International Business News

Nissan Motors to sell Micra in India

AFP, *Mumbai*

Nissan Motor said Monday that production its Micra model had started in India and would be on sale from July to compete in the country's fast-growing passenger car market.

Bookings will open Tuesday for the small hatchback, which is being produced by the Indian arm of Japan's Nissan in the southern city of Chennai in alliance with its partner, French car maker Renault.

The firms plan to produce 80,000 cars in the first 12 months starting May, and 400,000 cars a year by 2014.

"This is the right product at the right time," said Kiminobu Tokuyama, chief executive of Nissan Motor India in a statement Monday.

Global automakers have been racing to compete in China and India, the world's two fastest-growing major economies, as sales in most developed countries slumped due to the fallout from the global financial crisis.

India and its 1.2 billion-strong population is a huge draw because of the low number of car owners, estimated at just 13 per 1,000 Indians.

Nepal considers devaluing currency

AFP, *Kathmandu*

Nepal is considering devaluing its currency by adjusting its peg to the Indian rupee to reflect the growing disparity between the countries' economies, the Financial Times reported Monday.

The new head of Nepal's central bank, Yuva Raj Khatiwada, said the peg holding the exchange rate at 1.6 Nepali rupees per Indian rupee was causing problems for monetary policy and competitiveness.

He noted that Nepal's economy had stalled after years of political instability, while neighbouring India was enjoying strong growth.

"We have been overly stressed to maintain the peg," said Khatiwada. "The Indian economy is growing by eight percent and we are growing at four percent.

"The Indian currency is strengthening because of economic strength and capital flows. Our currency is strengthening just because we have a peg to Indian currency."

China holds door open a crack to US on yuan

REUTERS, *Beijing*

China struck a conciliatory note in talks with the United States on Monday by vowing to spur domestic demand and keeping a guarded opening to exchange rate reform, which the Obama administration says is needed to rebalance the global economy.

The United States treaded softly on the subject and welcomed Beijing's long-standing pledge to reform the yuan as the two sides opened their second Strategic and Economic Dialogue.

But both countries also made clear that a stronger Chinese currency was not enough by itself to narrow the whopping US bilateral trade deficit that has fuelled tensions between them at a time when the global economic recovery remains fragile.

While Chinese President Hu Jintao broke no new ground on the yuan dispute, he set an amicable tone for the two days of talks during which the world's biggest and third-biggest economies will seek to steady their relations.

Rescue of Spanish savings bank could cost 2.7b euros

AFP, *Madrid*

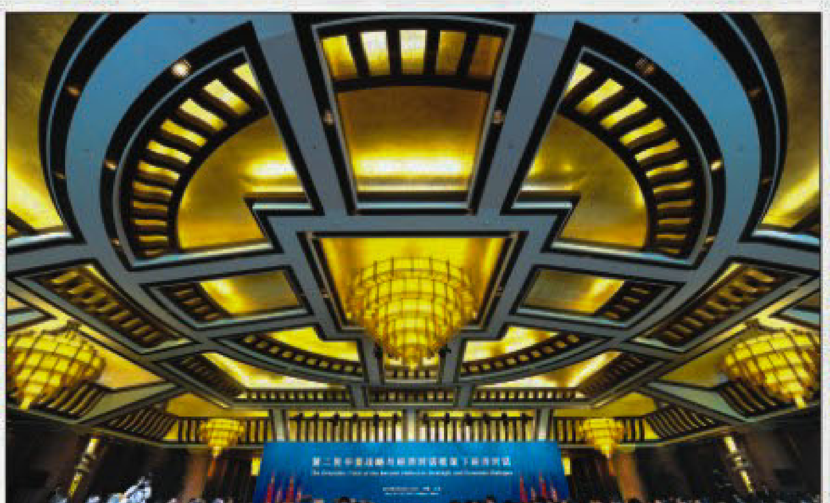
The rescue of regional savings bank CajaSur, which was taken over by the Bank of Spain at the weekend, could cost up to 2.7 billion euros, a business newspaper reported Monday.

