

Hunan: a land of 'rice and fish' turns into an industrial hub

SAJJADUR RAHMAN, back from China

WHEN Bangladesh has been starved of foreign direct investment (FDI), Hunan, a central Chinese province, is getting it like anything. Already more than 100 Fortune 500 companies have their operations in the province. Now Asian companies -- from South Korea to Japan and Taiwan -- are rushing to get the business benefits from Hunan.

Hunan has received nearly \$7 billion in FDI during January-September this year, up by 26 percent from the same period a year ago. The province now has more than 2,500 industrial projects -- from sophisticated and heavy machinery to electronics, information industry, building materials and food and beverages. Gross domestic product of the province also grew by 10 percent during the period.

The province, which was once known as a land of fish and rice, has now become a hub of industrial and economic activities. The China Daily and Hunan provincial government have recently arranged a trip for major Asian media houses to showcase what the province has done to improve its economy and environment.

"Hunan has developed all the facilities -- from policy to infrastructure, skilled professionals and workers -- for investors," said Xie Jianhui, director general (commerce department) of Hunan.

Xie said the government and the provincial committee of the Communist Party of China are also helping to establish an open economy, which will ultimately transform the area into an industrial hub.

The organisers arranged field trips to five major cities -- Changsha, the capital city of Hunan, Zhuzhou, Xiangtan, Chengde and Yueyang, involving more than a dozen of big and innovative factories.

The factories include Zoomlion Heavy Industry Science and Technology Development Company located in



SAJJADUR RAHMAN
Construction equipment made by Zoomlion Heavy Industry located in Changsha Economic Zone in Hunan province, China. It ranks 779th among Forbes Global 2,000 companies and sixth in the global construction machinery industry.

Changsha economic zone. The enterprise is engaged in research and development and producing advanced technologies and equipment for

infrastructure construction. Over the two decades since its inception in 1992, Zoomlion has become the fastest growing construction machinery manufac-

turer with a compound average growth rate of 65 percent.

Zoomlion has established manufacturing bases worldwide, including 13 domestic industrial parks. It has branches and subsidiaries in more than 40 countries. It is the sixth biggest construction machinery company in the world. It has more than 800 types of products including the world's largest tower crane with a swinging horizontal arm.

Hunan Farsoon High-tech Company is another key industry in Changsha. It was established in 2009 by a Chinese citizen who has years of experience in top technology companies in the United States. The company makes laser materials for automobile, airplane, defence and war industries.

"We have become China's first high-end Selective Laser Sintering (SLS) equipment maker after experiencing three years of difficult business journey. We are now the third largest SLS equipment manufacturer in the world after 3D Systems in America and EOS in Germany," said Xu Xiaoshu, chief executive of Farsoon.

He also featured on the cover of Forbes in China for its October 2012 issue.

With a strong position in the domestic market, the company now exports to the US and many European countries.

Truking Technology and Broad Homes are two other companies in Changsha that manufacture pharmaceuticals and construction materials respectively. Truking has been set up in an area of 220,000 square metres and exports machinery to companies in 36 countries, including Square Pharmaceuticals in Bangladesh.

Xianton Electric Manufacturing Group Company, also known as XEMC, was founded in 1936. After decades of development and research, the company has become the backbone enterprise of China's electrical industry. The company now produces equipment for wind power generation for different countries.

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British MPs recommend broader reforms in garment industry

ANSAR AHMED ULLAH

BANGLADESH needs support in reforming the garment sector and the UK as a major export market has an important role to play in providing the required assistance and expertise, said Anne Main, a British MP.

Main spoke as chair of the All Party Parliamentary Group (APPG) for Bangladesh, revealing a report in parliament on the nation's garment sector on Monday.

The UK is one of the major investors in Bangladesh and the third largest export destination for Bangladeshi textiles.

