Jute prospects brighten as people go eco-savvy

A UN-sponsored panel says jute goods have huge market potential

STAR BUSINESS REPORT

THE prospects of jute brighten due to the use of environment friendly fibre to make various products, UN-sponsored International Jute Study Group (IJSG) said yesterday.

Headquartered in Dhaka, the organisation said jute-made shopping and food grade bags, composite, geo-textiles, pulp and paper have a huge market potential in the face of rising environmental consciousness and demand for green products.

The demand for jute shopping bags is increasing rapidly as different governments and city authorities across the world are taking steps to reduce the use of plastic bags, said IJSG at a press meet at its office.

IJSG is an intergovernmental panel set up under the United Nations Conference on Trade and Development (Unctad) to function as the international commodity body of jute, kenaf and allied fibres.

IJSG Secretary General Bhupendra Singh, Operations Officer Dr Latifa Binte Lutfar and Chairman of Private Sector Consultative Board of IJSG Md Rezaul Karim were present.

"The European Union is considering a ban on the use of polythene bags, which can create a huge demand for jute bags in future," said the organisation in a statement, issued to mark a decade of its journey with the green fibre--jute.

The IJSG was established in 2002 to create awareness about the benefits of jute and promote its use globally.

So far, the 30-nation body carried out 35 projects, involving $12.5 million, in its member countries, mostly in Bangladesh and India, it said.

According to IJSG, demand for food grade jute bags rises due to sustainability initiatives taken by coffee and cocoa producing countries.

The future demand is likely to be 32 million bags a year, while the present supply is only 12 million bags.

The prospect of jute composite is also bright, it said, citing areas such as toys, automobiles and furniture. Eco-friendly automobiles alone will require around 500,000 tonnes of jute per year, according to IJSG.

The use of jute geo-textiles also rises for rural road construction, river bank protection and hill slop management. This has a huge market potential in Asia and developed countries, said IJSG.

The future demand for the item is estimated to be 5,300 square kilometres annually, said the body.

On jute paper and pulp, IJSG said jute pulp can be used to make paper. Myanmar, Vietnam and China took initiative and succeeded in making paper from pulp, it said.

Replacing the existing tree-based paper by jute pulp paper will require 490 million tonnes of jute a year, it said.

"It will create alternative markets for jute farmers," IJSG Secretary General Singh said.

Technology for jute based pulp and paper is not feasible at the moment. That is why the private sector is not using it, Singh added.

But with the number of trees decreasing gradually, countries will have to move to jute pulp for making paper, he said.

IJSG now works on framing a joint strategy document to identify and remove the existing constraints and support to harness the opportunity for the jute sector, said Operations Officer Dr Latifa Binte Lutfar.

Bangladesh is the second biggest producer of jute after India. Globally, the country is the top supplier of bio-degradable natural fibre.

The age of 'sense and respond' banking

SAJID AKBAR

IMAGINE a scenario -- your customer purchases an airline ticket online using his/her credit card. In a couple of hours your bank's call centre executive gets in touch with the customer to sell a travel insurance product. The chances of the customer positively responding to this call are very high, simply because the bank has grasped upon the right time to sell the right product to the right customer. This real-time reaction to an event seems the most logical step for the bank, but unfortunately is one of the most difficult tasks to execute. In fact, today while there is plenty of cross-selling batch based marketing taking place, banks can seldom guarantee that the customer receives a promotion offer when he/she is most interested in.

There are a couple of reasons for this. Firstly, while data is available, getting immediate and meaningful information out of that data remains a challenge and more often than not selling opportunities remain untapped. Currently, CRM (customer relationship management) systems are capturing various customer interactions and storing them in a central repository; following which, data mining tools are analysing this historic data to execute marketing campaigns. What is lacking is adding the contextual intelligence to enable real time reactions to the business event.

Take for example, a customer conducts a single big transaction that nearly depletes his/her credit card balance. Real time banking rules should ideally prompt the call centre agent to immediately and proactively inform the customer of the high value transaction and offer a personal loan to offset the credit card outstanding against a fixed tenure flexi-EMI (equal monthly instalment) plan. Such an offer, if made at the right time, will ensure the bank keeps the customer locked in and using his/her credit card over a longer duration.

In a conventional banking setup, while the offer will be made, it may be made when a campaign is run much later in a batch. By then, most banks will have missed the window of opportunity with the customer.

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Facebook sinks

NEW YORK, *Reuters*

FACEBOOK shares sank on Monday in the first day of trading without the full support of the company's underwriters, leaving some investors down 25 percent from where they were Friday afternoon.

Facebook's debut was beset by problems, so much so that Nasdaq said on Monday it was changing its IPO procedures. That may comfort companies considering a listing but does little for Facebook, whose lead underwriter Morgan Stanley had to step in and defend the $38 offering price on the open market.

Without that same level of defence, its shares fell $4.50 to $33.73 in the first 1-1/2 hours of trading. That represented a decline of 11.8 percent from Friday's close and 25 percent from the intra-day high of $45 a share.

"At the moment it's not living up to the hype," Frank Lesh, a futures analyst and broker at FuturePath Trading LLC in Chicago said, adding that some people may have decided to hang back and buy the stock on the declines.

