

## International Business News

## Eurozone unemployment hits 10-year high of 9.5pc

AFP, Brussels

The unemployment rate in the 16 euro countries climbed to a 10-year high of 9.5 percent in May as companies cut jobs to survive Europe's worst post-war recession, according to EU data on Thursday.

Some 273,000 jobs were lost across the eurozone in May as the unemployment rate rose to the highest point since May 1999, the European Union's Eurostat data agency estimated.

"Deep and extended economic contraction, depressed business confidence and deteriorating profitability is pushing unemployment up sharply across the eurozone," said economist Howard Archer at consultants IHS Global Insight.

Although activity in the recession-hit European economy is beginning to pick up, many companies are still shedding workers to adjust to slack demand for their goods and services in Europe and abroad.

The May eurozone unemployment rate was up from 9.3 percent in April and 7.4 percent in May 2008.

Meanwhile, in the 27-nation EU the unemployment rate rose in May to 8.9 percent, hitting the highest level since June 2005 as 385,000 jobs were lost.

Eurostat estimated that in total 21.5 million people were unemployed across the EU in May, of which 15.0 million were in the euro area.



AFP

Thai bank workers give leaflets as they promote credit cards in Bangkok yesterday. Thailand's headline inflation contracted by 4.0 percent in June, the sixth consecutive month to see a drop, the commerce ministry said, the inflation drop in June was owing to a drastic 17.4 percent fall in transportation prices, as well as a 0.4 percent drop in prices in the communication and food sectors.

## Indian economy may grow 7pc, expansion hinges on US

AFP, New Delhi

India's economy could grow more than 7.0 percent this year, but the expansion will rely on a recovery in the United States and the global economy as a whole, the government said Thursday.

"The speed at which the Indian economy returns to a high growth path in the short-term depends on a revival of the global economy, particularly the US economy," it said in its annual Economic Survey tabled in parliament.

Growth could be as little as 6.25 percent if there are delays in a US turnaround, the report said.

India's 1.2 trillion dollar economy expanded 6.7 percent in the year ended March 31, the slowest pace since 2003.

The Finance Ministry survey said a return to the level of nine percent annual growth that India enjoyed prior to the global financial meltdown could only be achieved with sweeping economic reforms.

"India should be back on the new trend growth path of 8.5 to 9 percent per annum provided the critical policy and institutional bottlenecks are removed," the report said.

For the current fiscal year, the report estimated growth of between 7.0-7.75, but stressed the importance of reining in India's fiscal deficit which ballooned to 6.2 percent last year as the result of government spending aimed at protecting the economy from the global downturn.

## Merkel: G8 alone can't solve world's problems

AFP, Berlin

The Group of Eight industrialised powers (G8) is no longer the appropriate forum to thrash out the world's problems, German Chancellor Angela Merkel said on Thursday.

Speaking in the German parliament ahead of next week's G8 meeting in the Italian city of L'Aquila, Merkel said: "The summit in L'Aquila will make clear that this G8 format is no longer sufficient."

"We are seeing that the world is growing together and that the problems that we face cannot be solved by the industrialised countries alone," she added.

While the G8 still has a role to play in debating solutions to global problems, decisions should be taken in the Group of 20, which includes fast-growing nations such as China and Brazil, she said.

"I think the G20 should be the format that ... takes decisions on the future," she said.

The first day of the summit will be restricted to leaders from the traditional G8 -- Britain, Canada, France, Germany, Italy, Japan, Russia and the United States.

## ECB governors huddle under dark clouds of deflation

AFP, Luxembourg

European Central Bank policymakers met on Thursday in Luxembourg as deflation clouds rolled over the recession-hit 16-nation eurozone.

The ECB governing council was expected to hold the bloc's main interest rate steady at an all-time low level of 1.0 percent until the effects of unprecedented action to boost lending take hold.

"Economic and monetary conditions currently prevailing in the eurozone suggest a status quo on rates," Natixis economist Cedric Thellier said amid signs of a possible pickup in activity late this year and after record ECB loans last week.

