Logistics: the next frontier

Kelvin Leung, CEO for Asia-Pacific of DHL Global Forwarding, speaks on burgeoning industry

SUMAN SAHA

Kelvin Leung

BANGLADESH has immense potential in logistics as the economy is growing rapidly and integrating with international trade, an expert said.

The country registered steady growth in the last several years and so, the logistics industry will grow alongside the burgeoning economy, said Kelvin Leung, chief executive officer for Asia-Pacific of DHL Global Forwarding.

"There is a lot of room for growth for the logistics market as the country has a very young population and many manufacturing bases are starting their operations," he added.

Besides, the government has been investing in infrastructure such as bridges, power projects, highways, and flyovers in the country, he said.

"More manufacturing bases and infrastructure projects mean additional requirements for logistics," Leung said in a recent interview with The Daily Star.

The current GDP size of Bangladesh is around $120 billion, and 16-20 percent of total GDP is the annual logistics market, he said.

Leung said DHL Global Forwarding (BD) Ltd has been registering over 30 percent growth in the country in the last couple of years.

"We are now the market leader in the logistics business in Bangladesh."

Leung is responsible for managing and directing the business unit's activities and growth in the region. Between 2008 and 2011, he was the chief executive for North Asia Pacific and prior to that, was the chief operating officer for the Asia Pacific region.

He joined Danzas AEI, now known as DHL Global Forwarding, in 2002 as managing director for Hong Kong, South China and Macau.

DHL Global Forwarding has achieved higher growth in the country as it offers innovative solutions to the customers with the use of state-of-art technology.

Customisation is the company's strength as DHL always focuses on the location, said Leung. "We offer door to door logistics support by considering each customer's needs."

Logistics giant DHL aims to strengthen its foothold by continuing aggressive growth in the country.

"We will continue on our growth path by bringing more innovative solutions and opening more warehouses," said the regional chief.

Globally, DHL has established a good logistics solution for the pharmaceuticals sector, including certification, document processing, and temperature control, he said.

The thriving pharmaceuticals sector in Bangladesh can enjoy this opportunity by going for shipments, said Leung, who graduated from the University of Cambridge, Magdalene College, with a master's in general engineering science. He received his doctorate in business administration from the Hong Kong Polytechnic University.

The logistics industry is facing a challenge in attracting talent as the nature of the job is not like in banks and other financial institutions, said the logistics expert.

"Bangladesh is a growing market, but we are facing a shortage of talent as many graduates have the misconception that logistics means driving trucks and operating warehouses."

Leung also expressed sympathy for the victims of the Rana Plaza collapse that resulted in more than a thousand deaths.

"The building collapse had a huge impact on the global community. So the government should take urgent measures to avoid such a tragedy in future."

He urged the government to focus more on fire safety and strong building structure for the industrial outlets.

Bangladesh is an attractive destination for global companies for its lower production costs from other countries, he said. The country has also developed a good number of skilled people over the years, Leung added.

"So, it is not an easy task to move from one country to another."

Deutsche Post DHL, the world's leading postal and logistic group, is operating its Bangladesh operation with two companies -- DHL Worldwide Express (BD) and DHL Global Forwarding (BD).

DHL Global Forwarding, which began operations in 2009, has around 150 local staffers at two branches in Dhaka and Chittagong.

The group's consolidated net profit climbed by about 500 million euros to 1.66 billion euros in 2012.

The company that operates in more than 220 countries now generates about 70 percent of its revenue outside Germany.

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STAR

Artisans make shoes at a workshop in Shivbari, Mymensingh. The area has a long tradition of handmade shoes and the sector has the potential to change many lives if proper investments were channelled into it.

Mymensingh shoes lose shine on fund crisis

AMINUL ISLAM, *Mymensingh*

THE decades-long art of making shoes in Mymensingh town has the potential to change lives of many if the shoemakers are supported financially.

Though there are currently more than 50 handmade shoemaking units in the town, mostly in Shivbari, they often cannot take extra work orders from within and outside the district due to a lack of fund.

The quality and designs of the sandals and shoes made of pure leather in the area are better than many prominent brands available in the market, said Noresh Rabi Das, proprietor of Noresh Shoes in Shivbari.

The price of a pair of sandals ranges between Tk 200 and Tk 1,500 and shoes between Tk 1,000 and Tk 4,000, depending on design and quality.

"It's a great achievement for us that customers rush to Shivbari with orders for costly shoes, even when shoes made by prominent companies are available in the market," Noresh said.

