## International Business News

## Zara owner posts profit jump on back of Asian expansion

AFP, *Madrid*

Spain's Inditex, the world's biggest clothing retailer, posted Wednesday a 68-percent rise in first half net profit as its aggressive expansion abroad, especially in Asia, paid off.

The Zara-owner reported a better-than-expected net profit for the six months to July of 628 million euros (825 million dollars), up from 374.8 million euros during the same time last year.

Analysts polled by Dow Jones Newswires had expected a first half net profit of 573.2 million euros.

Inditex, whose other brands include youth label Bershka and the upmarket Massimo Dutti, posted sales of 5.53 billion euros, up 14 percent.

The company reduced its reliance on its domestic market Spain, which is struggling to emerge from its worst recession in decades, while Asian and other European markets expanded thanks to a rapid pace of new store openings.

Spain accounted for 28 percent of store sales during the period compared with 32 percent a year earlier while Asian markets contributed 15 percent, up from 12 percent.

AFP

**Bollywood actress Priyanka Chopra (2L) walks down the ramp with designer Manish Malhotra (R) for their upcoming film promotion "Anjaana Anjaani" presented by business man Vijay Thakkar (C) of DLH Group on the final day of Lakme Fashion Week (LFW) Winter/Festive 2010 in Mumbai on Tuesday. The LFW, held twice annually and now in its 11th year, features creations by over 70 designers and culminated with a grand finale on September 21.**

## Taiwan luxury sedan maker plans exports

AFP, *Taipei*

Taiwan luxury sedan maker Luxgen Motor plans to start exporting its vehicles to five foreign markets from the fourth quarter, a report said Wednesday.

Luxgen, a wholly owned unit of Yulon Motor, aims to sign sales contracts with dealers in Qatar, Oman, Bahrain, Vietnam and the Dominican Republic in early October, according to the Central News Agency.

"It will be the first time Luxgen sells its products overseas," an unnamed spokeswoman told the agency. "We are looking forward to it."

A joint venture with China's Dongfeng Motor plans to begin selling Luxgen models in the mainland in the first half of 2011 after recently getting approval from the authorities there, the spokeswoman said.

The Taiwanese company put the finishing touches to the Luxgen -- coined from the words "luxury" and "genius" -- last year.

At 800,000 Taiwan dollars (25,000 US dollars), the company hopes it will appeal to tech-savvy but only moderately wealthy consumers at home and abroad.

## AIG nears sale of two Japanese units

AFP, *Tokyo*

Troubled US insurer American International Group is close to selling two Japanese life insurance units to Prudential Financial Inc. in a five billion dollar deal, a report said Wednesday.

US-based Prudential, which is not related to Britain's Prudential PLC, is nearing the deal to buy the two outfits known as AIG Star Life Insurance Co. and AIG Edison Life Insurance Co, the Wall Street Journal reported.

The deal, valued at between four and five billion dollars, would help AIG repay the more than 90 billion dollars it owes US taxpayers from a government bailout, the report said.

Prudential has significant operations in Japan, and it has publicly stated its interest in expanding there, the report added, citing unnamed sources as saying that a deal is "a few days away from completion".

AIG, once the world's largest insurer, is nearly 80 percent owned by the US government.

Authorities pumped more than 180 billion dollars into the company during the financial crisis as it crumbled under the weight of bad bets on mortgage-backed securities and other toxic assets.

## Siemens pledges no layoffs in Germany

AFP, *Berlin*

German industrial giant Siemens gave an indefinite pledge on Wednesday not to carry out any forced redundancies among its 128,000 workers in its home country.

"This represents a clear and long-term commitment to Germany as a business location. Siemens is a responsible employer. Every single employee is important to us," chief executive Peter Loescher said in a statement.

The 160-year-old firm, which generates annual sales of around 75 billion euros (100 billion dollars) making everything from trains to nuclear power stations, said it would "use every possible means to achieve this aim."

Trade union IG Metall welcomed the announcement, saying: "The new deal gives Siemens employees security and protects them against future changes."

The agreement does not cover the Munich-based giant's some 275,000 employees outside Germany, however, nor those at its troubled IT Solutions and Services (SIS) division.

COLUMN

# No room for complacency

ZILLUL HYE RAZI

The Generalised System of Preferences (GSP) of the European Union (EU) is a preferential trade arrangement that allows reduced or zero import duties for imports from developing countries. It is a unilateral arrangement and includes the Everything But Arms (EBA) arrangement, which grants duty and quota-free access to all goods, except arms originating in the least-developed countries (LDCs).

