

With new US factory, Daimler skirts tariffs, unions

AFP, Detroit
German automaker Daimler AG broke ground this week on a \$500 million plant in Charleston, South Carolina to build vans, with the company hoping at last to avoid steep US import tariffs.

When the factory comes online by the end of the decade, it may also help the company pay lower wages and circumvent labor unions.

Volker Mornhinweg, head of Mercedes-Benz Vans at Daimler, said the key reasons for putting the plant in Charleston were the city's excellent port operations and logistics and because Daimler already operates a factory next door.

Avoiding the 25 percent tariff that the United States puts on imports of commercial vehicles was also crucial.

"We won't have to pay the tariff," he said, adding that the Mercedes-brand Sprinter vans were currently built in Dusseldorf, Germany and then shipped to the United States where they are re-assembled.

"It's a logistical nightmare," Mornhinweg said.

South Carolina wages are markedly lower than those in Germany and the governor, Republican Nikki Haley, opposes organized labor.

"We discourage any companies that have unions from wanting to come to South Carolina because we don't want to taint the water," she told The Greenville News, a local newspaper.

Assembly line workers get \$18 an hour in South Carolina, according to Labor Department figures. Hourly wages for German autoworkers are closer to \$37 an hour.

Frank Klein, director of operations at Mercedes-Benz Vans, said the company's practice was to pay a "competitive" wage wherever it builds a plant.

According to Mornhinweg, the new Charleston plant should be operational around 2020, following the introduction of the next Sprinter model, with some versions capable of running on elec-

tricity or featuring driverless navigation.

The new Sprinter will also fall under Daimler's Freightliner brand, part of its truck operations.

Daimler representatives touted their success in the US commercial van market, which represents nearly a half-million newly registered units per year and had traditionally been dominated by General Motors, Ford Motor Company and what is now known as Fiat Chrysler Automobiles.

The arrival of the Sprinter on the US market helped popularize the European style of van, spurring American makers to market their own similar, taller versions, suitable for different trades and cargos.

The van can also be outfitted as an ambulance, according to Bernhard Glaser, head of Mercedes-Benz Vans USA.

Mathias Geisen, head of marketing for Mercedes vans in the United States, said the Ford Transit van had quickly captured 50 percent to 60 percent of the market while Mercedes held 8 percent to 9 per-

cent based on current sales.

The courier service FedEx now uses the Sprinter, he noted.

Geisen said Ford enjoyed a robust, nationwide network of dealerships, while the Ram ProMaster was built in Mexico and therefore not subject to US trade barriers.

The Charleston plant will help even the playing field for Daimler, Geisen said.

Daimler is not the only automaker to set up operations in the southern United States, where organized labor has struggled to make inroads. Volkswagen, Nissan and Honda also maintain auto plants which the United Automobile Workers has yet to bring into its fold.

According to Glaser, Mercedes-Benz vans have risen in US sales for five straight years. One of the Sprinter's selling points will be its easy customization to meet each customer's needs.

"You're the expert in your trade and your van is the tool to get the job done," Glaser said.

Taiwan recession lifts on Q2 GDP growth

AFP, Taipei

Taiwan came out of recession in April-June, data showed Friday, as a pick-up in the island's key electronics sector helped end a run of three successive quarterly contractions.

The 0.69 percent year-on-year growth beat expectations and comes after newly elected President Tsai Ing-wen pledged to kickstart growth, including establishing a "Silicon village" for Asia. Traditionally an export-driven technology hub, the island is home to industry giants such as Foxconn and Taiwan Semiconductor Manufacturing Company (TSMC), which a key suppliers for Apple's iPhone.

But China has been pushing to grow its own tech sector, with the development of domestic smartphone brands and homegrown hardware like Huawei, while sluggish global demand has also acted as a drag.

Rupali Insurance re-elects chairman

STAR BUSINESS DESK

Rupali Insurance Company has recently re-elected Mostafa Golam Quddus as the chairman of the company.

Quddus is the chairman of Dragon Group and former president of Bangladesh Garments Manufacturers and Exports Association, the company said in a statement.



Beximco to start drug exports to US in Aug

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Prior to the FDA recognition, Beximco, one of the top five local companies, received approval from the regulatory authorities of the US, European Union, Australia, Canada and Brazil for its facilities.

Haider said the Indian firms will be the main competitors of Bangladesh in the US market.

Asian countries, particularly Myanmar and Nepal, are the biggest market for locally manufactured drugs, followed by Africa and Europe, according to the Beximco official.

