

International Business News

Indian economy weakest in over 3 years

PALLAB BHATTACHARYA, New Delhi

India's economic growth slowed to 7.9 percent in the first quarter (April-June), the weakest in three and a half years, amid a decline in manufacturing and services sectors and a hardening of interest rates that hit consumer demand.

Official figures released on Friday were far lower than the previous quarter's growth of 8.8 percent and the 9.2 percent clocked by the country in the first quarter last year.

The fall in economic growth was widely expected as it came in the midst of rising interest rates for the government went about reining in inflation, which has hit a 13-year high.

However, Finance Minister Palaniappan Chidambaram expressed confidence that the growth this year would finally be close to eight percent.

"I am confident that this year too we will be more or less correct in our assessment of yearly growth. Last year, I was the only one who maintained that it would be close to nine percent and eventually it turned out to be 9.1 percent. I am confident that the growth will be close to eight percent this year," he said.

A higher cost of borrowing as a result of interest rate hike by the Reserve Bank of India thrice since June this year pulled down the manufacturing growth by almost half to 5.6 percent during April to June this year from 10.9 percent in the corresponding period last year.

Services that contribute more than 50 percent to the gross domestic product (GDP) grew by 11.2 percent against 13.1 percent and agriculture, with a weightage of 17.8 percent in GDP, grew by 3 percent, down from 4.4 percent a year ago.

Tata's cheap car plant remains shut

AFP, Singur, India

Protests against a factory being built in eastern India to make the world's cheapest car forced a halt to work for a second day Saturday as vehicle giant Tata Motors mulled the plant's future.

"There has been no improvement in the ground situation so far, hence the conditions are still not conducive for resuming work today," Tata Motors said in a statement.

"We continue to assess the situation closely" at the plant in Singur in the Marxist-ruled West Bengal state, said the company making the 2,500-dollar compact car, known as the "Nano" and billed as the world's cheapest.

The halt to work came a week after Ratan Tata, chairman of the Tata conglomerate, warned he would move the plant from the state if the protests kept up at Singur, on the outskirts of state capital Kolkata.

Tata Motors was expected to make a decision soon on the fate of the plant into which the company has already invested 350 million dollars.

At the company's general meeting in Kolkata earlier this month, Ratan Tata said, "We would move, whatever the cost, to protect our people."



A Sri Lankan man adjusts a display of shoes at a regional trade fair in Colombo on Friday. The trade fair is held alongside a gathering of experts from the South Asian Association for Regional Cooperation (Saarc), who are meeting in Colombo for the first ever economic summit.

Sri Lanka inflation eases

AFP, Colombo

Sri Lanka's year-on-year inflation eased marginally to just under 25 percent in August, according to official data Friday.

The New Colombo Consumer Price Index hit 206.3 points in August, up from 165.2 in August last year, representing a 24.9 percent increase, the figures released by the Central Bank of Sri Lanka showed.

Year-on-year inflation was 26.6 percent in July.

Estimated annual average inflation for 2008 stood at 22.6 percent at the end of August, the bank said. The figure stood at 21.9 percent at the end of July.

Sri Lanka's economy has been hit by a long-running ethnic conflict with separatist Tamil Tiger rebels that has left tens of thousands of people dead.

Sri Lanka has poured a record 1.5 billion dollars into the war effort this year, hoping for a quick end to the conflict. Analysts say the government's war spending has been fueling inflation.

Bush pushes Congress on economic issues

AFP, Washington

US President George W. Bush on Saturday assured the US public that he shared their economic worries and urged lawmakers to respond by approving his trade, energy, and tax-cut agenda.

"Many Americans are worried about the health of our housing and job markets. I share these concerns about our economy. Yet there have been some recent signs that our economy is beginning to improve," he said in his weekly radio address.

Bush said he saw "welcome signs" that the 150-billion-dollar stimulus the US Congress passed and he approved was priming the economic pump, citing second-quarter growth and improving data from the housing market.

And the unpopular president also warned the Congress, in the hands of his Democratic foes, not to "try to score political points instead of getting work done for the American people" with the November 4 elections around the corner.