The EBA arrangement is applicable for an indefinite period, while regular the GSP and GSP Plus are reviewed and could be changed after a specific period.

### A LONG TIME BENEFICIARY

Many people think that Bangladesh received duty free access to the EU only after the EBA was introduced in 2001. In reality, Bangladesh enjoyed the duty free access to the European Community (now EU) for all its exportable products since 1981 with some restrictions on the export of readymade garments (RMG).

Later, the European Commission (EC)-Bangladesh Textile Agreement of 1986 removed the quantitative restrictions on RMG. Some people think the phenomenal growth of RMG exports to the EU in the last two decades has been the result of duty free access through GSP. But that is not the whole truth.

During the textile quota regime under the Multifibre Arrangements (MFA), Bangladesh enjoyed a quota free access to the EU as an LDC. On the other hand, competitors of Bangladesh were constrained by quota. The result, for example, all the T-shirts exported by China, India and Pakistan in 1993 together had been less than that of Bangladesh.

The originating rule for GSP had been difficult to comply with for a long time. For knitted products (T-shirts and sweaters), yarn had to be locally produced and for woven products (shirts and trousers), the fabric needed to be locally manufactured to qualify for GSP. As a result, the GSP utilisation rate remained less than 30 percent for RMG for a long time, before the growth of the backward linkage industries.

The situation changed dramatically from 1999 when the EC relaxed the rules for knitted products -- the use of imported yarn for knitted products was allowed for the GSP benefit. It may be mentioned that the standard import duty for RMG in the EU is 12 percent. Under the GSP, assuming RMG items adhere to the rules of origin, importers of Bangladeshi products will not pay duties. But imports from China will have to pay full duties (no GSP for China in textiles and clothing items), while Indian products will pay a reduced duty of 9.6 percent. Because of the relaxed rules, knit exports boomed and more than 70 percent of total knit exports from Bangladesh now go to the EU. However, T-shirts and sweaters dominate the scenario with more than 1 billion euros worth of export a year for each in recent times.

AMRAN HOSSAIN

**Bangladesh has been enjoying duty free access to Europe for all its exportable products since 1981 with some restrictions on the export of RMG.**

### REVISED RULES OF ORIGIN: A NEW HORIZON?

Bangladesh holds the third position, after China and Turkey, as a supplier of clothing to the EU for the last few years. This is obviously for the quota free entry and the duty free access under GSP. Since 1999, there were no major changes in the rules of origin for GSP. After protracted deliberation with different stakeholders within and outside the EU, a revision of the rules of origin is being finalised, with an objective to simplify the rules.

The proposed revision: (http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_777_en.htm) allows the duty free export of woven/knit RMG even with imported fabric -- but for LDCs only.

For other industrial products, the rule mentions value addition of 30 percent -- again for LDCs only. It is expected the new rules will be applied from 2011, if the legislative process in the EU is not delayed.

It is quite clear that within the RMG sector, the exporters of woven items are likely to be the beneficiaries of the change. It may also provide opportunities for the local exporters to go for the higher end of the EU market as Bangladesh could not avail GSP under the existing rules, as high quality fabric is not sufficiently manufactured locally.

The relaxed rules for woven items for LDCs, as envisaged, would also put a balance between the export of knit and woven items to the EU. Presently, the GSP utilisation rate for textile items is 78 percent, which means about 22 percent of the goods enter the EU by paying full duty. It is clear that the goods that do not get free access are mostly the woven goods, mainly shirts. About half the total export of trousers (denim and other cotton-made) receives duty free access, but only about 27 percent of cotton shirts receive the GSP benefit.

### NEW CHALLENGES

There are some other dimensions to RMG exports to the EU as well. A successful conclusion of the Doha round negotiations under the World Trade Organisation is expected to reduce the duty on industrial products, like textile items. The so-called preferential erosion would than become a hard fact for Bangladeshi exporters enjoying a price edge over competitors owing to a high tariff structure of the clothing items.

In another scenario, the EU is finalising its Free Trade Agreement (FTA) with India and the individual Asean countries. Accordingly, in a few years (FTA comes in stages); Bangladesh will be levelled with its immediate competitors, except for China, in RMG exports to the EU. As a short term gain, the nation is likely to get some export orders from the European buyers who are willing to shift business from Sri Lanka, as the country recently lost its duty free status under GSP Plus.

