

Political stability key to FDI inflow

Swiss diplomat speaks on bilateral trade and investment

REZAUL KARIM

SOcial and political stability is imperative for Bangladesh to attract foreign direct investment, a senior Swiss diplomat said recently.

"These are the fundamental element that private investors consider when deciding on investment in foreign countries," said Beat Nobs, assistant state secretary of the Swiss Department of Foreign Affairs.

His comments come at a time when the country is immersed in political turmoil, ahead of the next general elections.

Nobs was recently in Dhaka leading a Swiss delegation for the first political consultation between Bangladesh and Switzerland. He sat down with The Daily Star for an interview during his three-day visit.

The annual bilateral meeting is the outcome of a memorandum of understanding signed last year during Foreign Minister Dipu Moni's visit to Switzerland.

During the interview, he talked about the Swiss-Bangladesh trade relations, possibilities and problems of investments and scopes of cooperation on the international level.

The Swiss diplomat said large Swiss companies want to further expand their businesses to Bangladesh, while a host of small and medium enterprises are waiting in the wings. "They want to see if the expansion of the big companies turns out to be successful."

The total Swiss investment to Bangladesh, at present, stands at \$135.78 million, according to Swiss official data.

Nobs said the amount could go much higher, provided the bottlenecks like lack of legal security, insufficient infrastructure, energy problems, bureaucratic red tapes, are done away with.

"These [the bottlenecks] have been holding back some of the SMEs from opening their businesses here."

He said the impediments must be sorted as soon as possible as "there are investment opportunities in other countries as well."

Regarding bilateral relations, the Swiss diplomat said a good and healthy trade relation would be the mainstay.

"To achieve that, we both need to see that the economic environment is positive for exports and imports, and that the environment is positive for FDI both in Bangladesh and Switzerland."

"A welcoming economic environment is needed to tell the private investors that there are good opportunities."

Nobs said his country would be very happy if Bangladesh turned its attention to cutting down red tapes and ensuring that bureaucracy functions well.

In response to a query, he said Switzerland hopes that the upcoming elections will be held in a peaceful manner in line with the will of the people.

"In democracy, the reflection



Beat Nobs

of the will of people is a necessary and fundamental condition for the positive future development of the country. We are hopeful that the elections will unfold in a spirit of peaceful expression of the will of the people."

Stating that Bangladesh is emerging as a regional economic player, he said the country has made a very good name for itself in the textile industry, "but the

reasons for incidents like factory collapse or fire need to be addressed urgently".

"It is important to have a very good name to your products. I am sure that the government of Bangladesh is fully aware of those challenges and will address them in a way that will not jeopardise the success of Bangladesh's textile industry."

On allegations that the Western buyers are paying less

for the garment items manufactured in Bangladesh, he said Switzerland attaches high importance on labour standards.

"We maintain environmental standards, social standards and we encourage both the producers and clients in importing markets to make sure that they heed these advices."

On political consultation, Nobs said over the last few years the economic epicentre is slowly moving from the Euro-Atlantic area to the Asia-Pacific region.

"[So], we put great emphasis on expanding and deepening our bilateral relations with all the countries in the Asia-Pacific region, amongst which figures Bangladesh."

"If we cooperate more closely, we will understand each other's positions better," he said, adding that both the countries can jointly work towards making ASEM [Asia-Europe Meeting] an effective platform for exchange of ideas.

"When it comes to international issues, we will support the candidature of Bangladesh in international forums -- and we also expect Bangladesh to support Switzerland in its candidature in the UN organisations."

He said Bangladesh has been a priority country for Switzerland's international development cooperation.

"And, we will remain so over the next five years, at least," Nobs said, adding that Switzerland's annual development contribution to Bangladesh stands at over \$30 million.

Nordic nations grapple with 'austerity lite'

REUTERS, Stockholm

WHEN Swedish Prime Minister Fredrik Reinfeldt celebrated his 45th birthday, his finance minister gave him a framed graph showing the tax burden falling to 45 percent of GDP for the first time in decades. It still hangs in his office. The gift reflected the celebratory mood of a centre-right government boosting economic growth while reducing taxes and cutting unemployment and sickness benefits, shrinking a welfare state that is among the most generous in the world.

