

International Business News

US unveils revamped aid to AIG

AP, Washington

The government on Monday unveiled a revamped rescue package to insurance giant American International Group and will provide the troubled company another \$30 billion on an "as needed" basis.

The new package comes as the company has burned through cash and has been unable to find buyers for pieces of its company that it hoped to sell to repay the government on its existing aid package, which totals some \$150 billion.

Under the new package, the Federal Reserve will take stakes in two international units.

Instead of paying back \$38 billion in cash with interest that it has used from a Federal Reserve credit line, AIG now will repay that amount with equity stakes in Asia-based American International Assurance Co and American Life Insurance Co, which operates in 50 countries.

It marked the fourth time the government has stepped in to help AIG. Its initial lifeline came in September. The action was announced jointly early Monday by the Treasury Department and the Federal Reserve.

The new package is designed to enhance the company's capital and liquidity to facilitate the "orderly completion of the company's global divestiture program," the agencies said.

They said the company continues to face "significant challenges" due to the rapid deterioration in certain financial markets in the last two months of the year. "The additional resources will help stabilise the company and in doing so help stabilise the financial system," the agencies said.

Reject protectionism, EU chief warns govts

AFP, Prague

Governments must not head down the path of protectionism as they battle the deepening global economic crisis, European Commission President Jose Manuel Barroso said on Monday.

"As businesses fail and job losses mount, the siren voices of economic nationalism are making themselves heard again, as if we have learned nothing from the 1930s," Barroso said in the Czech Republic, which is currently at the helm of the 27-nation European Union.

"But there is one small problem for those hoping economic nationalism will protect them. It will not," he said.

"The single market, on the other hand, with its free movement of goods, capital, services and people, has delivered plenty of growth and jobs. A strong single market is the way out of the crisis," he added.

Barroso was speaking at a conference taking stock of the five years since the EU's largest-ever expansion -- 10 countries, most of them ex-communist states like the Czech Republic, joined in 2004.

Barroso did not spotlight any individual governments over their alleged protectionism.



Czech Prime Minister Mirek Topolánek (R) greets President of the Central European Bank Jean-Claude Trichet on Sunday before an economic summit of European leaders at the EU Council headquarters in Brussels. EU leaders held an extraordinary summit, seeking to tackle rising fears over economic protectionism and agree more coordinated action to tackle the deepening recession.

'Unbridled greed' to blame for economic woes: Malaysian PM

AFP, Jakarta

Malaysian Prime Minister Abdullah Ahmad Badawi blamed "unbridled greed" Monday for the global financial meltdown as business people from across the Islamic world gathered to discuss the crisis.

Badawi called for a new financial system to replace the Wall Street model as he spoke at the opening of the World Islamic Economic Forum (WIEF) in Jakarta alongside Indonesian President Susilo Bambang Yudhoyono.

"We have inherited a system where people can trade what they do not own and the resulting inflationary pressure in the global market has caused immense damage to the economic well-being of the world's poor," he said in a speech.

"Such is the impact of unbridled greed in the financial system where there is no accountability on money lending.... The world is beginning to appreciate the need for alternative financial arrangements."

He said Islamic finance -- which shuns interest and avoids profiting from industries such as alcohol and gambling -- was "gaining credibility as an alternative."

Japan's automobile sales plunge

AFP, Tokyo

Sales of new vehicles in Japan plunged last month, figures showed Monday, underlining the industry's deepening woes as the economic downturn causes a slump in consumer spending.

Car, truck and bus purchases dropped 32.4 percent from a year earlier to 218,212, the steepest decline for the month of February since 1974, the Japan Automobile Dealers Association reported.

The seventh straight monthly decline comes as Asia's biggest economy struggles to cope with its worst recession in decades.

"The downturn in the Japanese market is accelerating," said Mamoru Kato, auto analyst at the Tokai Tokyo Research Centre.

"With the economic crisis, people are worried about their jobs and pay cuts. People are more cautious about spending and consumption is cooling, as reflected in the new car sales figure," he said.

COLUMN

Textile handicrafts need boost

SAMANTHA MORSHED

Today, handicrafts represent less than 1 percent of exports from Bangladesh. In contrast, the global market for handicrafts is estimated to be close to \$100 billion. Surely this represents a huge opportunity for this country in terms of rural employment creation.

The rural areas of Bangladesh are filled with women eager to show their fine handicraft skills, being naturally proficient with stitches passed down from mother to daughter and all having a genuine interest in crafts.