A Bank of Spain spokesman would not confirm the figure but said the unlisted bank, formerly controlled by the Roman Catholic Church and headed by a priest, would receive an injection of "at least" 523 million euros (657 million dollars).

That would be the "legal minimum" amount to ensure financial stability.

"At least 523 million euros will be needed but I can not indicate a precise figure regarding the injection of capital which will be necessary," he told AFP.

The business daily Expansion said supplementary funds will be needed to clean up the bank's 1.5 billion euros in doubtful debts and another 364 million euros to make up for irrecoverable credits and the depreciation of property assets.



AFP

Delegations led by Treasury Secretary Timothy Geithner of the US (L) and Vice Premier Wang Qishan of China (R) sit across from each other at the opening ceremony of the Strategic Economic Dialogue at the Diaoyutai State Guesthouse in Beijing yesterday. The United States and China opened two days of high-level talks due to cover a wide range of issues including tensions over the sinking of a South Korean warship, blamed on Pyongyang, the value of the Chinese yuan and a number of trade disputes to be discussed by the two countries, the world's number one and three economies.

INTERVIEW

Benefit from China shift

Interfab MD explains growth of Bangladesh garment industry

REFAYET ULLAH MIRDHA

The importance of Bangladesh in the international apparel market is riding on the back of an industrial shift in China, says a local exporter.

International apparel buyers are flocking to Bangladesh as the cost of doing business in China is on the upward curve because of acute labour shortages in factories there, says Ahasan Kabir Khan, managing director of Interfab Shirt Manufacturing Ltd.

China, the largest supplier of apparels with a 30 percent global market share, finds it difficult to employ people in the sector, according to Khan.

A majority of Chinese garment factories are located near Beijing and Shanghai, another major city, but workers are reluctant to work in those factories by travelling 600 kilometres to 700 kilometres from the countryside, Khan explains.

"Employees prefer to work in other factories near their homes, as China achieved tremendous industrial growth almost all over the country during the last few years."

Chinese manufacturers lose a significant number of skilled workers from the garments sector. Apparently, workers do not return after the Chinese New Year's celebrations, Khan says.

"Recently, a lot of international buyers are shifting to Bangladesh from China. We have a more than abundant number of orders, but delivery of those orders is our problem," he says.

Bangladesh is now the first choice for foreign buyers as in China, the cost of doing business is no longer viable and the nation is shifting business to other sectors, the MD adds.

Ahasan Kabir Khan

This situation presents an opportunity for Bangladesh, and to gain buyers' confidence in the long run, the country needs immediate improvements in gas and power supplies to the industrial sector, he says.

"Despite odds, I have started expanding my business to capture more buyers."

Expansion has been the key focus of Interfab that started its journey in 1998. The company plans to set up seven more lines in August and another 10 in January.

At present, the factory has 30 lines with 1,400 sewing machines. It started with only three lines in Kunia, Gazipur.

Interfab won the first HSBC Export Excellence Award 2009 for its extraordinary performance in innovation, exports to new destinations, compliance and growth.

On innovation, Kabir says Interfab has been associated with major renowned international buyers from its beginning. The company makes dress shirts for UK-based Marks and Spencer (M&S).

Interfab produces non-ironed, wrinkle-free shirts for high-end consumers in Europe and the US, he adds. Other major brands it supplies to include PVH, Tommy Hilfiger and Esprit.

To explore new market destinations, Khan travelled from continent to continent. He discovered immense potential in South Africa for shirt exports. Last season, the company sent shirts worth $5 million to South Africa.

"We rarely explored the markets in South America, but there are millions of customers of Bangladeshi garments," he adds.

Interfab also won the hearts of the highly quality conscious Japanese customers.

The company stresses compliance to a great extent. "Interfab did not face even a single incident of labour unrest, as it strictly adheres to compliance rules."

The factory management regularly arranges training programme on the duties and responsibilities of the workers and officials.

Most labour unrest in Bangladesh arises from a miscommunication between mid-management and the workers. Interfab hires experts from Bangladesh Institute of Management (BIM) and German Technical Cooperation GTZ to train its 2,700 workers and officials, he said.