To promote pharmaceutical sector, the government also set up an active pharmaceutical ingredients industrial park, which will allow the industry to produce raw materials on a large scale.



Officials and dealers of Uttara Motors Ltd, the sole distributor and assembler of Bajaj Motorcycles in Bangladesh, pose for photograph during their visit to Bajaj's corporate office and factories in India from July 18 to July 23.

Russian central bank holds key rate over inflation fears

AFP, Moscow

Russia's central bank on Friday held its key lending rate at 10.5 percent as inflationary pressures weighed off against trying to spur a faster economic bounce back.

The Bank of Russia said in a statement that it made the move as "the decline in inflation expectations has stalled" but insisted that it remained on target to meet its long-term targets of 4 percent inflation by the end of 2017.

The majority of economists predicted that the bank would hold the rate steady after trimming it in June for the first time in almost a year.

The Bank of Russia said that decision was down to decreased inflation risks but that it

did not signal the start of a cycle of cuts.

The last few weeks have prompted cause for caution over inflation as figures for June saw household incomes that have been hit for two years over the economic crisis rebound.

The ruble also remains volatile after a recent bounce back gave way to a fall as oil prices have slipped down.

The bank said that at its next meeting it "will consider the possibility of a further rate cut based on estimates for inflation risks and the alignment of inflation decline with the forecast trajectory."

Russia's energy-reliant economy is still mired in recession due to a punishing economic crisis caused by the fall in oil prices and Western sanctions over Moscow's meddling in Ukraine.

Spain raises 2016 growth forecast, unemployment to drop

AFP, Madrid

Spain on Friday upped its growth forecast for the year and predicted that unemployment would drop both in 2016 and 2017, despite a seven-month political deadlock that has many concerned.

The government said Spain's economy would grow 2.9 percent overall in 2016, up from the 2.7 percent predicted in April -- a figure that had already been put forward by Economy Minister Luis de Guindos.

In a statement, the economy ministry also predicted a drop in unemployment to 18.6 percent in 2016 compared to 20 percent in the second quarter, and then 16.6 percent by the end of 2017. But it revised its forecast for GDP growth in 2017 down to 2.3 percent from 2.4 percent.

The updated economic forecast was published just hours after the Ine statistics agency said Spain's economic growth had slowed slightly in the second quarter.

GDP expanded by 0.7 percent compared to a 0.8 percent rise in the previous three months, it said.

The economic data comes as Spain remains without a fully-functioning gov-

ernment more than seven months after December elections failed to give any party an absolute majority, leaving a parliament divided broadly among four groupings.

Efforts to forge a coalition were unsuccessful as rival parties were unable to overcome their differences, prompting repeat elections in June with a similar result.

On Thursday, King Felipe VI tasked acting Prime Minister Mariano Rajoy, whose conservative Popular Party came first without an absolute majority, with forming a government.

But he faces an uphill challenge as most other parties refuse to back him, raising concerns that Spain could eventually head to a third round of elections at a crucial time.

The country is only just emerging from a damaging crisis, and its economy grew at one of the fastest paces in the eurozone last year, with GDP rising 3.2 percent.

Unemployment in Spain has also dropped to its lowest rate in nearly six years, reaching 20 percent in the second quarter.

But Spain is still the European Union's second worst performer after Greece where joblessness is concerned.

Spinners oppose plan for gas price hike

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Bangladesh Energy Regulatory Commission will hold a public hearing on the gas price hike proposed by Titas Gas Transmission and Distribution Company Ltd on August 7-8.

The sector has also been facing a downward price pressure of yarn and fabrics, volatile cotton markets and the negative impact of the Gulshan terror attack on the garment sector, Chowdhury told reporters on Thursday.

Recently, the Indian government announced a package worth \$900 million for employment generation and promotion of export in the textile and apparel sector, according to Chowdhury.

The package has been launched to improve labour working conditions, give a 25 percent investment subsidy and an income tax waiver to garment makers, he added. India has disbursed \$3.5 billion in funds for factory upgrades between 2000 and 2014.

"These initiatives by the Indian government and higher gas prices for the captive power plants will erode our competitiveness as many local knitters and woven garment makers will rely on cheaper Indian yarn and fabrics," Chowdhury said at the Bangladesh Textile Mills Association office.

"The local spinners would not be able to supply yarn at lower prices for the

Indian subsidies," he said.

