

International Business News

Wal-Mart, Gap to launch online stores in China

AFP, Beijing  
The world's largest retailer Wal-Mart and US clothing giant Gap are to launch online stores in China to tap the country's fast-growing e-commerce market, the Financial Times reported Monday.  
Wal-Mart will use its own Internet platform to promote sales of the handful of the Sam's Club stores it currently has in China, the London-based newspaper said.  
Sam's Club is a warehouse chain owned by Wal-Mart.  
Eduardo Castro-Wright, head of Wal-Mart's global e-commerce business, told a meeting with investors earlier this month that the retailer was "excited about the size of the opportunity" for online sales in China, it said.  
Gap, which has said it planned to open its first four stores in the country in Beijing and Shanghai this year, will launch a Chinese online sales site next month, the report said.  
Online retail sales in China, which has the world's largest web population of at least 420 million, soared by 117 percent last year to 39 billion dollars, it said, citing findings by iResearch, a Beijing-based research firm.  
Wal-Mart expects the country to overtake Japan and Britain over the next five years to become the world's second-largest e-commerce market after the United States, the newspaper said.

Skype forms tie-up with Japan's KDDI

AFP, Tokyo  
Japan's number two telecom operator KDDI said Monday it had formed a strategic tie-up with Skype to bring Internet-based communication services to its mobile smartphone users.  
KDDI's mobile service, operating under the "au" brand, will launch the new applications from November for selected handsets and offer Skype-to-Skype calls.  
Details of the planned service, including prices, are yet to be released.  
Skype, which was founded in 2003, bypasses the standard telephone network by channeling voice, video and text conversations over the Internet.  
KDDI hopes to gradually expand the service to fixed-line telephone and other services.  
"Skype on au is a breakthrough in giving customers in Japan unlimited, global communications options, while expanding their calling community to hundreds of millions of Skype users worldwide," said KDDI senior vice president Takashi Tanaka.



AFP  
People visit the Sial food industry show on its opening day on Sunday in Villepinte, outside Paris. This "global food marketplace fair" is held until Thursday.

Rio Tinto, BHP Billiton axe controversial iron ore merger

AFP, Sydney  
Mining giants Rio Tinto and BHP Billiton Monday abandoned a controversial merger of their Australian iron ore operations after anti-competition complaints from regulators and top customers including China.  
The Anglo-Australian companies, both among the world's top three miners, said they were disappointed at the collapse of the 116 billion US dollar deal, which was set to save 10 billion US dollars in shared costs.  
"The large synergies from combining our West Australian iron ore assets with Rio Tinto's have caused us to persevere in seeking to obtain regulatory approvals," said BHP chief executive Marius Kloppers.  
"However, it has become clear that this transaction is unlikely to obtain the necessary approvals to allow the deal to close and as a result both parties have reluctantly agreed to terminate the agreement."  
Rio Tinto said the European Commission, Australia, Japan, South Korea and Germany had all refused to approve the deal, which was also fiercely opposed by industrialising China, the world's leading iron ore consumer.

Philips records three-fold earnings rise

AFP, The Hague  
Dutch electronics giant Philips reported Monday a three-fold rise in third-quarter net income to 524 million euros (728 million dollars), due partly to rising emerging market sales.  
"We ... continued on our growth path in emerging markets, with 19 percent nominal and seven percent comparable sales growth," Philips president Gerard Kleisterlee said in a statement.  
"This means that we now generate more than one-third of our sales in these markets."  
The income statement was boosted by 154 million euros from the sale of Philips' remaining stake in semi-conductor manufacturer NXP to the Philips UK pension fund.  
Philips said comparable sales for mature markets, "in a still fragile economic environment", declined by one percent.  
Overall sales grew from 5.6 billion euros a year ago to 6.2 billion euros, with a four percent increase in comparable sales figures for healthcare products and seven percent in lighting, the company said.

