

International Business News

Renault, Nissan and Daimler launch tie-up

AFP, Brussels
France's Renault, Japan's Nissan and Germany's Daimler on Wednesday launched a new partnership aimed at saving billions of euros and accelerating sales of pollution-light electric cars.

Renault-Nissan, whose own alliance already goes back 11 years, and Daimler AG, which makes the luxury Mercedes-Benz line and the Smart brand aimed at crowded and polluted cities, will exchange shares and technology as the auto industry bids to bounce back after recession.

The companies, which anticipate combined savings of four billion euros (5.34 billion dollars) over the first five years of their cooperation, will share existing diesel and gasoline engines while jointly developing technology for new electrical versions.

They plan to produce and market new cars and vans in a bid to close the gap on the world's best-selling auto makers, a similar alliance finalised last year between Volkswagen and Suzuki, and Toyota.

Renault chief Carlos Ghosn said he would remain "prudent" in terms of how the "strategic" cooperation would affect employment in an industry that has been decimated in Europe, with hundreds of thousands of manufacturing jobs transferring out of the region.

US Treasury Secretary Geithner to visit China

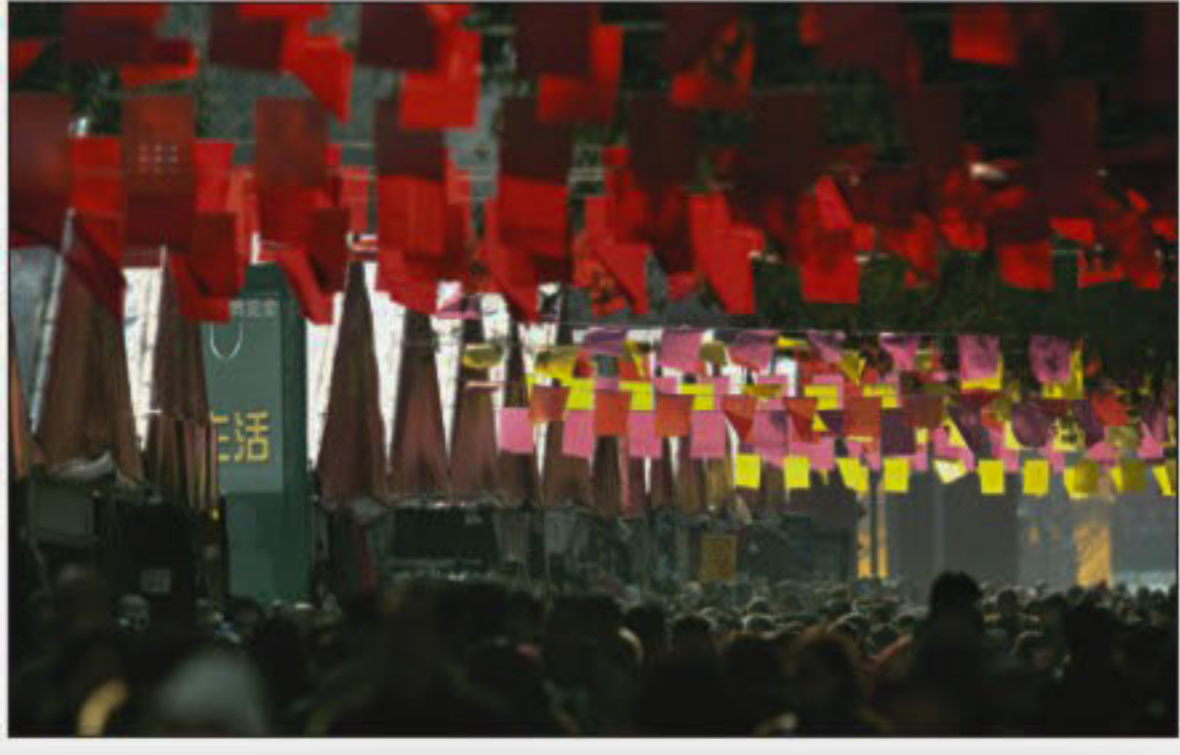
AFP, Beijing
US Treasury Secretary Timothy Geithner will visit China today, US officials said, as the two sides try to resolve deep tensions in their relationship, notably over the value of the yuan.

