

International Business News

**Airbus slashes prices to win US military project**

AFP, Berlin

European aerospace giant Airbus has cut its prices in a bid to win a fight with US rival Boeing for a 40-billion-dollar US Air Force contract, a German business daily reported on Monday.

Airbus has cut the proposed cost for the contract to build 179 aerial refuelling tankers by at least 10 percent from the level in a previous offer in 2008, the Financial Times Deutschland (FTD) reported, citing industry sources.

Last week, the two competitors submitted their offers to Washington, setting the stage for a high-stakes transatlantic trade scrap.

It will be the third time the contract has been awarded. In 2003, Boeing won the deal, but the decision was overturned after a conflict of interest emerged between the Pentagon and the aircraft manufacturer.

Five years later, Airbus won a second call for proposals in a joint bid with US firm Northrop Grumman but again the decision was annulled when the US Government Accountability Office found the offers were incorrectly analysed.



**Pakistani President Asif Ali Zardari (C) and his two daughters Bakhtawar Bhutto Zardari (2nd-R) and Asifa Bhutto Zardari (2nd-L) visit the Pakistani pavilion at the World Expo 2010 in Shanghai on Saturday.**

**Dubai World property arm disposes Malaysia stake**

AFP, Kuala Lumpur

The property development arm of Dubai World has ditched plans to construct luxury waterfront homes in Malaysia as the debt-laden company attempts to raise cash, a report said Monday.

The Edge business newspaper said Dubai World's Singapore-incorporated subsidiary, Limitless Holdings, was pulling out of a joint-venture with Malaysian builder UEM Land.

The newspaper said a local construction and property company Bandar Raya Developments will take over Limitless' 60 percent stake in the joint-venture.

Limitless will raise about 23.4 million dollars in the sell-off, it said.

Dubai World whose default fears had rocked global markets said on May 20 that it had reached agreement "in principle" with most of its bank lenders to restructure some 23.5 billion dollars in debt.

Muslim-majority Malaysia has embarked on an ambitious development plan to spread growth and jobs in southern Johor state, and has been keen to attract investment from the Middle East.

**Honda's China sales down 2.7pc in June**

AFP, Beijing

Japan's number two automaker Honda Motor Co., which has seen its China operations crippled in recent weeks by work stoppages over pay, said Monday its sales had fallen 2.7 percent year-on-year in June.

Honda and its joint venture partners sold 50,113 units, down from 51,497 in the same month a year earlier, it said.

The decline marked an improvement on the 7.2 percent fall in Honda's China sales in June 2008.

But the Japanese company lags far behind China's overall auto industry, which saw vehicle sales rise 23.5 percent last month from a year earlier to 1.41 million units.

The Japanese auto giant was one of several foreign companies hit by industrial action in China over the past two months as increasingly frustrated workers expressed their discontent at low pay and poor conditions.

Strikes at several parts suppliers halted production at its Chinese assembly lines. Honda agreed to a 24 percent pay rise for workers at its main parts factory in the southern province of Guangdong.

**PetroChina says open to closer ties with BP**

AFP, Beijing

Chinese oil giant PetroChina has said it would "welcome" closer ties with BP as the British energy group battles to contain the massive oil leak in the Gulf of Mexico, a report said Monday.

Mao Zefeng, head of investor relations at PetroChina, told the Financial Times that the company's first reaction to BP's problems in the Gulf of Mexico was to see how it could "help BP to quickly fix the problem".

"We contacted them to see if there is anything we can help with in terms of engineering or technical help," Mao said.

The official declined to discuss possible financial assistance, saying: "We have no comment on market rumours. But if there was some opportunity to work more closely together, we would welcome that."

Mao and other officials at PetroChina were not immediately available to comment on the report.

Chinese energy companies have this year invested billions of dollars on overseas acquisitions, including a deal by China's top refiner Sinopec in April to acquire a stake in a Canadian oil sands project for 4.65 billion dollars.

INTERVIEW

**Hope for deeper ties**

**Former Indian minister talks to The Daily Star on connectivity with northeastern states**

SAJJADUR RAHMAN

India hopes 4 percent of its population that lives in the seven northeastern states will be connected to their mainland and the rest of the world through Bangladesh.

Benefits will be mutual for both Bangladesh and northeast India, according to Mani Shankar Aiyar, a former Indian minister and leader of ruling Congress Party.

"Without Bangladesh, they (the northeastern people) are like prisoners," the 69-year-old politician told The Daily Star on Saturday in Dhaka.

On the other hand, he said, by connecting the regions, Bangladesh would get a chance to go far up to Southwest China and Southeast Asia.

Aiyar resigned from the Indian Foreign Service to enter politics. He was elected into the Lok Sabha in 1991 for the first time and served as Union Minister between 2004 and 2009. He was defeated in the 2009 general elections under the Mayiladuthurai Constituency in Tamil Nadu, but became an MP under the President's nomination.

According to the diplomat turned politician, the prosperity of the northeast Indian region and Bangladesh is inter-linked. He said Bangladesh could reduce the widening trade gap that favours India by transit fees and remittance from northeast India. Trade gap was worth nearly \$3.5 billion in fiscal 2009-10.

Aiyar is on a four-day visit to Bangladesh along with three-dozen businessmen to sensitise Bangladeshi businesses to invest in and trade with the northeastern Indian region.

The region consists of seven adjacent states -- Tripura, Manipur, Nagaland, Mizoram, Arunachal, Meghalaya and Assam. Some areas -- Darjeeling, Jalpaiguri and Koch Bihar -- may also be considered as part of the group.

Over five crore people live in this landlocked region and the economy and living standards in the region is half of that of the



Mani Shankar Aiyar

rest of India.