Interfab is witnessing commendable growth (30 percent on a year-on-year basis). "This year, I will be able to achieve 40 percent growth, as I received large orders, especially from new buyers, and expanded the factory's production capacity."

At present, the factory produces eight million shirts annually. In fiscal 2008-09, Interfab exported shirts worth $23 million and the amount is expected to cross $25 million in fiscal 2009-10, Khan said.

The volatile political situation in the past hammered the manufacturing sector, he says. "At one stage, businessmen did not come forward with new investment proposals as they panicked," he adds.

"Now, we need proper execution of the orders and an adequate supply of gas and power in the industrial sector. Then we can truly capitalise on the China factor."

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Gloom over Pakistan textiles

AFP

Pakistani employees work at a textile factory in Karachi. Global shortfall has fuelled major tensions in Pakistan's crucial but hard hit textiles sector, threatening to whip up political instability caused by an energy crisis over a sweltering summer.

AFP, *Karachi*

Mohammad Ahsan is worried. The father of three was laid off last year when power outages and recession forced his bosses to close the garment factory where he worked.

Ahsan spent months searching for work and finally a small garments factory based in a suburban industrial park offered him a job. But he now fears that a similar spell of unemployment is round the corner.

Global yarn production is down. Pakistani producers are cutting local contracts and exporting to China, where prices are higher than at home.

For Pakistani manufacturing already on the brink, it's a death sentence. "It seems the situation is getting worse again," said Ahsan.

Living in Karachi's impoverished Mauripur neighbourhood, he earns 9,000 rupees ($107) a month. His wife works as a maid and contributes 2,000 rupees to the household kitty.

"It's difficult to make ends meet. We are hearing about further lay-offs. We're doomed," he said.

The textiles sector is one of the key drivers of the Pakistani economy, accounting for around 55 percent of all exports, according to official figures.

Last week, thousands of workers in Pakistan's key textile hubs Faisalabad -- where they blocked traffic and damaged properties -- and Karachi went on strike to demand a ban on exports of yarn and cotton.

Manufacturers fear large-scale redundancies are on the horizon and some senior government officials agree with them.

"Export of Pakistani yarn -- lifeline of our value-added textiles -- makes our own country uncompetitive and benefits our rivals," said Khurram Mukhtar, chairman of the Pakistan Textile Exporters Association.

"If our industry collapses, millions of workers and their families would be deprived of their bread and it would be a huge catastrophe."

"It is true that uncertainty in our most rewarding export sector could force job cuts," said Mirza Ikhtiar Beg, an adviser on textiles to Prime Minister Yousuf Raza Gilani.

Beg said at least 38 percent of the country's workforce was involved in textiles.

In response to last week's protests, Beg said the government had imposed a 15 percent regulatory duty on yarn exports for two months.

But cotton producers, furious at an intervention they say will cost them money, retaliated with their own strike.

"We shut 450 spinning mills across the country to protest against the regulatory duty, which is one-sided and just to appease those in value-added textiles," said Yasin Siddique, a spokesman for Pakistani yarn merchants.

He said spinners will strike at least once a week until the government withdraws the new tariff.

The government's intervention has also sparked independent criticism.

"It will discourage free market strategy and deprive the yarn exporters of the profits they deserve," warned economist Ashfaq Hasan Khan.

Fellow economist AB Shahid also criticised the move.

"The government's economic policies are so insensible and imprudent, they are going to foment serious instability in our country, which is already plagued with terrorism and serious law and order situation," he said.

"The government's intervention in the textile controversy and imposing tax on the yarn export without consulting the concerned parties is bound to create a further economic uncertainty."

He suggested that last week's protests could be just the tip of the iceberg.

"Such policies will especially create unrest in our cities because people in the urban centres are aware of their rights and could take to the streets for violent demonstrations," Shahid warned.

Ahsan just hopes his factory stays open. "My family suffered a lot when I was rendered jobless last year. We don't want to suffer the same way again," he said.

Thai crisis clips 2010 growth forecast

AFP, *Bangkok*

Thailand's economy grew at breakneck pace early this year but the deadly unrest that began in March has clipped the full-year growth forecast by 1.5 percentage points, officials said Monday.