Bangladesh has so far been unsuccessful in receiving the duty free access for RMG exports to the US. Therefore, limited space will be available to expand RMG exports if the EU market shrinks for Bangladesh. The recent international campaign by rights groups on the core labour standards and living wages for RMG workers in Asia, including Bangladesh, shows that the cost of labour may not remain a strong point for Bangladeshi products in the long run. The key word, therefore, is competitiveness, for marketing in the EU in future. The country has already shown its capability to export RMG items without any preferential advantages in the USA.

### BUYERS' MARKET

The growth of RMG exports to the EU from Bangladesh in 2009 remained positive, even when others suffered the negative impacts of global recession. Overall exports from Bangladesh to the EU in the first 6 months of this year, of which about 90 percent is RMG, showed a consistent upward trend, although the first quarter experienced a negative trend than the same time last year.

The country has firmly established its global position as a major source of clothing. In the last two decades, sourcing sweaters, T-shirts, shirts and trousers, all basic and less expensive items from Bangladesh, has been a practical and profitable option for the buyers.

This position is unlikely to change suddenly by any economic factor, as buyers would find it difficult to replace Bangladesh with another large-scale, reliable, quality-controlled, cheap and English-speaking suppliers in a short notice.

Nevertheless, frequent labour unrest, vandalism in factories, bad port management and political instability disrupting shipment may slowly compel buyers to look for alternative sources, at least, for a part of their business done so long in this country.

Buyers have already shown their adaptability to the dawn of the post-MFA trade regime by slowly getting out of many countries and there are also countries, including Bangladesh, which will not hesitate to fill the vacuum, if buyers decide to move.

*The writer works for the Delegation of the European Union in Bangladesh. Opinions expressed are personal and do not necessarily reflect the views of the EU. He can be reached at razi.hye@ec.europa.eu*

TECHNOLOGY

# India launches mobile phone share trading

AFP, *Mumbai*

India has launched stock trading on mobile phones, hoping to capitalise on the country's position as the world's fastest-growing handset market by catering to tech-savvy investors.

Asia's oldest stock market, the Bombay Stock Exchange (BSE), started trading in shares on mobile phones on Tuesday while the rival National Stock Exchange (NSE) plans to launch a similar service early next month.

Trading on mobile phones is picking up globally, particularly in Asia, where equity markets are on the rebound from the global financial meltdown of 2008.

The new form of trading kicked-off in India as share prices hit a near three-year high, led by strong overseas fund inflows and optimism that Asia's third-largest economy could grow at nearly nine percent in coming years.

Both the BSE and NSE have tied up with local mobile phone operators and software firms to provide a real-time data feed and trading products.

Users will now be able to buy and sell shares, view live index and stock prices, as well as get margin and net investment positions on their phones.

BSE chairman S. Ramadorai said: "We believe that this will advance the development of financial inclusion through higher penetration of capital markets... by leveraging the mobile telecom infrastructure in the country."

AFP

**Bankers display cellular telephones on which they are using Mobile-based Trading at the Bombay Stock Exchange during its launch in Mumbai on Tuesday.**

At least 35 accredited BSE brokers are eligible to provide mobile trading to their clients while at the NSE, at least 800 brokers are lining up to do the same.

"Mobile phone trading will pick up," said Rajiv Prabhakar, an analyst with Mumbai brokerage firm Sharekhan, through which nearly one million people trade across India.

India's investor community is estimated at between 10 and 20 million but those behind the scheme hope to capitalise on the buoyant state of the country's mobile phone sector.

One in 10 of the world's mobiles is sold in India, according to technology research specialists Gartner, and the country adds 15-17 million new mobile subscribers every month.

There are now an estimated 650 million subscribers.

But per capita phone ownership in a country of 1.2 billion people is still low at 57 phones per 100 people, offering massive growth potential in the years ahead, particularly as 3G "smartphones" become more available across the country.

Brokerages involved hailed the stocks initiative as empowering consumers.

But industry experts say trading on mobile phones is unlikely to supplant online trading anytime soon and initial usage may be limited simply to viewing market data.

"A new set of investors may not emerge with the opening of a new technology channel," said Monish Shah, financial services director of Deloitte India.

Mobile phone trading has picked up in Japan and South Korea. In Seoul, it accounts for nearly three percent of trading volume, according to stock exchange data.

Mobile banking, introduced two years back in India, "is yet to pick up" a Reserve Bank of India official has said, as transaction volumes remain low.

A recent Deloitte India study suggested nearly 70 percent of mobile phone users interviewed in Indian cities do not use mobile value-added services.

In the 22 to 36 age group, only half of those surveyed said they were comfortable viewing information online and the majority of people were not willing to make purchases online.