Three years later, engulfed in the worst riots in decades, that optimism is questioned. The torching of cars and battles with masked youths from poor immigrant suburbs has exposed another side of Sweden's welfare reform.

Still, given globalisation and the need to be competitive, the fact that people live longer and that state finances need to be kept sound, Sweden and other Nordic states face more reforms, a lite version of austerity forced on many European nations.

"We are far more aware that Sweden is part of a competitive environment," said Minister for Social Security Ulf Kristersson.

Sweden is eyeing more cuts to pensions and sickness benefits, but it is not alone in the region. Denmark too is cutting benefits. Finland is under pressure to raise the pension age. Even oil rich Norway has concerns it is becoming uncompetitive.

But Sweden faces political headwinds before a 2014 election. Cuts have pushed the Danish government to historic poll lows. In Norway, reforms are on a back burner.

For a glimpse of a market-oriented culture that increasingly permeates Sweden's state, look no further than St. Goran's hospital, Stockholm's only privately run emergency hospital.

From the offices of chief executive Britta Wallgren, it can be difficult to know she is talking about running a hospital. A video compares emergency checkups with Formula 1 pit stops and her conversation is littered with words like "lean" and "flows".

Stockholm council pays St Goran's, privatised in 1999 and owned by private health provider Capio, on a formula based on the number of patients and treatments.

The contract has been renewed this year. Costs are around 8 percent lower than other Stockholm hospitals. But they lead other hospitals in many indicators, including reducing hospital infections and waiting times.

"We believe the drive for efficiency also means a drive for quality," said Wallgren. She pointed out how simple changes in treatment - making sure teams included specialists as well as nurses - cut costs and reduced waiting times.

Adamant Apple in court to fight ebook conspiracy

AFP, New York

APPL goes on the defensive Monday with the start of a trial in which US officials allege the company was the "ringmaster" of a conspiracy to raise prices of electronic books. In the trial set to open in US District Court in New York, the technology icon is going solo in its fight against the US Justice Department after five large publishers named in the lawsuit settled the charges.

US antitrust watchdogs allege Apple orchestrated a collusive shakeup of the ebook business in early 2010 that resulted in higher prices.

Apple is expected to argue its actions shook up a sector that had been dominated by Amazon, and that it boosted competition and improved conditions for consumers.

Early signals suggest the three-week, non-jury trial could be a tough ride for Apple, which has been struggling of late amid a dearth of new products and recent allegations that it avoided billions in taxes.

Five publishers originally named as defendants reached settlements in which they agreed to terminate their ebook agreements with Apple.

The largest settlement was with Penguin for \$75 million, while a settlement with Hachette, Harper Collins and Simon & Schuster created a \$69 million fund for refunds to consumers. Macmillan settled for \$26 million.

Apple chief executive Tim Cook dismissed the idea of a settlement because it would call for the company to sign an admission of wrongdoing.

"We didn't do anything wrong there," Cook told a recent California conference. "We're going to fight."

For Apple, the case is not as much about money but maintaining what had been a stellar reputation and deciding its own business practices. A loss could also leave Apple vulnerable to private lawsuits.

"The Apple brand has been built magically over many years," said Roger Kay of Endpoint Technologies Associates, a technology market intelligence company, who added that a defeat "would substantially harm the company's reputation."

The government's case centers on a period when Amazon dominated the ebook business, selling most bestseller titles for \$9.99. Leaders of the major publishing houses held "CEOs dinners" in "private rooms at upscale restaurants" at which they discussed the threat from Amazon.

Into this environment stepped Apple, which was readying the launch of its iPad. Rather than following the Amazon "wholesale" pricing model in which the retailer sets the price, Apple favored the so-called "agency model" where the publishers set the price and the seller -- in this case Apple -- received a 30 percent commission.

