their government's ability to bring peace to the country and get the economy moving.

As one of the poorest countries in the world, Afghanistan's biggest

export item is opium, worth an estimated three billion dollars a year.

"Without industry, we're going nowhere," Mukhtar said.

A fraud-tainted election last August -- after which Hamid Karzai was declared president though around a quarter of all votes were deemed fake -- had undermined the government's authority, he said.

"It's been getting worse since the election because of the political vacuum," he said of both the country's economy and his own business.

"And as security worsens women, who are the buyers, are not allowed to go outside because their men fear suicide bombers and other attacks."