For several decades now, Mymensingh town is famous for handmade shoes and no other place in the country can match their quality and workmanship; customers from all walks of life are satisfied with the designs, colours and quality, added Noresh.

Emdadul Haque, proprietor of Haque Shoes in the area, said demand increases for handmade shoes before religious occasions like Eid and puja, but the shoemakers are unable to meet demand for a shortage of funds, Emdadul said.

Tileswar Rabi Das, 80, one of the oldest shoemakers in Shivbari, said although shoes of different local and multinational companies flood the market, demand for handmade shoes is increasing for its long-lasting quality.

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Chinese slowdown casts shadow over world economy

AFP

Workers in Shanghai unload bricks under a sign that reads "Beautiful Chinese Dream" in Chinese characters.

AFP, *London*

CHINA'S slowdown cast a shadow over Europe and Asia on Tuesday, sparking questions over Beijing's ability to avoid a hard landing that would wreak havoc on the world economy, analysts said.

The nation's powerhouse economy slowed to 7.5-percent growth in the second quarter, down from 7.7 percent in the previous three months, official data showed Monday.

"China is a key downside risk to the global economy. Recent data does suggest that the economy is sluggish," VTB Capital economist Neil MacKinnon told AFP.

"In addition, the authorities are concerned about the rapid rate of credit expansion and the impact it might have on inflation. This rules out any near-term monetary or fiscal stimulus."

New evidence emerged Tuesday of the impact of slowing Chinese growth in Europe, which is still struggling to recover from the eurozone's long-running sovereign debt crisis.

Investors in Germany, Europe's biggest economy, turned gloomy this month on fears over falling exports to China, in a stark illustration of the new globalised power of the Asian nation's industry and consumers.

Germany's investor confidence index, calculated by ZEW economic institute, fell by 2.2 points to 36.3 points in July. That disappointed analysts' forecasts for an increase to 40 points.

"New dark clouds have started to black out growth prospects of the German economy," said ING DiBa economist Carsten Brzeski.

"These clouds are not coming from the South but from the East. The stuttering and now slowing Chinese economy is a clear cause of concern (and) could become a new risk factor for the German economic outlook."

China is now the fifth most important single export market for German companies and accounts for some six percent of total exports.

The Asian Development Bank meanwhile warned Tuesday that China's slowing growth was weakening momentum and trimmed its outlook for developing Asia this year to 6.3 percent, from 6.6 percent.

The sluggishness comes as "China is attempting to rebalance its economy away from investment towards a more consumer-driven economy," said Currencies Direct analyst Alistair Cotton.

But this rebalancing would present growth opportunities for the West, he noted.

"The big winners, should they crack the market, will be consumer companies with strong brand identity," he said.

"The losers are likely to be the countries supplying the raw materials for Chinese investment, conversely the ones that were doing so well in the last decade."

Daiwa Capital Markets economist Chris Scicluna added that markets were eager to see an "orderly" Chinese slowdown that would not disrupt the world economy.

"China's support for global demand has been welcome over the past couple of years as the West has had to work off the excesses of the pre-Lehman era," Scicluna told AFP, in reference to US bank Lehman Brothers whose collapse in 2008 triggered a global slump.

"A slowing of China's growth, over the medium term, to a sub-7.0-percent rate was always inevitable as the economy matured.

"The main concern is that the authorities there can engineer an orderly slowdown -- ie. one that does not see growth plummet sub-5.0 percent and lead to financial and social crisis."

Gekko Markets analyst Anita Paluch added that the West had relied on booming China to help overcome a fierce recession which followed the global financial crisis.

"Slower growth will have impact on those countries who have strong trade links with China -- like Australia, Brazil and (the) South East Asia region -- as demand will fall," Paluch said.

China is vital for the smooth functioning of global economies because the Asian powerhouse nation is a major consumer of commodities, like crude oil, steel, and copper, and of manufactured products like cars and airplanes.

At the same time, China is also widely regarded as the workshop of the world, and its vast factories benefit from low labour costs and high volume production.

Barclays to fight $453m power fine in US court

REUTERS, *New York*

REUTERS

A branch of Barclays Bank is seen opposite Westminster Abbey in central London.

BARCLAYS will contest a record $453 million fine imposed by a US energy regulator against the British bank and four of its power traders, setting up a likely federal court battle.

The fines, which were upheld by the Federal Energy Regulatory Commission (FERC) on Tuesday, confirm the top US energy cop will pursue its most ambitious market manipulation case to date.