As a result, the massive investment to the tune of nearly \$5 billion has been made in the sector over the years will be in big trouble.

One of the major difficulties is that the spinners and weavers cannot pass on additional prices to consumers as the value of products depends on foreign retailers, he added.

Captive power generators account for 17 percent of total gas consumption, according to data from Petrobangla, the national oil, gas and mineral exploration company. Primary textiles account for 4 percent of the electricity generated by captive power plants.

"We are selling our products at minimum prices only to keep our businesses afloat. The profit margin declined in the spinning and weaving sectors," said Tapan Chowdhury, president of BTMA.

"The primary textile sector could grow to its current position because of subsequent government support in gas prices and other policies. We need further support for the growth of the local business."

Currently, the spinners can supply 90 percent of raw materials to the local consumers and weavers can meet 45 percent demand of the local users, he said.

New investment would not come in the sector if the gas price is hiked abnormally, he added.

BB to focus on small, farm loans to meet credit target

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The banks can disburse the loans through their agent banks. Private banks are now bound to disburse agriculture loans. As the private banks have fewer branches in rural areas, they now have to disburse loans through third party, like non-governmental organisations.

To activate banks in using idle liquidity in productive lending, the area heads of central bank offices are now getting engaged in field visits with bankers in search of areas of economic activities, according to the new monetary policy statement (MPS).

"Potential client groups are still to be drawn into the financial sector's inclusive financing initiatives. With Bangladesh Bank's field level guidance and encouragements, banks are more proactively exploring new financing opportunities in diverse new areas of output activities of new agricultural and SME clientele segments," the MPS said.

These initiatives will hopefully create more productive credit demand and new employment opportunities in the economy. The central bank will keep a close eye on the sector to ensure adequate supply of agricultural loans, BB Governor Fazle Kabir said last week while announcing the MPS.

The MPS set private sector credit growth target till December at 16.6 percent and for June next year the target will be 16.5 percent. The target for June last was 14.8 percent.

The credit growth target has been set at a time when default loans in the banking sector as well as non-food inflation are on the rise although investment demand is sluggish.

This is why the central bank governor said the new MPS is cautiously accommodative, according to the BB official.

Car sales go up on higher demand

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Political stability helped people do business easily, although private investment remained sluggish, said Abdul Haque, managing director of Haq's Bay, a car importer.

He said middle-class families were the main buyers of reconditioned cars. "Many middle-class families bought cars in their quest for safe travel in the absence of good public transport facility."

Bangladesh has about 12 million of middle- and affluent-class people, accounting for 7 percent of the country's total population, according to a report by Boston Consulting Group, a global management consulting firm.

Two million Bangladeshis join the ranks of middle- and affluent-class every year, it said. Individuals with annual household income of \$5,000 or more fall in the class.

The BoI paper said the demand for cars, motorcycles and commercial vehicles is higher in Dhaka and Chittagong.

However, both Sharif and Haque said the demand for vehicles, especially cars, will depend largely on the overall political situation this fiscal year.

"Things were good. But the terror attack in Gulshan seems to have impacted the market. Uncertainty and fear appear to have gripped many. People have become cautious about investing," Haque added. Sharif said the market will grow if the overall investment scenario remains favourable.

But there is uncertainty about the future political situation, especially from the security point of view, he added.

US agencies subpoena Goldman Sachs in 1MDB Malaysia probe

AFP, New York

US regulators have issued subpoenas to Goldman Sachs for documents related to the investment giant's dealings with the 1MDB Malaysian state investment fund, a source close to the probe told AFP on Friday.

Subpoenas were issued a few months ago by investigators from the Department of Justice and Securities and Exchange Committee (SEC) the source said, speaking on condition of anonymity.

The investigators also want to interview a Goldman Sachs employee over the bank's role, according to The Wall Street Journal, which first broke the story.

The US officials, who base their authority on the Foreign Corrupt Practices Act, want to know why Goldman Sachs did not report transactions deemed suspicious that involve funds raised by bond offerings worth \$6.5 billion (5.8 billion euros) for 1MDB, the source said.

Goldman Sachs arranged for the bond sale, and has collected some \$590 million in commissions for its work.



Officials of Best Electronics Ltd open a showroom of the company. The company opened 11 showrooms on Tipu Sultan Road and Rampura in Dhaka, Rajganj in Comilla, Feni, Tongi in Gazipur, Joydebpur, Victoria Road in Tangail, Pabna, Rongpur, Chapainabganj and Gopalganj yesterday.