For many years textile handicrafts have been seen as an opportunity for the creation of rural employment and the alleviation of poverty and many NGOs have diversified into production of all sorts of fabric items.

Despite investment, mainly from international donors, the growth of the industry has been starkly different from its cousin the garment industry, which now dominates more than 70 percent of Bangladesh's GDP. Clearly something isn't working.

A great deal of effort has been put into the promotion and production of "Nakshi Kantha", a traditional and beautiful embroidery stitch, firmly rooted in this country and representing the rich cultural heritage of Bangladesh. But the rest of the world knows little about it.

This is not so surprising since much of the western world has lost its inherited tradition of embroidery and whilst there are experts in all countries, a vast majority of western women would find it difficult to distinguish hand embroidery from machine embroidery, let alone recognise the specific differences of embroidery from various regions of the world.

As with all industries, textile handicrafts are an ever-evolving industry representing a changing world where the interest in all things hand-made remains very strong, and hand-made products extremely desirable, but where interest in the tradition of the handicraft has lost its prominence.

Textile handicrafts in Bangladesh must therefore change with the times, just as the garments industry does seasonally, where styles change with fashion trends.

Without a doubt, the global market for handicrafts and all things hand-made is expanding. When customers are faced with two products of similar price, quality and design, they will invariably select hand-made over mass produced. The price premium of hand-made items is small and whilst it is possible to make competitively priced handicrafts in Bangladesh, it is important to understand that pricing is one of the key factors to success in expanding this industry.

Changing designs is not a new concept in Bangladesh handicrafts and many donor-funded projects have been developed and run around the concept of bringing in designers to work with rural artisans to help them make new designs to meet the new demands of the international marketplace.

But the world is a fast moving place and when the designers have left, who will be around to continually develop new products with these artisans?

Since success in this area will only be achieved by meeting the needs of the customer, we must first consider what the customer is looking for. International buy-



FRED BURKE

Traditional hand knitting with two needles replacing machine knitting as done by Hathay Bunano with these baby hats.

ers of hand-made products are clear in their requirements. They need large volumes, consistently high quality, timely delivery and effective communication. If the Bangladesh textile handicraft sector can provide all this, then the likelihood is that the buyers will supply the designs. Projects bringing in designers to work with artisans for short periods of time equally bringing small-scale success for only a short period will no longer be necessary.

Large volumes cannot be produced by a single small group of artisans. Consistency in quality cannot be maintained over different groups of artisans where there is no connection between them. Timely delivery is a challenge to us all everyday and so much more so to artisans with little or no understanding of the countries that their products are destined for. Effective communication requires literacy, language skills and IT skills and equipment in a world where customers want questions answered immediately.

Empowering small groups of artisans is therefore not likely to bring significant growth in this industry.

There are significant similarities between the garments industry and the production of textile handicrafts. They both need good quality raw materials, effective

sampling facilities and centralised quality control, finishing, packing and despatch. Whilst the garments industry has all manufacture under the same roof as well, clearly the major production work for handicrafts can be done in various rural parts of the country in small-scale groups of artisans, both living and working locally.

Access to good quality raw materials is a fundamental problem for the current model of handicraft production through small disparate groups of artisans. Whilst Bangladesh is full of high quality raw materials, imported and produced for the garments industry, these are not available in small scale to groups of handicraft producers. The whole production process for raw materials here is geared towards volume.

Small-scale handicraft producers are therefore left to buy what is available in the open market and often with yarns and fabrics to 'bucket dye' in their own homes. Without consistency of raw materials, how can we ever achieve consistency of finished handicraft products?

In order to maximise the potential of the handicrafts industry we need to embrace all that is good and successful about artisan production in small rural groups and combine this with lessons learnt in large volume production by the garments industry.

RECESSION

Bank fees on benefits add to jobless woes

AP

First, Arthur Santa-Maria called Bank of America to ask how to check the balance of his new unemployment benefits debit card. The bank charged him 50 cents.

He chose not to complain. That would have cost another 50 cents.

So he took out some of the money and then decided to pull out the rest. But that made two withdrawals on the same day, and that was \$1.50.

For hundreds of thousands of workers losing their jobs during the recession, there's a new twist to their financial pain: Even when they're collecting unemployment benefits, they're paying the bank just to get the money -- or even to call customer service to complain about it.

Thirty states have struck such deals with banks that include Citigroup Inc, Bank of America Corp, JP Morgan Chase and US Bancorp, an Associated Press review of the agreements found.