The visit comes just days before Chinese President Hu Jintao will head to Washington for an international summit on nuclear security -- suggesting the two countries are getting their relationship back on track.

Geithner will hold talks with Vice Premier Wang Qishan, who is in charge of economic and financial issues. He also heads the Chinese side for the Strategic and Economic Dialogue with the US, the next round of which takes place in May.

"This is a visit that we just confirmed yesterday," Richard Buangan, a spokesman for the US embassy in the Chinese capital, told AFP on Wednesday.

In New Delhi, where Geithner was wrapping up a visit to India, his spokesman Andrew Williams said the US Treasury secretary and Wang had been "working together to find an opportunity to meet in person for some time".



Shoppers make their way to a shopping mall in Beijing yesterday. The World Bank said that China's growing economy had helped developing countries in East Asia recover from the global crisis, but warned against exiting pro-growth policies too early.

JAL plans to speed up redundancies

AFP, Tokyo
Struggling Japan Airlines will slash 16,500 jobs earlier than previously announced as it looks to speed up efforts to save more than 870 million dollars a year, a report said Wednesday.

The new proposal, worked out by the carrier and its state-backed turnaround body, aims to shrink the group's work force of 50,000 by a third by March next year, the Nikkei business daily said without citing sources.

JAL had originally sought to shed 15,700 employees by March 2013 under a rehabilitation plan submitted with its bankruptcy filing in January.

The proposed cuts include nearly 5,500 workers from cargo and other peripheral operations, around 2,500 flight attendants, more than 2,000 sales representatives and 775 pilots, the newspaper said.

Staffing at the western Kansai and central Chubu airports will be slashed by 70 percent to 642 employees, reflecting the reduced flight schedules, it said.

AOL to sell or close Bebo

AFP, Washington
AOL plans to close or sell the social networking website Bebo, which it bought for 850 million dollars two years ago, according to a memo from management published on Tuesday.

"In an annual filing for Bebo we will make tomorrow, AOL will indicate that it is currently evaluating strategic alternatives, which could include a sale or shut down of Bebo in 2010," the memo to AOL employees obtained by Silicon Valley Insider and other technology blogs said.

"As we evaluate our portfolio of brands against our strategy, it is clear that social networking is a space with heavy competition, and where scale defines success," said the memo from Jon Brod, executive vice president of AOL Ventures.

"Bebo, unfortunately, is a business that has been declining and, as a result, would require significant investment in order to compete in the competitive social networking space," Brod said. "AOL is not in a position at this time to further fund and support Bebo in pursuing a turnaround in social networking."

GARMENT INDUSTRY

Patience thins on low energy

AMREEN AHMED BARI

Like dragons in dungeons, they roar in action. A queue of eight diesel generators provides the lifeline to the gas-starved factory at Gazipur.

The muazzin's call to prayer from the white marbled mosque at the factory premises is close to a whisper. It is just another day in the life of a composite garments factory that copes with failing promises of gas. What should be its right is now a privilege.

"My factory is running at 40 percent capacity that simply warrants survival," says Latiful Bari, a director of Rahmat Group.

The company that generates jobs for nearly 8,000 includes spinning, knitting, dyeing, printing, garments and plastic factories.

Bari, also chairman of Logos Apparels Ltd, says: "The project needs 14MW of electricity a day, which is met by captive energy."

Many apparel factories run low on gas, instilling jitters into the sector.

"During the day, we receive no gas. And even if gas is there, the pressure is too low," he says. The factory receives gas at 3-4 PSI (pound-force per square inch) against a need for 6 PSI.

Rahmat Group's spinning section accounts for 100,000 spindles. Twenty-five percent of production from these entities is exported, while the rest meets domestic demand for sectors: saris, lungis and terry towels.

