

Youngone making massive investment in man-made fibre

Kihak Sung, chairman and CEO of the conglomerate, tells The Daily Star

REFAYET ULLAH MIRDHA

Youngone Corporation, a global conglomerate based in Korea, has made massive investments in man-made fibre (MMF) for clothing in its factories in Bangladesh as artificial materials are now dominating the fashion industry, according to Kihak Sung, chairman and chief executive officer of the company.

Youngone, famous for its outerwear and MMF products, recently started manufacturing polyester fabrics at three factories covering 40,000 square metres each at the Korean Export Processing Zone (KEPZ) in Chattogram.

Besides, Japanese engineers will install some new machinery at one of the factories soon, Sung told The Daily Star in a recent interview.

Sung decided to invest in MMF products due to their rising demand in the international market.

Currently, 95 per cent of all the fibres produced by the company is MMF that is used by its own factories and other local manufacturers for a variety of apparel items.

So far, \$65 million has been invested in the three factories while another \$120 million will be invested to operate five in total.

Being the largest foreign investor in Bangladesh's garment industry, Youngone plans to invest \$1 billion over the next few years depending on the country's situation.

However, Sung did not mention any specific timeframe for the investment.

Youngone has already invested around \$600 million in Bangladesh, Sung said.

The company is also investing in a solar power development project in an effort to bring 40 MW capacity of clean energy to the KEPZ.

Once complete, it will be the world's largest rooftop solar power project.

But like other companies, Youngone was also badly affected by the Covid-19 fallout.

The company lost about 45 per cent of its yearly export revenue due to order cancellations and was forced to halt production for nearly nine weeks amid all the economic uncertainty.

After numerous negotiations, the rate of cancellation was reduced to 15 per cent. On the other hand, the company's Vietnam operations continued to run smoothly.

Sung, who started his business in 1974 and set up a garment factory with only 450-500 workers in South Korea in 1976, has been doing business in Bangladesh since 1980, when he set up a factory at Agrabad in Chattogram.

"So this year is the 41st year of doing business in Bangladesh, which is my second



Kihak Sung

home and the country is deeply ingrained in my heart," Sung told The Daily Star at his Gulshan residence during a short visit to Dhaka.

Although, he could not remember what his initial investment was back in 1980, he did say that exports were short of \$100 million when his newly built factory at the Chattogram Export Processing Zone (CEPZ) was inundated by a massive flood, cyclone and tidal bore in April, 1991.

His single-storied factory building was inundated in the cyclone and more than 300,000 pieces of garment items made for Nike and Marks & Spencer were totally damaged.

It was that time when Sung could have left the country due to the irrevocable losses.

However, he was moved by his workers and decided against pulling out of Bangladesh.

Without being told to, his workers cleaned the damaged garment items in hopes that they could still be exported and it was this hope that guided Sung's decision.

"It moved me very much and that's why we decided to stay in this country. We then built a multi-storied building above the flood level after I raised funds from the Korean stock market to manage the difficult financial situation," Sung said.

Now, the company's annual revenue is about \$2.5 billion and Sung aspires to increase it considerably.

This is why he has been heavily investing in innovative textile and garment production.

Currently, Youngone has business operations, particularly textile and garment, in Bangladesh, the US, Vietnam, Korea, Ethiopia, Uzbekistan, El Salvador and Switzerland.

Sung could not immediately say how many factories are under his corporation but did



Workers are operating knitting machines at a factory of Youngone at Korean Export Processing Zone in Chattogram.

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say that there are five groups of companies in Bangladesh that have more than 60,000 employees combined.

The company's biggest offshore operations are in Bangladesh though and Sung has been developing the KEPZ Corporation to invest more progressively in the country.

Youngone is the main supplier of down jackets—a soft but very warm outerwear made from MMF and real feathers—in Korea and it is also the main supplier of The North Face products globally.

The retention value of quality down jackets in Bangladesh is more than 75 per cent and Youngone is the main producer of this special kind of jacket for cold climates. The product is largely manufactured in Bangladesh.