EMPLOYMENT

Microcredit's trip to Europe

SOHEL PARVEZ

Some families have been without work for generations. But they have survived, not only because of steady earnings from their property, but also because of support from the state.  
Such is the case in some impoverished parts of Glasgow, Scotland, where more than 90,000 people depend on the state's benefits for the workless.  
In the past, policymakers took several attempts to trim joblessness and poverty, and help such communities improve standards of living. But they did not get expected outcomes.  
Glasgow now looks to microfinance in Bangladesh. It will replicate the Grameen Bank model to find a solution, especially for those families who have been under state welfare for up to four generations.  
It is the first attempt by Grameen to introduce microfinance in the UK.  
"We need to rebuild communities. Microcredit and social business are part of that process," says Professor Cam Donaldson, first holder of the Yunus Chair for Social Business and Health at Glasgow Caledonian University (GCU), Scotland.  
Donaldson, a foremost health economist in the world, will lead a team of researchers to evaluate the impact of microcredit and social business on the lives and health of disadvantaged communities in Scotland and overseas.  
For Donaldson, the idea of importing microcredit from Bangladesh to Scotland is potentially a new solution to the issues of joblessness, poverty and inequality in life expectancy between the rich and the poor.  
"In Glasgow, we have a gap of over 20 years in male life expectancy between the rich and the poor. This is surprising to people from outside Scotland and the UK. So we still have big problems in health and we are looking for new solutions."  
With a population of 580,000,



Cam Donaldson

Glasgow is one of the largest cities in Scotland. Life expectancy for men in some parts of the city is about 55 years, which is lower than Bangladesh.  
According to Donaldson, about one in four persons are below the poverty line. "So the idea of transferring the microcredit model from Bangladesh to Scotland is potentially a new solution."  
The professor expects that demand for microfinance may grow in Scotland and the UK, but initially, it may take a few years to achieve sustainability.  
"I think there will be demand anyway, particularly amongst immigrant communities because of their mindset to participate in economic activities," he says. But he doubts whether there will be demand among the Scottish people, who already enjoy welfare benefits.  
"For our traditional populations, probably with the current welfare system, it would be a major threat to the bank's success," says Donaldson.  
But Donaldson believes the welfare system will change over

time, as the governments too are looking for new solutions amid concerns over how they can afford the current system.  
"I think the British and all other governments really think about how they can change their welfare systems."  
"Originally, the welfare state was created to help people in dire times of need. And to some extent, it has been exploited," he added.  
He says the welfare system is partly responsible for making the people dependent on the state. But he is reluctant to blame the system entirely. "I don't think it is as simple as that. It is also about things, like a lack of self-esteem and aspiration, that is not being encouraged in such communities."  
"It is hoped that the governments of both Scotland and the United Kingdom are willing to experiment with the welfare system, in order to allow initiatives like this to happen."  
However, Donaldson suggests that welfare benefits should not be eliminated as soon as someone earns their first £1 from a

microcredit programme. "It is saying to people who want to participate that you will not lose out overall as a result of this. So, benefits will be reduced only by the additional income you can earn from activities funded through microcredit."  
He adds: "If there is still a shortfall in your income, we will make up for it, but we won't penalise or completely eliminate how much you get from the state. This is an enabler and not to give disincentives to people who wish to participate, as opposed to penalising those who do not."  
He expects a microfinance bank, Grameen Scotland, will come into being in a year and will follow a similar model to Grameen Bank, the pioneer of microcredit. The bank is likely to lend between 1,000-2,000 pounds as loans to borrowers in Glasgow.  
But how many people in Glasgow would take the opportunity is crucial. "That's the key question, and that's one of the questions we will be answering over the next few years. Quite simply, if enough

people take it up, then Grameen Scotland will succeed."  
For Donaldson, the bank's success will depend on enough enthusiastic people and the government's commitment. "The government is an important participant in terms of regulatory and welfare framework, around which microcredit can flourish or die."  
Donaldson says the purpose of the Yunus Chair is to evaluate the impact of microcredit and social business in Scotland and overseas through research and help policymakers decide.  
He says the Yunus Chair, which was established at GCU early 2010, is preparing to collect baseline data for research on microcredit programmes in Scotland and a social business venture in Bangladesh, Grameen Caledonian College of Nursing.  
"In Scotland, what we want to do is follow a group of the bank's customers over a long period of time, to measure their income sources, quality of life and health."  
"Here, we would follow students of nursing colleges. As the nurses are recruited from Grameen families in villages, so the idea would be to follow what happens to them if they stay in Bangladesh. What happens to their health and self-esteem as well as the similar impacts on their villages, if they return," he added.  
"We want to measure these things on an annual basis."  
Donaldson is upbeat about the potential of social business. "I think we are entering an era where many people in those countries are beginning to realise that the state cannot provide all the solutions and we have to look for new solutions."  
He is aware that some social businesses may change their business model after becoming successful. But he believes there is still a need for people and businesses that focus more on the problems of society.  
"Once the objective is profit, it takes our attention away from the social objectives or dealing with social problems."  
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VENTURE

