Upgrade capacity, infrastructure to achieve garment export target

Bangladesh also needs to diversify its apparel portfolio, H&M's regional head says

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SWEDISH retail giant H&M is currently the largest buyer of apparel items from Bangladesh, sourcing garments from more than 250 factories in the country.

It has 3,600 stores globally and operates six brands -- H&M, COS, Monki, Weekday, Cheap Monday and Other Stories.

Roger Hubert, H&M's regional head for Bangladesh and Pakistan, discussed Bangladesh's target to export apparel products worth $50 billion by 2021 and the sector's capacity with The Daily Star on Saturday.

Last December, garment makers and the government jointly announced the country's export target for the end of 2021 at the Dhaka Apparel Summit.

Following are excerpts from the interview.

The Daily Star (TDS): Is it possible for Bangladesh's garment exporters to achieve the target, given the country's current capacity?

Roger Hubert (RH): No, not with the current capacity and not with the available infrastructure.

TDS: What should Bangladesh prioritise to achieve the target?

RH: The government should provide competitive and low-cost financing for industry capacity building; provide adequate power connections to entrepreneurs who have already set up new factories and are currently sitting idle, losing money and are drifting towards bankruptcy.

The government should also provide adequate power connections or allow shifting the existing connections to the entrepreneurs who planned and prepared to relocate from shared buildings into modern and compliant factory buildings. Also, the government will have to create a more FDI friendly environment.

TDS: Do you think workplace safety has improved in Bangladesh after the twin industrial disasters -- the Tazreen Fashions fire and Rana Plaza building collapse?

RH: Yes, it has definitely improved, but only the groundwork has been done by identifying the safety risks. Now the remediation needs to be accelerated as less than 50 percent of the known issues have been fixed.

It is mainly the small and medium enterprises in the sector that have not yet started or have a low percentage of remediation progress. A major portion of these factories are in shared buildings, working mostly with agents and importers as buyers and some larger exporters are still feeding them with subcontracting work.

The focus should now be on assisting the SMEs and non-Accord/Alliance factories to improve, and the government and non-Accord/Alliance buyers, including agents, play a crucial role here.

There is also a great need to define how the inspections and remediation of the industry will be handled after 2018.

TDS: How much of a threat are the new entrants like Ethiopia, Myanmar and Vietnam to Bangladesh's garment sector?

RH: They are not yet a treat to the sector. But they are, or will become, competitors. As competition starts with basic products, Bangladesh needs to diversify its apparel portfolio, go for more complexity, fashion and speed.

If the transformation that has started continues and the government provides the required support -- competitive access to financing; adequate infrastructure and power supply; transparent, efficient building safety control mechanism; adequate labour law rules and mature industrial relations and efficient arbitration -- the textiles and garment sectors will further grow and gain more global market share.

If the transformation does not continue, yes, these emerging markets will eventually become a threat to the apparel sector in Bangladesh.

TDS: Do you have plans to increase the prices of the garment items you purchase from Bangladesh?

RH: H&M will continue to support its partners in the supply chain in increasing their efficiency; expanding their capabilities into more complex and complicated higher value products; improving their resource efficiency (water, chemicals and energy); and improving their labour management competency and capability. Hence, H&M will work together with its business partners to increase their margins and stay profitable and competitive.

TDS: What are H&M's purchasing plans for 2015 and beyond?

RH: H&M will contribute to achieving the sector's vision of exporting apparel items worth $50 billion by 2021, if conditions in the country and the industry permit. If the government support to the industry is provided timely, H&M will be able to continue to grow its sourcing from Bangladesh in double digits. It is important to know that -- timely means now.

H&M

Roger Hubert, the regional head of H&M for Bangladesh and Pakistan, takes part in a question and answer session at a seminar on Branding Bangladesh on the sidelines of Apparel and Safety Expo at Radisson Hotel in Chittagong on August 6.

Get used to cheap oil, derivatives markets say

REUTERS, *London*

OIL prices will stay low for years to come, derivatives markets say, keeping a lid on inflation and helping boost global growth.

Oil has more than halved in value over the last year, thanks to huge oversupply, and many oil companies, particularly in the United States, say they may soon have to rein in production, tightening supply, unless the market recovers.

That has led many analysts to predict that oil - on average around 5 percent of companies' costs - will see price rises later this year or in 2016, pushing up inflation.

But oil derivatives tell another story.

Contracts for delivery of crude oil in the future on the big commodities markets such as the New York Mercantile Exchange and the InterContinental Exchange show the price of oil in five years' time has collapsed in recent months.

U.S. crude CLc1 now costs around $42 a barrel for delivery next month, and only about $20 more for delivery in 2020.

Prices of oil for future delivery are usually much more stable than volatile near-term prices, holding their value even when the spot market crashes.

But the recent oil-price rout looks different.

Prices for all futures months for years to come, also known as the futures price "curve", have come down sharply.

"The curve is saying prices will stay low for some time," said Amrita Sen, oil analyst at consultancy Energy Aspects.

Futures prices are not forecasts, not least because liquidity tends to be low for long-term forward contracts.

But they are good indicators of sentiment because they are a market where speculators bet on forward prices, and also allow large producers and consumers to hedge future business.

Analysts say the futures curve is saying the current collapse in oil prices will be sustained because it has been driven by massive oversupply that is likely to persist.

Oil prices have collapsed over the last year as Saudi Arabia and other members of the Organization of the Petroleum Exporting Countries have increased production to try to protect market share from competitors such as U.S. shale oil drillers.