Sung went on to say that Bangladesh's graduation from a least developed country (LDC) to a developing one will erode its trade competitiveness by more than 10 per cent on exports to EU markets.

Bangladeshi companies need to improve their productivity by at least 50 per cent as well as reduce costs and lead time to compete in the international market before the country

loses its trade benefits.

Bangladesh should use Vietnam as a benchmark for how smooth business operations in a country should run, he added.

For instance, even a few years ago, there were 7,000 Korean companies, mainly textile and garments related, in Shandong province of China but most of those factories were relocated to Vietnam as it offered good business conditions and administrative support.

Bangladesh can learn from Vietnam on how to attract more foreign direct investment, said Sung, who also served as chairman of the Korea Federation of Textile Industries (KOFOTI) and president of the International Textile Manufacturers Federation (ITMF), the world's oldest textile organisation based in Zurich, Switzerland.

Sung said he started his business at age of 27 after the completion of his graduation from Seoul National University and serving in Korean army.

The company chose to come to Bangladesh in the 80's mainly to export locally produced outerwear to Sweden to enjoy the country's quota free benefits.

That year, three Korean companies invested outside of Korea. One went to Sri Lanka, another to Honduras and Youngone in Bangladesh.

Of these three, only Youngone is still doing business while the others have shut down entirely. Sung recalled how one of his female staffers joined in 1977, who is now working at his Vietnam factory.

About the rise of the garment industry and performance of Bangladesh's economy, Sung said he has witnessed remarkable development in the sector.

Although many foreign investors have left Bangladesh, Sung believes that this country has enough potential to grow further.

He said Noorul Quader, owner of Desh Garments, is a big name in the local industry as he sent many executives to Korea for training.

After a long career as a businessman, Sung decided to place the responsibility of leading the company on the shoulders of his daughter Rae Eun Sung.

His daughter has been working as the head of operations in Youngone Corporation and is president and chief executive officer of Youngone Holdings.



GLOBAL BUSINESS

IMF dismisses inflation concerns of Biden stimulus plan

AFP, Washington

Fears that inflation could spiral out of control due to a massive US stimulus package are overblown, IMF chief economist Gita Gopinath said Friday.

Her argument contradicted critics of US President Joe Biden's proposed \$1.9 trillion rescue package for the world's largest economy, who say the amount is excessive, and even those Democratic economists who have also raised concerns about price spikes.

Gopinath estimated that with the full amount of stimulus, inflation "would reach around 2.25 per cent in 2022, which is nothing to be concerned about," she said in a blog post.

Some economists, including former Treasury secretary Larry Summers, have urged caution saying excess spending could spark an inflationary spiral that the Federal Reserve would find difficult to control.

Rising prices would erode purchasing power while higher interest rates to control inflation would send the cost of borrowing soaring in an economy already awash in debt amid the coronavirus pandemic.

Gopinath noted the "concerns about an overheated economy that could push inflation well above the comfort zone of central bankers." But she said "the evidence from the last four decades makes it unlikely." In the decade following the global financial crisis, US annual inflation barely cracked the Federal Reserve's



REUTERS/FILE

The International Monetary Fund logo is seen outside the headquarters building in Washington.

2 per cent target, and in December the rate was just 1.3 per cent.

And Gopinath said the proposed government aid will push US GDP up five to six percent over three years, which would recoup the 3.5 per cent contraction in 2020. The IMF has consistently supported a large US stimulus plan to recover from the Covid-19-induced recession that has left millions jobless.

US Treasury Secretary Janet Yellen late Thursday repeated the administration view that "the price of doing too little is much higher than the price of doing something big." Yellen noted that inflation has been very low for over a decade, and while it remains a risk "it's a

risk the Fed and others have tools to address.

Yellen, like US central bank chief Jerome Powell, who succeeded her in the post, stressed that true unemployment in the US is close to 10 per cent—above the government's official rate of 6.3 per cent last month—and about nine million people remain unemployed, which she says justifies the size of the government aid.

But growing signs that the economy is coming back to life as businesses reopen amid an accelerating vaccination campaign have caused markets to begin to fret about impending price hikes.