INTERVIEW

Shrimp industry more compliant than before

Says David John Welsh of Solidarity Centre

JASIM UDDIN KHAN

The shrimp industry and export processing zones in Bangladesh have made "remarkable progress" in complying with labour standards over the last one year, said David John Welsh, the country programme director of Solidarity Centre, a wing of AFL-CIO.

The American Federation of Labour-Congress of Industrial Organisations (AFL-CIO) filed a petition with the United States Trade Representative against Bangladesh two years ago on charges of labour rules violations by EPZs and shrimp processing plants.

"The shrimp industry has worked hard to make an improvement in child-labour issues and compliance of wages," Welsh said in an exclusive interview with The Daily Star at his Gulshan Office Wednesday.

"They have made remarkable progress."

AFL-CIO, the federation that represents millions of working women and men in the US, launched the American Centre for International Labour Solidarity with a promise to tackle the challenges workers face in the global economy.

Explaining success at EPZs, the US-born labour lawyer said elections to over 165 labour associations in the EPZs were held despite the fact that the EPZs are run by a separate policy.

"This is incredible and this is historic which never took place in Bangladesh (before)," said the lawyer who visits government offices and private firms to discuss the implementation of labour laws.

The progress happened after AFL-CIO filed the petition with the USTR, he said.

"The petition was made to push the government of Bangladesh, those who oversee the EPZs, those who oversee the RMG industry and the shrimp industry to say that unless you begin to comply with your own labour standards you will not enjoy the American market access opportunity," Welsh said.

He said his organisation's goal was not to ruin the image of Bangladesh abroad, nor to hurt the RMG industry.

The goal is to enforce the country's labour law, Welsh said. He expressed concern over the state of emergency, which he said brought "severe hardships" for workers.

"The state of emergency remained in the country for



David John Welsh

about two years which enforced a complete ban on trade union activities. And criminal cases against workers have been going up but workers cannot exercise their rights."

Welsh described the

"The shrimp industry has worked hard to make an improvement in child-labour issues and compliance of wages."

readymade garments sector as the poor practitioner of labour compliance. Bangladeshi industries such as knitwear, woven and textile are earning more profit than before, but profit is never shared by workers as much as it is meant to be, he said.

According to the new labour law in Bangladesh, 5 percent of RMG profit is meant for worker benefit but none of the companies follows the rule, he said.

On wages, Welsh alleged that the wage board for readymade garments has seven tiers, not only the minimum pay of Tk 1,660 a month, but most RMG companies do not follow the other stages.

Asked how AFL-CIO will work to implement the issues in the RMG sector of Bangladesh, Welsh said his organisation would work with international companies.

Executives from international brands like Nike, GAP

and Rebook are coming to Bangladesh to see for themselves facilities at the factories they outsource their jobs to, he said.

Some international networks in Europe and the US watch Bangladesh closely, Welsh said.

Welsh suggested that BGMEA heighten inspection of labour law violations.

RMG owners should enforce labour laws for their own benefit as they are lobbying for a bill in the US seeking duty- and quota-free market access, he said.

If the US Congress is not convinced that Bangladesh is complying with international labour standards, the bill will not get through, he said.

Welsh suggested that the companies, which are not complying with labour standards, should not be allowed to operate.

The Solidarity Centre, registered in Bangladesh as an NGO, is working in three areas: readymade garments, shrimp and export processing zones.

Solidarity Centre assists workers, educates them on their legal rights and works closely with international buyers to make sure they also keep checks on suppliers.

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TRANSPORT

Boom and gloom: Egypt's new traffic law brings business and fear

AFP, Cairo

A new traffic law aimed at easing chronic congestion in Egypt has scared off some drivers who fear heavy fines, driven others to expect to pay higher bribes, and even sparked a business boom.

The law, which came into effect on August 1, has seen an unprecedented crackdown on violations in a country where conventional traffic protocol generally gives way to a more Darwinian approach to motoring.

More than 4.1 million cars jostle for space on poorly planned roads, with drivers openly flouting the rules. Now many of them believe the new law is an excuse for the authorities to show a heavy hand.

