Could Apple's next big thing be a car?

AFP, *San Francisco*

Is an Apple Car about to hit the road?

The California technology colossus behind the iPhone has confirmed its interest in self-driving cars, but experts are trying to deduce the secretive company's plans for traction in a market where others have been speeding along.

Apple co-founder Steve Jobs, who died in 2011, contemplated putting the company's hardware and software smarts to work in a car nearly a decade ago, according to reports in trade press.

Speculation about an Apple Car became the stuff of myth, with much talk and little evidence until recently.

In mid-June, Apple chief executive Tim Cook revealed that the company is focusing on software that powers self-driving vehicles, referring to it as "by far the most important project in artificial intelligence."

Cook depicted electric vehicles, self-driving cars, and ride-sharing as major forces shaping the future of the automobile.

Analysts said that driverless cars that can be summoned on demand to whisk people where they wish when they want represent a gigantic potential market opportunity.

Even before Cook's public remarks on the topic, clues were coming to light. Apple recently obtained a permit from the California Department of Motor Vehicles to test self-driving cars.

Pictures of a Lexus sport utility vehicle rigged with sensors leaving the Apple campus have ricocheted about the internet, along with reports that the company has amassed a team of automotive engineers.

After a billion-dollar investment by Apple in Chinese ride-sharing colossus Didi, Cook referred to unspecified strategic moves the companies could make together over time.

If Apple is indeed intent to merge into the self-driving car market, it remains to be seen how it will navigate that course.

Morgan Stanley said in an analysts note that Apple options include partnering with ride-share firms, car rental companies, or even auto makers.

"Core self-driving software is likely the first step in its autonomous pursuits, and we believe Apple will eventually move beyond just software into designing a full car and/or launching a platform for third party services and content over time," Morgan Stanley said in the note.

The effort would take time and money, and the competition will be fierce, Morgan Stanley reasoned.

Unconfirmed reports surfaced this week that department of motor vehicle documents show Apple is renting a small number of Lexus sport-utility vehicles from US car rental service Hertz to test self-driving software and sensors.

Despite having some $250 billion in its coffers, Apple is unlikely to buy a car maker because of concerns about finding footing on terrain so far from their area of expertise, according to Creative Strategies analyst Carolina Milanesi.

She sees Apple as more keen on mastering self-driving technology, and then learning ways it could be "transplanted to other experiences and contexts."

For example, Apple could opt to make self-driving cars available for daily rentals or put them to use for on-demand rides.

"Do they want to really sell cars or do they want to come with a service?" Milanesi asked rhetorically.

Apple could also create a personal-assistant on wheels by beefing up its Siri artificial intelligence aide and putting it on the road.

Apple may start with a "platform play" by making a self-driving car system that partners could build into vehicles, and with the potential to synch with the company's iPhones, iPads, HomePod and other offerings.

Analysts see collaboration with car makers as a logical route for Apple.

Electric car star Tesla, headed by billionaire Elon Musk, might make a viable mate for Apple since the company's roots are more in Silicon Valley that Detroit.

If Apple did make its own car, it might do so as an elite fleet deployed to show off the technology.

An Apple car would need to catch up to rivals who left the starting line years ago. Waymo, a subsidiary of Google-parent Alphabet, has logged millions of self-driven miles on US roads.

Tesla models feature self-driving capabilities held in check basically by regulations that have yet to catch up to the technology.

Most major automakers are investing in self-driving cars, with California authorities alone having issued permits to 34 companies for testing.

AFP

Apple CEO Tim Cook says the company is focusing on "the most important project in artificial intelligence" - software that powers self-driving vehicles.

Enamul Huque, managing director and head for commercial banking at Standard Chartered Bangladesh, holds the "Best Foreign Bank in Bangladesh" and "Best Foreign Investment Bank in Bangladesh" awards at the FinanceAsia 2017 Awards, in Hong Kong on June 29.

STANCHART BANGLADESH

Menon promises steps on cargo ban within a month

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As per EU regulations, all cargo and mail carried in to the 28 nation-bloc must be physically screened or have come from a secured supply chain that is EU aviation security-validated -- and Dhaka airport has been failing on that front over and over again.

For instance, goods must first be screened by bomb detection dogs or equipment before they are loaded on to the aircraft -- none of which is available at the Dhaka international airport.

The explosive detecting device will be installed within a month, Menon said.

At the yesterday's meeting, as they have been for the past few years, exporters voiced their grievances about the poor facilities at the airport, which is costing them business and denting their image on the global stage.

"There has been no improvement," said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association.

Following the latest ban from the EU, which came into effect from June 1, exporters have to get their consignments re-screened at a third airport en route to an EU country.

Owing to the additional step, foreign airlines have their increased freight charge between 10 and 12 cents per kilogram.