The yield on 10-year Treasury notes, a benchmark for inflation

expectations, has been rising sharply since October, and accelerated since the start of the year to around 1.3 per cent, the highest since before the pandemic.

Those fears got a boost from a spike in the producer price index (PPI), which showed wholesale inflation surged 1.3 per cent in January, the largest since the index was revamped in December 2009.

But Powell last week brushed off inflation concerns, saying after prices collapsed last year, some sharp increases are expected but would be unlikely to last. In the current environment, "we want to see actual inflation," before the Fed would take any steps to raise interest rates or roll back the massive bond-buying program, Powell said.

His colleague John Williams at the Fed's New York branch said he was "not really concerned about stimulus ... right now being excessive." He said the central bank is not worried about Treasury yields and so far is not seeing any signs of excessive behavior by businesses or households.

Gopinath, the IMF economist, acknowledged "the danger of market turbulence" due to temporary price swings, or bad news about new virus variants.

But she said that in the wake of the crisis "considerable slack remains in the global economy" which would dampen price pressures, and worldwide supply chains have largely not suffered disruptions, removing another potential source of rising costs.

Airbus CEO urges trade war ceasefire, easing of Covid travel bans

REUTERS, Paris

The head of European planemaker Airbus called on Saturday for a "ceasefire" in a transatlantic trade war over aircraft subsidies, saying tit-for-tat tariffs on planes and other goods had aggravated damage from the COVID-19 crisis.

Washington progressively imposed import duties of 15 per cent on Airbus jets from 2019 after a prolonged dispute at the World Trade Organization, and the EU responded with matching tariffs on Boeing jets a year later. Wine, whisky and other goods are also affected.

"This dispute, which is now an old dispute, has put us in a lose-lose situation," Airbus Chief Executive Guillaume Faury said in a radio interview.

"We have ended up in a situation where wisdom would normally dictate that we have a ceasefire and resolve this conflict," he told France Inter.

Boeing was not immediately available for comment.

Brazil, which has waged separate battles with Canada over subsidies for smaller regional jets, on Thursday dropped its own complaint against Ottawa and called for a global peace deal between producing nations on support for aerospace.

Faury said the dispute with Boeing was

particularly damaging during the Covid-19 pandemic, which has badly hit air travel and led to travel restrictions or border closures. He expressed particular concern about widening bans within Europe.

"We are extremely frustrated by the barriers that restrict personal movement and it is almost impossible today to travel in Europe by plane, even domestically," he said.

"The priority no. 1 for countries in general is to reopen frontiers and allow people to travel on the basis of tests and then eventually vaccinations."

The comments come as businesses increase pressure on governments to reopen economies as coronavirus vaccine roll-outs gather pace across Europe.

France has defended recently introduced border restrictions, saying they will help the government avoid a new lockdown and stay in force until at least the end of February.

Germany installed border controls with the Czech Republic and Austria last Sunday, drawing protest from Austria and concerns about supply-chain disruptions.

Berlin calls the move a temporary measure of last resort.

Poland said on Saturday it had not ruled out imposing restrictions at the country's borders with Slovakia and the Czech Republic due to rising Covid-19 cases.



Airbus CEO Guillaume Faury attends Airbus's annual news conference in Blagnac near Toulouse, France.

REUTERS/FILE

UK insurers to pay up to 2.5b pounds for coronavirus claims

REUTERS

The Association of British Insurers (ABI) said on Saturday insurers are likely to pay up to 2.5 billion pounds (\$3.50 billion) for UK's Covid-19 insurance claims incurred in 2020.

The latest estimates include 2 billion pounds for Covid-19 business interruption claims

and 500 million pounds for Covid-19 related protection insurance claims, travel insurance claims and other general insurance products.

ABI's Director General Huw Evans said in a release that the pandemic illustrated some uncomfortable gaps between what people expected to be covered for and what their policy was designed for.

"We need to learn lessons from this unprecedented event and redouble our efforts to improve consumers' trust in insurance products," he added.

The insurance trade body said 123,000 claims have been settled with payment so far and a further 9,000 have received partial payments as of mid-January 2021.