Its knit factory produces fabric, cotton of various blends. Its dyeing unit produces dyed fabric in tubular and open width form.

Auxiliary services to the 100 percent export-oriented company are provided by its plastics unit that produces hangers and bobbins for both internal and external consumption.

At Rahmat Group, 60 percent of workers are women, and it hires skilled labour. To bind all operations, 250 mid-level managers are responsible.

"For reasons of survival, we have eight diesel generators in operation to meet our energy needs during the day. That is when the factory barely runs at 40 percent capacity," Bari says.

"The use of diesel to run operations is piling costs for us." The factory purchases diesel worth Tk 2.5 lakh a day. The extra need for diesel adds Tk 20 to costs per kilogram on average.

However, for four to five hours starting midnight, the factory receives full gas pressure and runs at full capacity.

A mid-level manager of the dyeing factory says the gas situation is creating havoc on the production floor as well. "Production on our floor goes on in a scheduled manner. In case of sudden power cuts, the dyeing process comes to a halt, ruining fabric and wasting precious time."

The fabric has to be stripped of the dye and "the whole process has to be redone".

"Out of our production, about 7-8 per-



A woman works at a spinning factory in Gazipur. The sector is bearing the brunt of the chronic gas crisis.

cent is wasted, which is within acceptable levels. But of late, due to the energy crisis, waste stands at 15 percent, which costs us in terms of productivity," he says.

Bari says with the present gas crisis, there has been a marked decline in the factory's ability to meet deadlines.

"Work orders often need to be air-shipped to meet deadlines," he says. "Of late, the company has recorded a 20 percent hike in air freight."

"The biggest stress lies in meeting the salaries for the month and other fixed costs. Even though production is low, bank interests don't sit idle."

"With looming uncertainty in the sector, foreign buyers may be reluctant to place orders, as they will be afraid that shipments will not be made on time," the Rahmat director said.

Foreign buyers are also reluctant to place orders with us these days. They are afraid shipments will not be made on time."

In times of extra work pressure, Rahmat Group rent extra diesel generators from outside to meet demand and increase energy to its factories.

The group with a turnover of nearly \$45 million a year mainly exports to Europe. "Seventy percent of our products head towards France, 20 percent to Germany and the rest to Italy," he adds.

Rahmat Group, established in 1989, has witnessed the highs and lows in business. But despite experience, the group is pessimistic about the future of gas.

"The gas situation has dampened the prospects of this sector. If the government does not take matters in its hands soon, more bad news will follow," the Rahmat

director says.

On the same belt lies Hanif Spinning Mills Ltd that employs 700 workers. The 25,200-spindle factory is also paying the price of little or no gas.

Asif Hanif, director, says the problem starts at 6am and stays until 1.30am. "Out of the four gas generators in my factory, only one runs at 50 percent capacity. In other words, my factory receives around 12-13 percent gas of my requirement."

"We are running at a loss."

Hanif says: "I am basically paying my employees for nothing. As they still have to come to work, I make them do maintenance work."

He has been running this factory for eight years now. "But the situation has never been so serious as over the last four months or so."

To add insult to injury, he has to bear greater gas bills. "When the gas pressure is low, the meters run faster, giving a greater reading. But that does not mean I am receiving more gas. When the pipes are filled with the required amount of gas, the meter moves slower, giving accurate readings," he explains.

The 100 percent export oriented factory sources cotton mostly from Uzbekistan and supplies mostly to European nations.

"The main problem we face is how to meet customer deadlines. I can make no promises, as it is impossible to say the production capacity for the next day even."

The director of the factory with Tk 200 crore in yearly turnover says: "I don't think the situation will improve. It will go worse."

On thinking about alternatives, he says, "I am contemplating diesel generators to

run operations. But the prices of diesel generators are also riding up on high demand, making the idea less feasible."

"It sometimes seems that the government is neglecting this sector even though it generates the most employment for the poor."