Saddam-era firm makes music, not bombs

AFP, Baghdad

Before the 2003 US-led invasion, Iraq's Al-Shaheed State Company used to make a blast, literally. Now it helps to produce music.  
"We used to make mortar shell casings, but our engineers changed the production line, so we now make brass for trumpets and vases, and copper cables," said Amine Hawas, a company technician.  
Al-Shaheed's fate has been mirrored by a string of other companies created during the regime of deposed dictator Saddam Hussein and since transformed under an order of the post-invasion government of US diplomat Paul Bremer to turn military industries into civilian ones.  
Created in 1982, the reformed company displayed its wares at a four-day fair of state-owned industries in Baghdad this week.  
Other companies at the exhibition have gone from making guns, bombs and military binoculars to water sprinklers, microscopes and bomb-disposal robots.  
"After the American invasion, our factory was plundered and the ministry that supervised us dissolved. Our personnel were completely disoriented," said Haidar Hussein, a 34-year-old engineer at the Al-Karama company stand.  
Pre-war, the company in the northern Waziriyah district of the capital produced guidance systems for long-range missiles, and was visited by UN disarmament inspectors in 1998, when Iraq suffered under sanctions following its 1990 invasion of neighbouring Kuwait.  
"A team of 10 engineers then started to become interested in the processes of simulation, scan and x-ray control," said Hussein, explaining that personnel were retrained and the factory reopened in 2008, turning the page on its military past.  
Now it is banking its fortunes on a bomb-disposal robot, proudly claiming that the machine, which left the factory only two months ago and was unveiled at the fair, was entirely made in Iraq.  
"There is keen demand because of the



AFP  
An Iraqi man looks at electrical control panels exhibited at the 2010 Expo in the capital Baghdad on Wednesday. A string of companies created during the regime of deposed dictator Saddam Hussein have since transformed under an order of the post-invasion government of US diplomat Paul Bremer to turn military industries into civilian ones.

(insurgent) attacks and because our product is much less expensive than that of the Americans," Hussein said.  
Before Saddam's fall there were 42 companies under the ministry of military industries, employing nearly 50,000 people.  
But Bremer's Authority Order Number 75, issued in April 2004 a little more than a year after the invasion, commanded the "reconstitution of such companies for peaceful and resourceful uses."  
Since then, all armament for Iraq's 800,000 soldiers and police has been bought abroad, particularly from the United States.  
The Al-Ikhaa company, founded in 1984 when Iraq was mid-way into its eight-year

war with Iraq, also made a successful turnaround from producing heavy artillery and military binoculars.  
"We earned a lot of money at the time because armaments were a priority for Saddam Hussein, but later it was obviously necessary to seek other avenues" of income, said Amer Eid, a 50-year-old engineer at the company, which is based close to the Sunni-Muslim stronghold of Fallujah west of Baghdad.  
Closed for several months after the invasion, the factory employing 3,800 people reopened in 2004 to produce filters, spare parts for cement factories, water-purifying machines, microscopes and, recently, gas

butane cylinders.  
"I believe that we are past our (financial) problems and will begin to make profits this year," he said, hinting at the difficulties of the transition.  
The Noaman company also made a spectacular turnaround, going from making cluster-bomb casings and ammunition to sprinkler pipes.  
Salahaldin, established in 1980 under the supervision of French electronics giant Thomson and which made radars and military communications equipment and was even implicated in Iraq's nuclear programme until 1990, was also able to reinvent itself.