Bangladesh raked in $18.68 billion from its exports to the EU in fiscal 2015-16, which was 54.57 percent of the total receipts for the year. Of the sum, $17.15 billion came from apparel shipments. The EU currently accounts for over 60 percent of Bangladesh's garment export receipts in a year.

Besides, 60 percent of fruit and vegetable and other perishable exports also go to the EU and their exporters are the worst sufferers because of their short shelf-life.

Exporters send 800 tonnes to 1,000 tonnes of goods by air a day and they have to wait for long for screening due to the airport's low capacity. Of the total quantity, garment items form the bulk. Nearly 700 tonnes of apparel items are shipped by air in a day, industry insiders said. Besides, the delayed release of samples by airport authorities has also irked Western retailers.

Due to the fast pace of trend cycles nowadays, the retailers send garment samples to manufacturers in Bangladesh frequently through expensive air shipments and they expect quick execution of the work orders.

The samples from the airport are supposed to be received within 24 hours but it takes more than 10 days, according to the BGMEA president.

And there have been incidents of theft too from the cargo village as important goods and documents are left unattended by the airport authority.

"These kinds of irresponsible behaviour have irked the international retailers," Rahman said.

Garment makers oppose Accord's time extension

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"But, I am concerned about the handling of millions of workers by the Accord as it will work on freedom of association and improvement of labour rights. Bangladesh has its own labour law," Islam said.

AK Azad, managing director of Ha-Meem Group, another leading garment exporter, echoed Islam.

"The Accord has done excellent work in the first phase as buildings are safe now thanks to its intensive inspection, remediation and monitoring."

"But, we don't want the extension of the Accord in case freedom of association as it is an internal issue of Bangladesh," he said.

Rubana Huq, managing director of Mohammadi Group, a leading garment exporter, said the inclusion of freedom of association in the new agreement is very surprising to her whereas Bangladesh has a very strong labour law which has given full freedom of association to the workers at factory level.

She said they had hoped that the signatories of the new agreement would include the government and BGMEA in the executive body of the Accord. But this has not happened.

Huq is concerned about the future of local trade unions if the Accord starts working in the area of freedom of association and labour rights at factory level. "Where will our local unions go?" she asked.

After the Rana Plaza building collapse in April 2013 that killed 1,138 workers, the retailers and brands formed the Accord with a view to repairing thousands of structural, fire and electrical loopholes in the garment factories.

Yesterday, Valter Sanches, general-secretary of the IndustriALL, said in a statement, "The Accord can be expanded to other sectors, and as worker representatives, we urge you to acknowledge the new Accord's significance as an important step towards responsible global supply chains."

John Evans, general secretary of the Trade Union Advisory Committee to the OECD, said the signing of new Accord shows that the legally-binding agreement between brands and unions is a successful model for driving positive change in global supply chains.

"The G20 leaders need to learn this lesson and give it full support," he said.

On Thursday, Commerce Minister Tofail Ahmed told The Daily Star that it is the decision of the retailers and unions.

"The extension is not our decision. We don't know about it yet. They have not spoken to us in this connection. We are with them until the expiry of the first agreement."

So far, 25 lakh Bangladeshi garment workers have been covered by the Accord and 1,800 factories surveyed along with 7,000 periodic follow-up inspections, according to IndustriALL.

A total of 118,500 acts of violations of fire, electrical, and structural safety standards have been identified, and 79 percent of them are being corrected.

As of Thursday, 23 companies signed the new agreement with two Switzerland-based global trade unions IndustriALL Global Union and UNI Global Union.

But a large majority of the previous signatories—217 brands—are expected to be part of the new deal, said Christy Hoffman, deputy general secretary of UNIGlobal Union, according to the Associated Press.

Businesses hail VAT law holdup

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The exercise can take as long as ten years in some cases, he said, citing India as an example.

But the government's move to hold back the implementation of the VAT and Supplementary Duty Act 2012 until 2020 is a step in the right direction, he added.

The Awami League government is business friendly, said AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association. "That's why it has postponed the new VAT law."

He said, if the economy remains in a good shape it is not only good for the government but also for the business community.

Md Muntakim Ashraf, vice-president of the FBCCI, and Liakat Ali Bhuiyan, president of the Real Estate & Housing Association of Bangladesh, were also present.

India presses Microsoft for Windows discount in wake of cyber attacks

REUTERS, *Mumbai*

India is pressing Microsoft Corp to offer a sharply discounted one-time deal to the more than 50 million Windows users in the country so that they can upgrade to the latest Windows 10 operating system in the wake of ransomware attacks.

Microsoft officials in India have "in principle agreed" to the request, Gulshan Rai, India's cyber security coordinator, told Reuters over the phone on Friday. A spokeswoman for Microsoft in India declined to comment on the matter. Officials at the company's headquarters in the United States and regional headquarters in Asia also declined to comment.

If Microsoft agreed to such a discount, it could open up the global software giant to similar requests from around the world. Rai said the government was in talks with Microsoft management in India. It is not immediately clear whether any other countries were seeking similar deals.