Brands have a responsibility to address the flaws in their purchasing practices, the APPG report said. In a buyer-driven market, brands have the ability to drive up working standards by creating the right incentive structure for purchasers and suppliers, Main said.

The garment industry in Bangladesh is currently at a critical crossroads and in urgent need of reform to ensure its long term viability, she added.

For a long-term solution, the root causes of the problems which stem from the failure to monitor planning and building control need to be addressed, to allow renewal of consumers' and investors' confidence in the garment sector, according to the report.

"It is imperative that the initial impetus from Rana Plaza is not lost but is translated into concrete actions that will improve working conditions and ensure that Bangladesh does not lose out on future investment opportunities," Main said.

The human costs of doing business in Bangladesh, as illustrated by the Rana Plaza collapse, combined with poor infrastructure and political instability are the most pressing challenges facing the industry, the report said.

If Bangladesh is not to lose future investment in such a critical industry, all stakeholders must engage in dialogue together to address supply bottlenecks and rebuild the reputation of the industry by improving working conditions, Main said.

It is vital that the structural integrity of buildings and the infrastructure capacity of Bangladesh are improved. Poor infrastructure is a significant supply bottleneck, which increases the pressures and costs of a supply chain characterised by a 'fast-fashion' model with short lead times and tight deadlines, she said.

Poor planning and building control have resulted in sub-standard construction and in 90 percent of buildings meeting no building codes, Main said.

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Anne Main

India's Rajan urges deep breath after market tumble



Raghuram Rajan

REUTERS, Mumbai

RESERVE Bank of India (RBI) governor, Raghuram Rajan, expressed comfort on Wednesday about core inflation and highlighted the narrowing current account deficit as he sought to reassure investors worried the country would be hit hard in a global market sell-off.

Most immediately, he pledged to move slowly if needed in winding down an oil window that provides dollars directly to state-run oil companies, while announcing a bond sale of 80 billion rupees on Monday to inject liquidity in markets. Both had been key concerns in markets.

The news briefing, announced earlier in the day, was an unprecedented departure for the traditionally cautious central bank. Since taking the helm of the Reserve Bank of India (RBI) in September, Rajan has pledged to be more communicative and has so far been warmly welcomed by investors.

Still, Rajan's remarks had a mixed impact on markets, sending benchmark 10-year bond prices rallying, although the rupee failed to gain much despite ending the day well above a two-month low hit earlier. Stock markets were already closed.

"It's important that the RBI clarifies interpretation of economic events and the likely direction of economic policies at times of uncertainty so that the market worries about the right things and does not get into a tizzy about the wrong ones. That is my quote today," Rajan told reporters.

"There is no fundamental reason for volatility in value of the rupee," he also said. "At some time, it makes sense to take a deep breath and examine the fundamentals. I hope you all will do that."

Rajan addressed reporters after stronger-than-expected US jobs data last week had sparked concerns about an early end to the Federal Reserve's stimulus, hitting the rupee and sending Indian bonds and shares tumbling, although markets remain well above the levels of the summer lows.

Some investors had started to fear a repeat of the summer, when the rupee slumped to a record low of 68.85 to the dollar, punished by worries about the country's vulnerability should foreign investors sell because of Fed tapering.

Analysts also cited some comfort from the governor's remarks on inflation given the RBI has raised interest rates by a half percentage point since September in two back-to-back actions as it fights off rising consumer prices.

Worries about yet another rate hike had gripped investors after India reported late on Tuesday consumer price inflation accelerated more than expected to 10.09 percent in October from 9.84 percent in September.

At his briefing, Rajan called food inflation "worryingly high", but said he was comforted by a downward trend in the core consumer price index.

"The RBI has attempted to calm the market by verbal intervention. On the policy front, it seems clear that the governor is in no hurry to hike the repo rate," said Upasna Bhardwaj, economist with ING Vysya Bank.

Rajan also surprised analysts by saying the RBI's estimate for the current account deficit for the fiscal year ending in March was \$56 billion, the first time in recent memory the central bank has given such a forecast.