The result was an increase in price to \$12.99 or \$14.99 for most books.

Apple throughout the negotiations informed the publishers of the status of its dealings with other publishers. Apple was the "ringmaster" of the "conspiracy," the complaint alleges.

The government is expected to use emails and comments from the late Apple CEO Steve Jobs, which indicated that as part of a deal to force a new pricing model, publishers should "hold back your books from Amazon."

Indians struggle with higher prices and fewer jobs

TIM BOWLER, BBC News

INDIA'S economy has slowed rapidly recently and there is little sign of a quick recovery.

Until two years ago the country was recording 9 percent annual growth but now the figure is around half that.

Indians are having to cope with rising prices and high interest rates, even as wages and job prospects for those entering the labour market are taking a hit.

The country's manufacturing sector has been significantly affected, and for businessmen such as Ajay Modi, who runs a small factory making car parts in Mumbai, times are tough.

"Since last year demand has definitely gone down very badly," he told the BBC's India Business Report.

He says that inflation has had a significant impact on his costs, with the price of steel doubling over the past decade from around \$440 a tonne to just under \$1,000.

The government in Delhi is not helping the country's manufacturers, he says. Indian firms are being forced to pay too many different types of taxes, which is hitting their competitiveness, even in their home market.

"We are looking at Chinese raw steel imports because... the Chinese and Russian plants are far cheaper, more than 20 percent cheaper, even after paying the import duty."

To keep up with developments in the car industry, Modi wants to invest in new machine tools.

"Before that we must get some assurance from our buyers, but they are not in a position to give any assurance beyond one quarter [three months]."

Part of the problem, he says, is that for all its promises Delhi is not doing enough to support small manufacturers like him.

"At present, small entrepreneurs and medium scale industry are looking to the government for more co-operation but the



India's manufacturing sector has been hit hard by the slowing economy.

government somehow neglects these industries.

"The government should follow the footsteps of the Chinese development programme for small and micro businesses."

'Nothing much happening' His views on the Indian government's recent track record are echoed by Baba Kalyani, chairman of Pune-based Bharat Forge, which has plants in Europe, the United States and China, as well as India.

"The whole investment pipeline has kind of got frozen, largely because of governance issues. Projects are getting stuck in various approval processes."

Since 2012 the Indian government has announced several measures to try to revive the economy, but observers are waiting to see if Delhi will actu-

ally be able to implement these.

Prime Minister Manmohan Singh's coalition government has been weakened by a series of corruption scandals.

These have been used by opposition parties to stymie government policies ahead of a national election which must be held within a year.

"Fundamentally, on the ground, nothing much is happening," says Baba Kalyani.

India's growth is still outpacing the US and Europe, but it is at its weakest in a decade and is being overtaken by China and Indonesia.

"Look at our peers in Asia, I think they are doing much better than us," says Dharmakirti Joshi, chief economist at the Indian credit ratings agency CRISIL.

"I think some of these economies have bounced back to their

pre-crisis rate of growth, whereas we are much below our pre-crisis rate of growth."

Only 'perfect candidates' wanted

Crucially, India needs high growth just to create jobs for new entrants to the labour market.

Its population of 1.2bn people is growing at 1.4 percent a year, almost three times the rate for China.

Ajay Modi's son, Viraj, a 22-year-old production engineering graduate, finished university last year and is now set to leave the country.

"I plan to do a masters in industrial engineering in the US."

One factor in his decision to study abroad is India's weakening job market. The slowing economy means that there are

fewer job opportunities compared with a year ago.

"Companies now want a perfect candidate. Because of the global recession they are cutting down the job opportunities," he says.

It is a point also made by Waqar Azmi, chief executive of recruitment agency Sutra Services.

"If you go back to late 2011-12, virtually everybody could easily get a job."

"Today you have to be really good... to get a good job."

"Mediocre people, and people who are probably average, have been phased out."

There have been fresh investments in India in recent months by some global companies, but most economists say it is far too soon to determine if India is yet on the road to strong growth.