Rai said India began talks with Microsoft after the WannaCry ransomware attack last month, noting that both WannaCry and this week's attack, dubbed by some cyberexperts "NotPetya", exploited vulnerabilities in older iterations of the Windows OS.

Collection target tough this year

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VAT on locally manufactured motorcycles has been waived until June 30, 2018. The tariff values to collect VAT on 85 goods such as rods, powdered spices, biscuits and paper have also been kept unchanged.

Truncated rates of VAT are now applicable on 20 items including electricity, while package or fixed amount of VAT collected from small and medium traders has also been kept unchanged, said a senior official of the NBR.

The official said except for cigarettes and bidi and processed tobacco, the tariff value of other products has not been increased.

The NBR logged 20 percent growth year on year in the July-April period of 2016-17.

Asian tech supplants oil as main fuel for emerging stocks

REUTERS, *London*

Not very long ago, a 17 percent oil price fall would have sent emerging market stocks into a tailspin. But this year they are set for their best first half since 2014.

The reason? Like much else, emerging equities have been transformed by technology.

Just like the high performing US tech shares -- Facebook, Amazon, Netflix and Google that were dubbed FANGs before Google's parent was renamed Alphabet -- the so-called BATs, comprising Chinese internet trio Baidoo, Alibaba and Tencent have changed an emerging equity landscape once heavy in energy and mining firms.

But the BATs are just a small part of a whole "new economy" story in emerging markets, where the biggest companies by market capitalisation are now high-tech conglomerates Samsung , Tencent, Taiwan Semiconductor, Alibaba and South Africa's Naspers,

Alongside a host of smaller IT or information technology, firms, mainly Asia-based, they comprise over a quarter of the index cap, on a par with banks and significantly above the 7 percent weight of energy firms.

A decade ago, the share of energy in the MSCI emerging market index was over 15 percent, while IT was under 12 percent, MSCI data shows.

"You are now getting the index composition effect with the BATs - the huge internet companies which are the (Chinese) equivalent of the FANGs in the U.S," said Julian Mayo, portfolio manager at Charlemagne Capital.

"One of the biggest myths of emerging markets is that they are commodity dependent and more specifically oil-dependent, when the reality is the four biggest markets, China, Korea, Taiwan and India are big importers of commodities," Mayo added.

That may explain why, when Brent crude has posted its worst first-half since 1998, MSCI's emerging share index has risen around 17 percent.

Usually the index moves in lock-step with oil prices but since last year that correlation has been disrupted:

Investors have been unfazed by oil's drop, having poured more than $40 billion into emerging equity funds year-to-date.

Meanwhile, as the commodity supercycle has ebbed and crude prices have halved from early-2014 levels, the value of erstwhile giants Gazprom, PetroChina and Petrobras has taken a hit; Russia's Gazprom, the biggest MSCI EM stock in 2007, does not make the top 10 in 2017.

Instead, a blistering US tech sector rally, with gains of nearly 20 percent has lifted emerging IT shares.

"IT is now bigger than materials and energy in the benchmark which is a relatively novel development in a historical context" said Kiran Nandra-Koehrer, senior product specialist in Pictet Asset Management's emerging equities team.

While IT is likely a "long-term structural story" in emerging markets, chances of the sector balance tilting back again towards oil hinges at least partly on whether the commodity super-cycle will make a comeback, she said.

But with shale and renewable energy increasingly cost-effective, that looks unlikely in the near future.

REUTERS/FILE

The so-called BATs, comprising Chinese internet trio Baidoo, Alibaba and Tencent, have changed an emerging equity landscape in the world.

Emerging markets have not severed energy links and countries such as Russia, Colombia and Nigeria still rely on crude exports. Indeed, equity resilience showed signs of cracking earlier in June as oil prices headed towards $40, while commodity-heavy Russian stocks are this year's worst performers.

Many investors draw parallels with US junk-rated bonds, almost a fifth of which are energy firms but are also showing better resilience to the oil price dip than during the 2014 price collapse as their business models evolve. Patrick Esteruelas, head of research at EMSO Asset Management, said a similar oil dip at the end of 2015 had fed through from the US junk bonds to emerging markets.

"If oil takes another leg lower and creates a credit event in US high-yield, that can spread to EM," he said.

Others note the improved global backdrop since the last oil price reversal.

"There are enough compensating factors to have a bit of decoupling. It doesn't mean the relationship is broken for ever but the level of oil price which starts to have a negative impact on emerging markets or US shale is probably lower than before," said Valentijn van Nieuwenhuijzen, chief investment strategist with NN Investment Partners.

But there is another positive effect from the IT sector's greater weighting, namely IT firms' higher return on equity (ROE), a key measure for stockpickers as it reflects how well a company uses shareholders' capital to generate returns.

Currently, the emerging IT sector's average ROE is almost twice that of energy firms and well above the index average.