"Historically, the region was closely connected," says Aiyar. Until the 1965 war between India and Pakistan, plenty of connectivity was there, he said. Again, things changed after the killing of Bangabandhu Sheikh Mujibur Rahman, the architect of Bangladesh's independence.

An opportunity to reintegrate and reconnect surfaced when Prime Minister Sheikh Hasina visited India in January.

During that visit, Bangladesh allowed India to use Chittagong and Mongla ports. India is also allowed to use Bangladesh's Ashuganj river port, meaning they can carry goods through the water route to northeast

India.

"Things are getting better. Now it appears that reintegration is possible and it is progressing."

The former Indian minister says some minor issues remain unsettled, such as whether Bangladeshi trucks can enter Nepal and Bhutan or not. The electricity sharing issue is another vital point that is being discussed, he says.

On business opportunities, he said the northeast Indian region can be Bangladesh's captive markets.

Aiyar said the Indian central government is building the foundation for the business community so that they can invest and market their products in the region.

As part of the move, he said the government allocated Rs 14 lakh crore under the Northeast Industrial and Promotion Policy 2007 for a period of 12 years. The amount is being spent for developing infrastructure and sensitising business communities to come here with their investments.

On Bangladesh business community's allegations that they face a lack of respect in India, Aiyar said it would not be so in the region.

"They won't feel a lack of respect and trust there."

Among the non-tariff barriers that impede trade, he said the crucial one is the testing facility for a product.

"We have offered that India is ready to upgrade the quality of your testing laboratories," he said.

On the 18 percent excise duty imposed on the export of 8 million pieces of readymade garments under the duty-free facility, Aiyar said it is taken from the local businesses as well.

"You can ask for more duty-free export of garments into India, after fulfilling 8 million pieces."

On limestone mining from Meghalaya by French giant Lafarge Surma Cement, a plant in Bangladesh, he said, "They are a multi-billion dollar company, let them settle it."

sajjad@thedailystar.net

ENVIRONMENT

**New Mumbai airport plan kicks up debate**

AFP, Chinchpada, India

Lush green mangrove trees and shrubs stretch into the distance on the muddy outskirts of Navi Mumbai in western India, the low-lying land swollen with heavy monsoon rains.

Nearby, the people of Chinchpada are starting their day: women wash and dry clothes in the open, children walk barefoot to school along a dirt track and men sip tea at a stall.

But the village, nearly a dozen others like it nearby, and 160 hectares (395 acres) of the steaming mangroves are under threat.

A blue sign on the roadside indicates why: "Site For International Airport," it says in large white letters.

India's government is expected to make a decision on whether to give the go-ahead for the 90-billion-rupee (1.9-billion-dollar) project within weeks, after a battle between developers and opponents lasting more than a decade.

The fight sums up the dilemma facing modern India: what gets sacrificed in the quest for better infrastructure to cater for a rapidly expanding population -- and how to deal with those who happen to be in the way.

Environmentalists have taken heart at the concerns expressed by Environment Minister Jairam Ramesh about upsetting the delicate ecological balance in what is officially a protected tidal wetland area.

"The environment will be destroyed if they get rid of the entire mangrove," Pandharinath Keni, a local farmer and fisherman, told AFP. "If they fill it in, there will be knock-on problems. The water has to go somewhere."

Activists like Stalin Dayanand, manager at the Mumbai-based Conservation Action Trust charity, are unconvinced by the developers' promise to replant mangroves elsewhere on the coast.

Thousands of hectares of mangrove trees and shrubs, which act as a natural buffer against the sea and coastal ero-



**Mangroves and farmlands form the background for a sign advertising it as the site of the proposed Chinchpada international airport about 70km from Mumbai.**

sion, have been removed from around Mumbai in recent years, sometimes with disastrous consequences.

Dayanand said their destruction contributed to the deaths of more than 400 people during devastating monsoon flooding in the city in July 2005.

"Nature has given you a barrier. Why remove it?" he said. "It's not going to be good in the long term. The mangroves don't need to be replaced. They need to be protected wherever they are."

Dayanand wants other sites for the airport to be considered and he has vowed to fight any building approval through the courts.

But there are signs that he could be waging a losing battle: the developers have powerful allies. Aviation Minister Pratul Patel

and business leaders have indicated their support for the new airport, the first phase of which has been scheduled to open in 2012 to handle up to 10 million passengers a year.

They warn that investment in India's wider economy could be hit if there are further delays for an airport that would service Mumbai, the country's financial capital.

Passenger numbers at Mumbai International Airport about 30 kilometres (20 miles) away have increased three-fold since 2005, reflecting an overall increase in demand for air travel among the country's emerging middle classes.

The airport is nearing full capacity but can not expand further as it is hemmed in on three

sides by slums.

The proposed new Navi Mumbai International Airport is designed to absorb some of the increase, handling up to 40 million passengers by the time it is fully operational in 2030.

Kapil Kaul, from the Centre for Asia Pacific Aviation research group, said he expected a decision "by the highest authority" within weeks and said any call for further assessment of the environmental concerns could be disastrous.

"In the next 15 to 20 years, we might even need a third airport (in Mumbai)," he said. "The more Navi Mumbai is delayed, the more it will have an impact and handicap the city."

Keni seems resigned to his village becoming a victim of India's insatiable hunger for

development.

He said he wasn't opposed to the airport in principle but was concerned that the thousands of people who would be forced to move would not get adequate compensation.

So far the villagers -- most of whom scrape a living in farming or fishing -- have only had verbal assurances from the City and Industrial Development Corporation of Maharashtra (CIDCO), he explained.

Instead, they want a proper, written agreement.

"It's like a lot of big projects," he said. "They promise many things but they don't fulfil their promises. When you're moved from one place to another, you have to make sure that you get everything you had before."