The global crude oil benchmark, North Sea Brent LCOc1, fell to almost $45 a barrel in January from above $115 six months earlier. Prices then rallied but have since plunged towards lows not seen since the financial crisis and long recession that started in 2008/9.

U.S. oil production has risen by more than 4 million barrels per day (bpd) over the last five years, thanks to new shale extraction techniques such as "fracking", eroding OPEC's sales.

World oil production is now around 3 million bpd higher than demand, filling oil storage tanks from Houston to Huangdao.

And as prices have fallen, many oil producers have hedged their future oil production using derivatives, selling futures contracts for oil that will be pumped in 2016, 2017 and beyond.

This has helped pull down forward prices as nearby spot prices have collapsed, dragging the whole futures curve lower.

In 2008/9, forward futures held up fairly well. Contracts for U.S. crude oil five years ahead traded as much as $30 above prompt prices, keeping the futures curve in a steep downward slope known as a "contango".

Now that slope is much less steep, with the five-year futures spread under $20.

"There is an imbalance today compared to 2008. We have 3 million bpd more producer hedging from shale guys," said Sen at Energy Aspects. "That will necessarily pressure the back."

REUTERS/FILE

Offshore oil platforms are seen at the Bouri Oil Field off the coast of Libya.

German lawmakers back third Greek bailout

REUTERS, *Berlin*

German lawmakers overwhelmingly voted in favor of a third Greek bailout on Wednesday, heeding a call from Finance Minister Wolfgang Schaeuble to give Greece the chance for a new start, despite his own concerns it might not work.

There was a sizeable rebellion in Chancellor Angela Merkel's own party ranks, however, suggesting she cannot return to parliament to seek aid for Athens again.

The Bundestag lower house of parliament, whose backing is essential for the release of bailout funds, approved the plan by 454 votes to 113, with 18 abstentions.

A breakdown of which lawmakers voted 'no' was not immediately available.

Popular misgivings about sending more aid to Athens run deep in Germany, the euro zone country which has already contributed most to Greece's two previous bailouts since 2010. The new package is worth 86 billion euros ($94.94 billion).

Schaeuble, Germany's toughest negotiator on the Greek bailout, led calls for a 'yes' vote in the parlia-

Google launches Wi-Fi router for home use

REUTERS

Google Inc launched a Wi-Fi router on Tuesday, the latest move in the company's efforts to get ready for the connected home and draw more users to its services.

The cylinder-shaped router, named OnHub, can be pre-ordered for $199.99 at online retailers including the Google Store, Amazon.com Inc (AMZN.O) and Walmart.com.

The router comes with in-built antennas that will scan the airwaves to spot the fastest connection, Google said in a blog post.

With the router, users will be able to prioritise a device so that they can get the fastest Internet speeds for data-heavy activities such as downloading content or streaming a movie.

The router can be hooked up with Google's On app, available on Android and iOS, to run network checks and keep track of bandwidth use among other things.

Google said OnHub automatically updates with new features and the latest security upgrades, just like the company's Android OS and Chrome browser.

The router is being manufactured by network company TP-LINK, Google said, hinting that ASUS could be the second manufacturing partner for the product.

The product launch comes days after Google restructured itself by creating Alphabet Inc, a holding company to pool its many subsidiaries and separate the core web advertising business from newer ventures like driverless cars.

Making products for the smart home is one such venture. Google last year bought Nest, a smart thermostat maker, for $3.2 billion, aiming to lead the way on how household devices link to each other and to electricity grids.

The global market for "Internet of Things", the concept of connecting household devices to the Internet, will nearly triple to $1.7 trillion by 2020, research firm International Data Corp said in June.

China pumps $17b into banks for economic boost

AFP, *Shanghai*

China's central bank has made $17 billion available to more than a dozen financial institutions to help boost the economy, it said Wednesday, a day after injecting nearly $100 billion into two government policy banks.

The People's Bank of China (PBoC) provided 110 billion yuan ($17.19 billion) to 14 financial institutions through its medium-term lending facility to maintain liquidity in the banking system, it said in a statement on its official microblog.

The PBoC encouraged banks to use the funds to support small companies, agriculture and "weak links" in the economy, it said.

China's economy, the world's second-largest, expanded 7.4 percent last year, its weakest since 1990, and has slowed further this year, growing 7.0 percent in each of the first two quarters.

The government has set a target of around 7.0 percent growth for all of 2015.

On Tuesday, the central bank completed putting $48 billion into China Development Bank and $45 billion into the Export-Import Bank of China, the official Xinhua news agency reported. Both are policy banks which lend in line with government directives.

The move was to enhance their capital base and support the economy, it said.

"The injection suggests the central bank is trying to guide funds to go to the real economy, like exports and infrastructure construction," Wang Shengzu, China economist at Barclays Capital, told AFP.

In a bid to stimulate activity, China has cut interest rates four times since November and has also lowered the reserve requirement ratio -- the amount of money banks must put aside -- three times.

"The funds released from earlier monetary loosening didn't go to the real economy. Instead, most of it went to the financial institutions and the stock market," Wang added.

The benchmark Shanghai stock index rose 150 percent in 12 months to mid-June in a borrowing-fuelled surge, before plummeting almost a third in three weeks.

The Wutongshu Investment Platform Co., which invests China's foreign exchange reserves, carried out the policy bank fund injections and will become a shareholder in both, Xinhua said.