"Look at the valuation on it. It might have said 'buy' to a few people, but boy it was awfully rich," he said.

The losses wiped some $19 billion off of the company's market capitalisation -- not far from what Chief Executive Mark Zuckerberg was worth personally when the stock debuted.

Volume was again massive, with more than 96 million shares trading hands by 11 am EDT (1500 GMT), making it by far the most active stock on the US market. Nearly 581 million shares

What is euro vision?

HUGO DIXON

AFP

Activists wear masks featuring German chancellor Angela Merkel (R) and incoming French socialist president Francois Hollande (L) as they perform a fake marriage in Berlin. Merkel and Hollande held their first-ever meeting on May 15 aiming to bridge differences on European economic policy, as Greece's woes threaten to tear apart the euro zone.

WHAT should be the long-term vision for the euro zone? The standard answer is fully-fledged fiscal, banking and political union. Many euro zone politicians advocate it. So do those on the outside such as David Cameron, Britain's prime minister, who last week called on the zone to "make up or break up".

The crisis has demonstrated that the current system doesn't work. But a headlong dive into a United States of Europe would be bad politics and bad economics. An alternative, more attractive vision is to maintain the maximum degree of national sovereignty consistent with a single currency. This is possible provided there are liquidity backstops for solvent governments and banks; debt restructuring for insolvent ones; and flexibility for all.

Enthusiasts say greater union won't just prevent future crises -- it will help solve the current one. The key proposals are for governments to guarantee each other's bonds through so-called euro zone bonds and to be prepared to bail out each other's banks. In return for the mutual support, each government and all the banks would submit to strong centralised discipline.

But the European people are not remotely ready for such steps. Anti-euro sentiment is on the rise, to judge by strong poll showings by the likes of France's Marine Le Pen and Italy's Beppe Grillo. Germany's insistence last December on a fiscal discipline treaty has stoked that sentiment.

An attempt by the region's elite to force the pace of integration with even more ambitious plans could easily backfire with voters, particularly in northern Europe. They would fear being required to fund permanent bail outs for feckless southerners. Premature integration might not even help with the current crisis if it backfired with investors. They might start to question the creditworthiness of a Germany if it had to shoulder the entire region's debts.

In contrast, the principle of "subsidiarity" the Maastricht treaty's specification that decisions should be taken at the lowest possible level of government that is competent to handle them is good politics and good economics. Of course, even advocates of political union such as Wolfgang Schaeuble, Germany's finance minister, subscribe to this principle. The issue is to define the minimum conditions needed for the sustainability of the single currency. There are probably three.

The first is that insolvent entities -- whether they are governments or banks -- should have their debts restructured. One of the main reasons states and lenders were allowed to leverage themselves so much in the boom was because there was a widespread view that they couldn't go bust. The complacency sowed the seeds of the crisis.

Meanwhile, a key mistake in managing the crisis was the failure to restructure Greece's debts as soon as they became unbearable. If that had been done, private-sector creditors would have taken the hit. Instead, they were largely bailed out -- with the result that 74 percent of Athens' outstanding 274 billion euros in debt is now held by governments and the International Monetary Fund, according to UBS. This means taxpayers will be on the hook when the big fat Greek default occurs.

Of course, if Greek debt had been restructured earlier, banks in the rest of the euro zone would have had big holes in their balance sheets. Some would have needed bailouts from their governments. But that would have been better than the current debilitating long drawn out sovereign-cum-banking crises.

What's more, in the future, insolvent banks shouldn't be bailed out either. Their creditors should be required to take losses before taxpayers have to stump up cash. The failure to do so explains why the government of Ireland, previously financially solid, become infected by its lenders' folly.

The second minimum condition for monetary union to flourish follows the first: there should be liquidity backstops for banks and governments that are solvent.

With banks, the natural liquidity backstop is the European Central Bank. The quid pro quo is that lenders have to be properly capitalised. Time and again throughout the crisis, euro zone governments have ducked this issue. Only this month, France and Germany conspired to dilute the Basel 3 global capital rules as they apply to Europe, while Spain imposed another half-hearted restructuring on its banks. If the euro zone's leaders want a successful single currency, this nonsense has to stop.

For governments, the natural liquidity backstop is the European Stability Mechanism, the zone's soon-to-be-created bailout fund. To do its job properly, it will need extra funds as it isn't be big enough to help both Spain and Italy. One option could be to allow it to borrow from the ECB.

Again, the quid pro quo would be solvency. Insolvent government would only get access if they restructured their debts. And illiquid but insolvent ones would need credible long-term plans to cut their debts. Italy, with debt over 120 percent of GDP but huge private wealth and state assets, might one day find itself in the latter category. In return for liquidity, it might have to agree a multi-year programme to privatise real estate and to tax wealth.

The final minimum condition for a successful monetary union is much more flexibility, particularly in labour markets. This is the key to restoring competitiveness in southern Europe and enabling the zone to respond to future shocks.

If the euro zone can do these three things restructure insolvent institutions' debts, provide liquidity to solvent ones and improve flexibility everywhere nations will be able to keep both the euro and much of their sovereignty. That's a preferable vision to either a euro super-state or the chaos of disintegration.

Hugo Dixon is the founder and editor of Reuters Breakingviews.