

Tanneries should shift to Savar to remain competitive

Western buyers look to source goods from environment-friendly factories, says chief economist at The Asia Foundation

SUMAN SAHA

BANGLADESHI tannery owners should immediately begin relocating their units from Hazaribagh in the capital to Savar to maintain competitiveness in the international market, said a noted economist.

"Leather is now a very competitive industry globally. Bangladesh has a good track record in the leather and footwear business. But focusing on environment-friendly production is urgent," said Véronique Salze-Lozac'h, chief economist and director of economic development at The Asia Foundation.

The US and European nations, key customers of Bangladeshi leather and leather goods, want to source products from factories that have a clean production process and safe working environment, she said in an interview with The Daily Star in Dhaka recently.

"Leather factories in Bangladesh, therefore, have to make a choice between whether they want to keep their long-term global clients by adopting environment-friendly technologies in the production or do as usual," said Salze-Lozac'h.

The Asia Foundation, a non-profit international development organisation, is working as a facilitator between the government and private sector to complete the relocation process as soon as possible, she added.

There is a lack of proper communication between the government and the private sector on tannery relocation, said Salze-Lozac'h, who joined The Asia Foundation in 2003.

"So, we are providing a platform for constructive dialogue between the private sector and government so that the relocation process gets momentum."



Véronique Salze-Lozac'h

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The international development organisation is also working with academicians and industry people to create a reliable database on the leather sector in Bangladesh, said Salze-Lozac'h, who is responsible for overseeing and providing technical support to programmes in 18 offices of the organisation in Asia.

"The demand for leather and leather products is increasing in the international market as the global economy is now at a recovery stage," said the economist with a political science background.

Bangladesh can easily tap the opportunity by relocating the tanneries to Savar as it will have central effluent treatment

plants and other necessary infrastructures, she added.

About 21,600 cubic metres of environmentally hazardous toxic waste, including chromium, sulphur and ammonium, are emitted daily from the tanneries, according to the Department of Environment.

"Our leather and leather goods exports may be hampered next year if we can't begin the relocation process as the European Union has already shown reservations on the issue," Industries Minister Dilip Barua had said earlier.

Salze-Lozac'h, who also worked on regional projects on improving the business environment for the garment industry, said tannery owners should seriously consider the EU reservations.

The sector's exports in fiscal 2012-13 stood at \$980.67 million, up 28.2 percent from the previous year, according to data from Export Promotion Bureau.

Based in Asia, Salze-Lozac'h provides technical assistance and leads applied research projects in emerging-market countries, working with clients such as USAID, AusAID, the World Bank, other bilateral and multilateral donors and the private sector.

Headquartered in San Francisco, The Asia Foundation works through a network of offices in 18 Asian countries and in Washington DC.

Working with public and private partners, the organisation receives funding from a diverse group of bilateral and multilateral development agencies, foundations, corporations and individuals.

Along with the leather industry, The Asia Foundation is working on information technology and bio energy sector of Bangladesh, said Salze-Lozac'h.

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Bheramara power plant tender to complete in Dec

STAR BUSINESS REPORT

THE Northwest Power Generation Company (NWPGC) is set to complete the tender process for the Bheramara 360 megawatt power project in December—at the fag end of the government's tenure.

The NWPGC is taking a rather long time than usual to evaluate bids of four companies for this Japan-funded project, leading to speculations on whether the authorities were planning to retender the project or not.

"It is true that we are taking a long time for the evaluation," said NWPGC Chief Khurshed Alam. "It's because the four bidders have come up with four different basic electricity turbine manufacturers. Our consultant is scrutinising every aspect of the technical bids."

Usually, bidders come up with one or two different turbines in power tenders. In this case, the four companies submitted their proposals on August 22, each with different manufacturers.

They submitted their technical and financial proposals in separate envelopes. The authorities are now evaluating the technical proposals. They would open the financial proposals of the technically qualified bidders.

Alam hopes the technical evaluation would be completed within this month, so that the project could be awarded in December to the lowest competitive bidder.

Japanese Mitsui and Korean Posco had jointly proposed to equip the plant with a General Electric turbine, while Spanish Duro Felguera with a Siemens turbine, Sumitomo with TPSC Corporation of Japan with Althom and Marubeni of Japan with a Mitsubishi Heavy Industries turbine.

Of the offers, Marubeni's technical proposal kept an option to increase their equipment price irrespective of their financial offer, which is yet to be opened. This option is being considered as a material deviation.

After receiving the offers, NWPGC sought two clarifications from the bidders in September and October with a deadline to complete the clarification by mid-November.

If the tender is successful, the Bheramara plant is supposed to produce low-cost power using natural gas.