All the programmes carry fees, and in several states the unemployed have no choice but to use the debit cards. Some banks even charge overdraft fees of up to \$20 -- even though they could decline charges for more than what's on the card.

"They're trying to use my money to make money," said Santa-Maria, a laid-off engineer who lives just outside Albuquerque, NM.

"I just see banks trying to make that 50 cents or a buck and a half when I should be given the service for free."

The banks say their programmes offer convenience. They also provide at least one way to tap the money at no charge, such as using a single free withdrawal to get all the cash at once from a bank teller. But the banks benefit from human nature, as peo-

ple end up treating the cards like all the other plastic in their wallets.

Some banks, depending on the agreement negotiated with each state, also make money on the interest they earn after the state deposits the money and before it's spent.

The banks and credit card companies also get roughly 1 percent to 3 percent off the top of each transaction made with the cards.

"It's a racket. It's a scam," said Rachel Davis, a 38-year-old dental technician from St Louis who was laid off in October. Davis was given a MasterCard issued through Central Bank of Jefferson City and recently paid \$6 to make two \$40 withdrawals.

Neither banks nor credit card companies will say how much money they are making off the programmes, or what proportion of the revenue comes from user versus merchant fees or interest. It's difficult to estimate the profits because they depend on how often recipients use their cards and where they use them.

But the potential is clear.

In Missouri, for instance, 94,883 people claimed unemployment benefits through debit cards from Central Bank. Analysts say a recipient uses a card an average of six to 10 times a month.

If each cardholder makes three withdrawals at an out-of-network ATM, at a fee of \$1.75, the bank would collect nearly \$500,000. If half of the cardholders also call customer service three times in any given week, the bank's revenue would jump to more than \$521,000. That would yield \$6.3 million a year.

Rachel Storch, a Democratic state representative, received a wave of complaints about the fees from autoworkers laid off from a suburban St Louis Chrysler plant.



Unemployed engineer Arthur Santa-Maria at a bank ATM in the US was surprised to learn he must pay fees to withdraw his unemployment money using a state-issued Bank of America debit card.

She recently urged Gov. Jay Nixon to review the state's contract with Central Bank with an eye toward reducing the fees.

"I think the contract is unfair and potentially illegal to unemployment recipients," she said.

In order to expand the rural production of handicrafts specifically for export we need to combine the craft skills of the artisans with the business skills of SMEs, who could provide all the centralised services along with bulk purchasing of raw materials, sampling, marketing and communication.

It is unrealistic to assume that with a little training, a new design or two and some capacity building, a small group of artisans will be able to secure sales to stores overseas. Similarly, it is unrealistic to assume that large department stores in the west, would be interested to source tiny volumes of one particular product from a single supplier in a far away land.

Generally retail companies will place a limit on the number of suppliers that they choose to buy from in order that they can manage administratively. So not only must the supplier be able to make volume, but will also need to be able to make a whole range in volume in order to have a chance of competing to supply.

Without a doubt, expansion of the textile handicraft industry in Bangladesh would bring enormous direct benefits to the rural population, who are waiting for an opportunity to work and become adept at textile handicraft production.

Expansion of this industry through existing markets, rather than aiming for the creation of markets, would be most cost and time effective. Traditional "carcupi" stitching, with the finished look of a modern chain stitch, can easily be used to replace stitching which might previously have been made by machine. Traditional hand knitting with two needles can easily be used to make small items, which can be time-consuming by knitting machine. Traditional crochet has no machine alternative though.

The method of making handloom fabrics is much more flexible than machines in creating diversity in cloth. Diversification of this industry therefore is not so much about creating new methods and developing new markets as about adapting existing skills to the requirements of today's marketplace and the needs of today's buyers.

In order to maximise the potential of the handicrafts industry, we need to combine the skills of the artisans and the SMEs, to diversify by adaptation. Finally, the banking sector needs to address the needs of this industry with applicable products and services.

It was almost 30 years ago that the Letter of Credit (L/C) became the primary instrument of choice for the garments industry in Bangladesh and the banking sector enabled business to be conducted by releasing payments against the value of L/Cs, so that factories could start production of orders.

While the L/C is not ideal for the handicraft sector, other services, like reduced interest rates, low collateral, short-term loans and both international and domestic factoring, will enable expansion of this industry.

Currently Bangladeshi handicraft exports represent only a tiny fraction of the global market, maybe with some slight changes in emphasis, Bangladesh has a real opportunity to become a significant global player in a thriving and expanding industry.

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