EU places Germany under scrutiny over high trade surplus

AFP, Brussels

THE European Commission on Wednesday placed Germany under scrutiny for its international trade surplus, seen as an obstacle to recovery across the rest Europe.

"The issue is whether Germany ... could do more to help rebalance the European economy," Commission President Jose Manuel Barroso said after placing 15 other countries under scrutiny for failing to meet EU economic targets.

Barroso was speaking as the Commission also ordered "decisive policy action" from deficit-struggler France, Italy and Hungary.

Between now and May, the Commission using new powers is to scrutinise the economic programmes of the 16 countries to ensure that they are in line with overall coherent economic management of the eurozone and European Union economies.

The head of the EU executive said the focus also had to include countries with surpluses considered excessive, after years of concentrated efforts to organise bailouts and drive down public deficits.

"This is not about the EU running economies in place of national governments," Barroso said.

It is about "ensuring that what is good for individual states is good also for the EU," he stressed, opening a new phase of what he called "bolder" cross-border economic policy-making.

"Let's be clear on this, we are not criticising Germany's ... success in global markets," added EU Economic Affairs and Euro Commissioner Olli Rehn.



AFP
German Chancellor Angela Merkel holds the annual report handed over by economist Christoph Schmidt (L) yesterday on economic development, released by the so-called Five Wise Men, an influential panel of independent economic advisers in Berlin.

He said data had shown that "Germans are constantly investing a large part of their savings abroad," and asked "whether this is deficient even from a German perspective."

Low-tax, banking-rich Luxembourg's economy and new EU entrant Croatia, suffering from unemployment on a par with debt crisis-battered Greece and Spain, were other new additions to the list of countries placed under close EU monitoring.

As well as the "persistent concerns" over France, Italy and Hungary's performance in areas ranging from debt to pensions planning, Brussels is eager to see progress in two countries already identified as labouring under "excessive" imbalances last year.

Spain, which is nearing completion of its banking bailout, and Slovenia, still the subject of fears it will need a eurozone financial rescue, can expect concrete answers in the Spring.

China internet firms sue Baidu in piracy battle

AFP, Beijing

TWO major Chinese internet firms -- backed by Hollywood -- are suing the Asian giant's leading search engine Baidu over copyright violations, they said Wednesday, in a rare internal challenge to the country's rampant piracy.

The two firms -- leading Web portal Sohu and top online video company Youku Tudou -- are seeking as much as 300 million yuan (\$49 million) in compensation from Baidu, which they say has committed a "serious violation" of their rights by letting users access pirated material online.

"We cannot keep competing because where thieves and robbers are having their way, law-abiding companies cannot survive," Sohu Group chairman and CEO Charles Zhang said

in a statement.

If such practices continue, he added, "no-body will invest in content, and China's online video industry will face the (same) sad situation as the music industry, which has already been destroyed by piracy".

The Motion Picture Association of America is backing the move, as are Chinese Internet titan Tencent, Wanda Films and TV producer Huayi Brothers.

In a statement, Baidu defended its anti-piracy efforts, noting that it filters out unauthorised content through an automated mechanism and also aims to take down pirated material within 24 hours of users flagging it.

"Piracy is a difficult problem in the domestic video industry," it said in the Chinese-language statement. "In the future, Baidu will continue to step up its efforts to support the

development of legal video."

Baidu, founded in 2000, held more than 80 percent of China's search market in the first quarter of this year, according to a recent report by independent analysts iResearch.

The search giant has in recent months moved to consolidate its position in China's mobile internet, but faces accusations from online video firms that it is "distributing content without authorisation while engaging in activities that are beyond the scope of a search engine".

In a joint statement, the video and film companies accused Baidu of harming their business by using links that allow users to directly access content without having to visit third-party sites.

They also charged that Baidu has profited from advertising revenue-sharing agreements