Mohammed Abbas, 24, refuses to use his car fearing the suspension of his driving licence if he continues to drive without tail lights which he says he cannot afford to fix right now.

The government has flexed its motoring muscles since the law came in, with daily reports in the official press of thousands of tickets issued alongside photographs of offenders.

"The law will bring order to our streets and safeguard lives and property," Deputy Interior Minister Sherif Gomaat told reporters before August 1, saying that the law would be "firmly and mercilessly enforced."

But many motorists are convinced that the strict enforcement witnessed in the early days will eventually be overtaken by the lax attitude of before -- and see traffic cops pushing to extort larger sweeteners.

"The problem is that officers already find any excuse to stop us. Now it just means they have more excuses," taxi driver Ahmed Hussein told AFP.

"I used to give a traffic policeman 20 Egyptian pounds (3.7 dollars) to look the other way, but now I'll have to double that," said Hussein whose taxi

was illegally double-parked on a main Cairo thoroughfare.

Traffic congestion, especially in cities, led to a system within the chaos: double-parking was common practice and double-parked drivers left the handbrake off to allow others to push their cars out of the way.

Under the new regulations those caught double parking will have their driving licences confiscated.

Not wearing a seatbelt or talking on a mobile phone could mean a fine of 300 Egyptian pounds (56 dollars, 38 euros), while driving in the wrong direction on a one-way street could cost 3,000 pounds (560 dollars).

And the prospect of a six-month jail term now hangs over anyone suspected of "acts of public indecency in a car".

"So now they will confiscate our licences and we'll have to pay baksheesh (a bribe) to get the licence back. It's no use, we Egyptians will never change our ways," Hussein said.

One of the most criticised aspects of the new law is the requirement for all cars to have a first aid kit.

This must contain antiseptic, sterilised gauze, medical gloves, a torch, an ice bag that is activated when rubbed, bandages, special bandage for bone fractures, cotton and scissors.

"The kits must come in rust-resistant boxes and be clearly marked in Arabic," according to leaflets issued by the government.

It has given drivers a three-month grace period to buy the kits after confusion over the contents and criticism about the price (around 90 Egyptian pounds -- 17 dollars, 11.5 euros) flooded the local press.

"Why are drivers now expected to be doctors? Most people wouldn't know what to do with a first aid kit, let alone how to deal with someone who's been hurt in an accident," 39-year-old Cairo GP Hassan Ismail told AFP.

"The issue here is a breakdown of

it seems that the purpose of the new Traffic Law is not to dispel the traffic chaos, but rather to introduce new fines to swell the resources of the Ministry of Interior," railed an editorial in the English-language Egyptian Gazette, amid rumours that powerful government-linked businessmen were selling the first aid kits.

Drivers are also required to have a reflective warning triangle, the production of which has boomed since parliament passed the new law in June.

Triangles which used to sell for about 10 Egyptian pounds (1.8 dollars) have become big business and now cost up to 75 pounds. They can be bought anywhere from petrol stations to traffic lights where street vendors tout their wares.

Despite a new-found prosperity for some, for others the law spells disaster. Cab driver Mahmud Badawi, 58, now has until 2011 to sell his 1984 Lada and find another way to make a living after his cab was deemed too old.

Drivers of cars more than 20 years old have three years to get their vehicles off the road and replace them with new ones. To help, the government is offering a loan of 15,000 Egyptian pounds (2,816 dollars).

But Badawi says if he sold his cab now it would fetch around 5,000 pounds (942 dollars), and even with a government loan he would never have enough for a new car.

"I have no idea what to do. It's not like I can find a new career," he said.

Analysts say the law was not well thought-out, and tries to apply foreign rules without considering needs and challenges peculiar to Egypt.

The law shows a "complete disassociation from reality," political analyst Amr Choubaki wrote in the independent daily Al-Masri Al-Youn.

"The issue here is a breakdown of



A Cairo cab driver waits for customers.



An Egyptian street vendor sells warning triangles.

public performance and of the crumbling and corrupt administration," he said. "We don't need a new law, we needed the old one to be implemented."

Egyptian roads are among the most dangerous in the world. Around 6,000 people die each year in accidents and 30,000 are injured, according to transport ministry figures.