For Barclays, the sanction is the latest of a series of scandals that include a $450 million fine by US and UK regulators for rigging global benchmark interest rates last year. But unlike its settlement over Libor (London Interbank Offered Rate), where the bank accepted wrongdoing, it has fought the FERC allegations from the start.

FERC first proposed the fines in October 2012 over alleged manipulation of Californian and other western power markets by the British bank in the last decade.

Tuesday's ruling said FERC commissioners agreed with earlier findings by regulatory staff, which said the bank deliberately lost money in physical power markets to benefit its financial positions between 2006 and 2008, and that the Barclays traders knew their activity was unlawful.

"FERC finds that their actions demonstrate an affirmative, coordinated and intentional effort to carry out a manipulative scheme, in violation of the Federal Power Act and FERC's Anti-Manipulation Rule," the regulator said in a statement. The case will likely now move to a federal court.

"We have cooperated fully with the FERC investigation, which relates to trading activity that occurred several years ago," Barclays spokesman Marc Hazelton said in a statement on Tuesday. "We intend to vigorously defend this matter."

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Asian currencies tumble on Fed, China fears

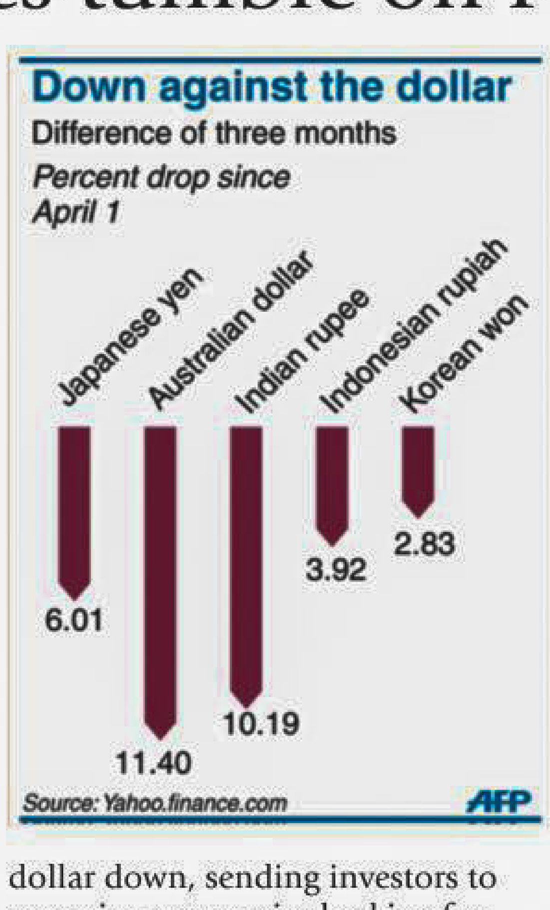
AFP, *Tokyo, Tokyo Province*

ASIA-PACIFIC leaders are scrambling to reverse a decline in their currencies as an expected tapering of the US Federal Reserve's stimulus and Chinese economic slowdown send waves of foreign capital flowing outside their borders.

Fears of a cash flight have sparked a warning from South Korea's finance minister about possible "spillover effects" from the Fed's wind down, ahead of a weekend G20 meeting in Moscow where the issue is likely to be in focus.

"It is necessary for the United States to carefully consider not only its own economic conditions but also the global impact in determining the timing, pace and manner of its exit from stimulus," Hyun Oh-seok said this week.

The Fed's quantitative easing -- which saw trillions of dollars pumped into the world's top economy in a bid to stoke growth -- pushed US interest rates and the dollar down, sending investors to emerging economies looking for better returns.



While Japan has welcomed a slump in the value of the yen against the dollar -- it has lost about a third since November, with Japan's own massive easing measures adding to the selling sentiment -- most of Asia's smaller economies have been sent reeling.

Recent evidence of a US recovery, which boosts the case for rowing back the stimulus, has led to an exodus from Asia-Pacific and other emerging economies including Brazil, in turn hitting currencies from India to South Korea to Indonesia.

India's rupee has been the worst performing major Asian currency, dropping from around 55.50 at the start of the financial year to a record low of 61.21 rupees to the dollar last week. Indonesia's rupiah weakened to a near four-year low of just above 10,000 to the dollar last week.

The weakening "is due to speculation over the tapering plans by the Fed, which encouraged carry-trade of those currencies to unwind", said Toshihiko Matsuno, research head at SMBC Friend Securities in Tokyo. Carry trade sees investors sell a low-yielding currency to buy another unit that offers a higher interest rate.

"The more they were bought, the more they were sold," he said.