HSBC dragged into forex probe, reveals profits jump

AFP, London

A worldwide probe into suspected rigging of foreign exchange deals has reached Europe's biggest bank HSBC, the bank revealed on Monday when it also announced a jump in quarterly profits.

The London-based bank said in its earnings statement that British regulator, the Financial Conduct Authority, is conducting investigations alongside several other global agencies into a number of firms, including HSBC, "relating to trading on the foreign exchange market".

HSBC added that it was "cooperating with the investigations which are at an early stage".

It comes as the British bank announced a 28-percent increase in net profit to \$3.2 billion (2.37 billion euros) during the three months to the end to September on major cost-cutting and lower bad debt charges.

HSBC had posted profit after tax of \$2.5 billion in the third quarter of 2012.

"Revenue was stable in the third quarter (of 2013), influenced by the mixed global macroeconomic picture," HSBC chief executive Stuart Gulliver said in a statement.

invested part of these savings in risk and compliance, increasing headcount by 1,600 since December 2012," Gulliver said.

With traders focusing on the strong earnings, shares in HSBC rose 2.12 percent to 701.9 pence in early deals, topping London's benchmark FTSE 100 index, which was up by 0.38 percent at 6,760.50 points.

HSBC meanwhile joins British banks Barclays and Royal Bank of Scotland (RBS) in saying that they are part of the foreign exchange market investigations.

Deutsche Bank, Swiss lender UBS and US pair Citi and JPMorgan Chase have also come forward to say that they are co-operating with regulators over the affair.

According to sources close to the matter, Barclays has suspended six traders while it investigates the possible manipulation of foreign exchange markets and RBS has suspended two.

The banking sector has already been shaken by a rigging scandal related to the Libor, a benchmark interest rate for lending between banks which also determines numerous financial and interest rate contracts around the world.

That scandal has already resulted in



AFP

A Sri Lankan vendor carries woven reed bags and baskets for sale on a street in Maharagama, a suburb of Colombo, on Sunday. Sri Lanka's economy has recorded eight percent-plus growth for two straight years after security forces crushed separatist Tamil Tiger rebels in May 2009, but growth has slipped since.



"Our home markets of the UK and Hong Kong contributed more than half of the group's underlying profit before tax."

Gulliver added: "Hong Kong continues to benefit from its close economic relationship with mainland China. We remain well positioned to capitalise on improving economic conditions in these markets."

HSBC said it would continue to focus on reducing its cost base after savings of \$400 million over the third quarter and total cuts since the start of 2011 of \$4.5 billion.

"This is well in excess of the target we set out to achieve by the end of 2013. We re-

more than \$3.5 billion in government settlements with financial institutions, as well as ongoing criminal prosecutions of several traders involved.

Headquartered in London, HSBC was founded in Hong Kong and sees Asia as its main market. It has slashed costs by billions of dollars and axed tens of thousands of jobs since 2011 under a massive restructuring of the group.

The bank added on Monday that its pre-tax profits rallied 30 percent to \$4.53 billion in the third quarter compared with the equivalent period last year.

S African economy faces stark problems: Goldman Sachs

AFP, Johannesburg

SOUTH Africa has made strides in mending its economy since the end of apartheid two decades ago but is lagging behind comparable countries and faces momentous challenges, Goldman Sachs warned on Monday.

As the Rainbow Nation heads for its 20th birthday next year, the US-based investment bank cautioned that high levels of youth unemployment have scuttled the dreams of millions and must be dealt with.

At least seven million people are unemployed, around one in three of the workforce.

Some 85 percent of black South Africans remain poor, the report stated.

"It is vital that government takes steps to

reduce inequality, increase employment, especially amongst the youth and defend the gains made by the African middle class," said Goldman Sachs' Colin Coleman presenting the report.

It is two decades since democratic government inherited a racially stratified economy beset by debt, high inflation and massive unemployment.

"The South Africa we inherited was a very bitter pill" said Coleman.

Since then a series of African National Congress governments have helped build a black middle class, but failed to mend corrosive levels of unemployment.

"Unemployment remains the Achilles heel," the report stated.

Foreign direct investment has averaged \$1.9

billion year over the last 20 years and should be closer to \$5-10 billion a year. By comparison, last year Brazil saw net investment of \$68 billion.

Responding to the report Finance Minister Pravin Gordhan said, "We have come a long way in South Africa."

Facing growing impatience with the pace of change and with the ruling ANC, Gordhan urged South Africans to look remain positive.

"We now have a generation of 'me' and 'here' and 'now'," he said, noting "19 years of democracy is not a very long period of time."

"There is too much despair and despondency."

South Africa is grouped among emerging economies with growing global influence knows as the BRICS, for Brazil, Russia, India, China and South Africa.