The chief commercial officer of Vestes International, a buying house, describes the situation as "completely ridiculous."

Preferring not to be named, the official says most factories most factories are run by gas and that is why they are suffering. "Some factories can make do with diesel generators, but diesel is expensive."

"Heavy fuels also pollute the environment, but that's another story all together."

Even though dyeing and stitching are somewhat managing, but it is the spinning sector that is suffering the most. With more and more spinning factories shutting, demand for yarn is greater than supply and the prices are rocketing as a result. In the last six months, yarn prices shot up by 70 percent, according to industry insiders.

The official explains that when spinners quote prices to buyers, it takes them at least five days to a week to open a letter of credit (LC). But even before the LC falls through, the price rises by 20 cents on a kilogram, making the initial offer void. "Buyers do not like such uncertainty."

No crystal ball is required to predict the future of the apparels industry. Insiders add that if this situation continues, buyers will definitely shift from Bangladesh to India and China, as it was in the past.

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REAL ESTATE

Singapore housing market still sizzling

AFP, Singapore

Singapore's housing sector is still sizzling despite government measures to cool it down, with demand fuelled by a strong economy and foreign investor confidence, analysts say.

Hefty price tags have not deterred the market, with buyers flocking to pre-construction sales offering blank cheques to reserve condominium units which they expect to rise sharply in value after the projects are finished.

All 202 units at a private condominium in the central business district -- costing 1.2 million-2.0 million Singapore dollars (870,000-1.4 million US) -- were snapped up in just one day at a preview in March, agents said.

About 25 percent of the 56 multi-million-dollar units offered at an invitation-only event at an exclusive waterfront development, The Residences at W Singapore Sentosa Cove, were bought in just one weekend preview.

Waterfront homes boasting unobstructed sea views, marketed as the ultimate experience in lifestyle living, have been prime among the recent launches.

"The market is driven by confidence fuelled by the recovering economy and employment market, and supported by low interest



The photo taken on March 25 shows a model display of a high-end water front property development, The Residences, in Singapore.

rates," Tay Huey Ying, director for research and advisory at property consultancy Colliers International, told AFP.

"Market optimism is also riding high on the anticipated potential for Singapore to rise in prominence in the investment radar of foreigners, particularly the high net-worth individuals and high-rollers, as a result of the opening of the two integrated (casino) resorts in 2010."

Singapore in February opened its first casino resort complex, which includes Southeast Asia's

first Universal Studios theme park. A second casino built by Las Vegas Sands will open next month.

The city-state, a regional financial centre, is also promoting itself as a hub where the world's growing ranks of multi-millionaires can park their money safely.

Warning of a possible bubble that could derail the economic rebound, the government in February imposed new regulations to stem property prices, and warned it was prepared to take further measures if necessary.

But the move, designed to discourage investors who buy and sell for a quick profit, appears to have had limited impact.

Private home prices rose 5.1 percent in the first quarter from the previous three months, government figures showed.

Although this was slower than the 7.4 percent rise in the previous quarter, property analysts said prices are expected to continue going up for the rest of the year.

"Barring unforeseen circumstances and further cooling measures, the residential sector is

expected to continue to lead the property market in price movement in 2010," Taysaid.

Singapore's economy is expected to grow up to 6.5 percent this year after contracting 2.0 percent in 2009 due to the global financial crisis.

Even prices for government-built residential highrises, which do not have security guards, swimming pools and other luxuries offered by private condominiums, are heating up.

They rose 2.7 percent to a fresh record in the first quarter compared to the previous three months, according to official data.

Tay said foreigners, including permanent residents, accounted for 28 percent of all private home transactions between January and March 16, surpassing the 26 percent seen at the market's peak in the first half of 2008.

Desmond Sim, Jones Lang LaSalle's associate director for research and consultancy, added: "More foreign buyers are looking to the Singapore residential market as the properties offer further potential for gains given the country's long-term positive economic growth prospects and stable political climate."

Analysts said the government may introduce more measures if home prices risked forming a bubble.