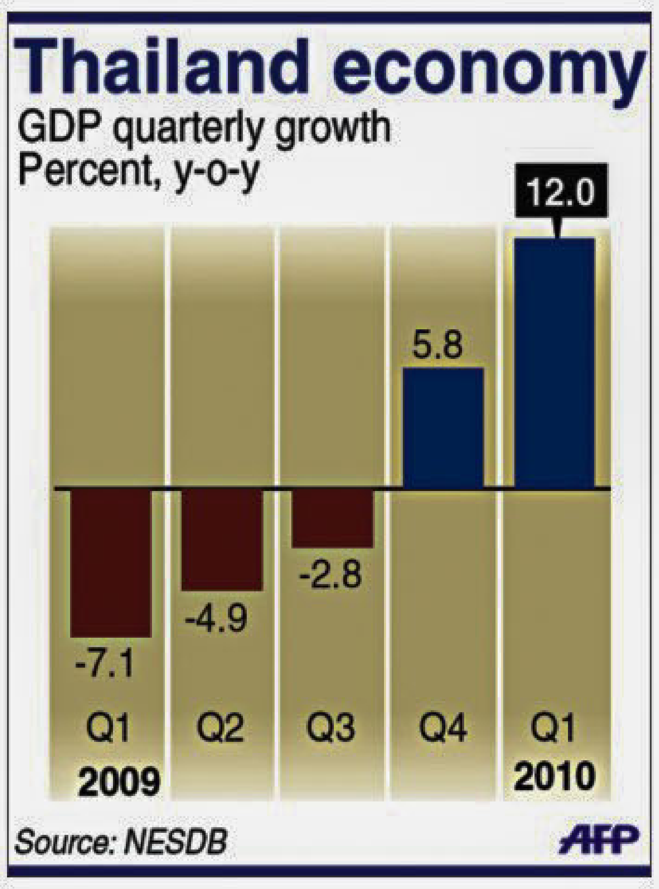
Prime Minister Abhisit Vejjajiva said he would reach out to international investors to try to convince them the country's economic fundamentals remain strong despite the recent chaos.

The economy grew by a blistering 12 percent in the first quarter but Abhisit said he expected riots that trashed parts of central Bangkok last week to have a deep impact on second-quarter performance.

"The Thai economy has repeatedly experienced crisis and managed to revive, but whether it can achieve that this time or not depends on our people," he told reporters.

The National Economic and Social Development Board (NESDB) said that in the first quarter, every engine of the economy -- tourism, exports, consumption and private investment -- powered along.

"Confidence had returned and our economy was back on track, and I feel very regretful about these events," said NESDB secretary general Amphon Kittiamphon.



"The impact was very serious... and affected 1.5 percentage points of Thailand's GDP.

"The Thai economy had the potential to grow six to seven percent (in 2010) because private investment was continuing and confidence had been restored," he said.

"But because of the protests and riots, the NESDB still maintains its growth forecast for the year of 3.5-4.5 percent."

Amphon said that tourist arrivals in the first quarter had reached an unprecedented high of 4.7 million, setting up a full-year target of 16 million, but this had now been downgraded to 13 million arrivals.

The NESDB said that would cost Thailand 113 billion baht (3.5 billion dollars) in lost income, as visitors alarmed by images of shooting and mayhem in Bangkok cancelled in droves.

"Growth in the second quarter will still be positive due to exports, which will balance lost tourism, but if the unrest continues the third quarter will be negative and the last quarter could be even worse," Amphon said.

Anti-government protests that broke out in mid-March have left 86 killed and 1,900 injured. The "Red Shirt" demonstrations were shut down in a military offensive last Wednesday that triggered a rampage of arson and looting.

Thai stocks had fallen 1.5 percent by late morning as trade resumed after the crisis.

The stock exchange was forced to close after a half-day session Wednesday when it was targeted in an arson attack. Dozens of other major buildings including Thailand's biggest shopping mall were torched in the mayhem.

"There'll be consequent losses to follow. Investors are pricing in how much the damage would affect each listed company," Charoen Iamphattanatham from KT Zmico Securities told Dow Jones newswires.