In Sweden, which is not a eurozone member, the central bank said on Thursday it would cut its key interest rate to a new record low point of 0.25 percent to boost that country's economy.

## APPAREL

## Ha-Meem staging a comeback

REFAYET ULLAH MIRDHA

It is rising from the ashes: Ha-Meem Group.

The local apparel giant is pledge-bound and is trying all out to ensure its shipments to foreign buyers in time.

The group that lost around Tk150 crore in an arson attack on June 29 has already started partial production of sweater at a nearby building of the burnt down factories in Ashulia on the outskirts of Dhaka.

According to its revival plan, the group would import some machinery from China by air soon to start production at a make-shift plant, as this is the peak season for sweater production.

But such a comeback is very difficult, although it is not impossible, said the shocked but unwavering Managing Director of Ha-Meem Group, AK Azad, in an exclusive interview with The Daily Star.

Azad, who started his journey as an apparel entrepreneur in 1984, said he would also produce goods through subcontracting to meet the shipment deadline.

He said the group has stocks of yarn in other factories from where a good number of sweaters could be made at the makeshift building.

More than 700,000 pieces of ready sweater on different floors of the factory were burnt to ashes during the attack, Azad said.

The major problem for the group now is that during the assault all the sample designs supplied by the international buyers were burnt down. He said he would bring the samples from the buyers soon to start production of the sweaters.

The group would try to deliver the goods to its buyers from the raw materials from other units of the group. GAP, H and M, Tesco, Oskos and Floreal are the major buyers of the group.



AK Azad

According to a primary assessment, the group lost Tk150 crore due to the fire, which is now a threat to achieving its set target at \$175 million for 2009-10 fiscal year.

The group earned \$150 million in fiscal 2008-09.

The total number of workers of the group's apparel and textile division is

30,000 and in the sweater unit the number is 4,000. The export from sweater unit was \$15 million last fiscal year.

Azad met Prime Minister Sheikh Hasina on Wednesday and demanded immediate introduction of industrial police to ensure security for the country's industrial sector.

About the latest bout of garment violence, he said the role of the police during the attack raised doubts, as they did not rush to the spot although they were just standing outside the factory.

On labour issues, Ha-Meem Group chief said they exchange views with the workers regularly so that any problem can be solved through discussion. "Our payment to the workers is also regular as we are making good business," he said.

An entrepreneurial mind always looks for expansion of businesses, he said, adding that the group was planning for further expansion, but the arson attack has held back the plan.

"If the government can ensure proper law and order situation, I will go for expansion, otherwise not," he said.

About the current situation of RMG business, Azad said Bangladesh still has an ample opportunity in this business as the shares of the country in global market are increasing.

Ha-Meem sends its 90 percent products to USA and the rest to European countries although it has many other potential destinations around the globe, Azad said.

He said Bangladesh should explore such new destinations as New Zealand, Canada, Japan, China, South Africa, Brazil and other South American countries.

"The future of Bangladesh's apparel business is bright, but it depends on a stable law and order situation," the prudent entrepreneur said.

reefat@thedailystar.net

## ECONOMIC CRISIS

## RMG ruffled by price war



SK ENAMUL HAQ

The garment industry has been rocked by the global economic downturn which has brought runaway growth to a juddering halt and prompted violent protests over wage cuts by tens of thousands of garment workers this week.

AFP, Dhaka

Two years ago, Mohammad Kamaluddin packed his meagre belongings and left behind a paltry farmhand's salary in search of a better wage in the booming textile factories of the Bangladeshi capital, Dhaka.

His timing could hardly have been worse.

The main export earner has been rocked by the global economic downturn which has brought runaway growth to a juddering halt and this week prompted violent protests over wage cuts by tens of thousands of garment workers.

Two people were killed in the clashes in Ashulia, 30 kilometres outside Dhaka, with one factory torched and hundreds of others forced to close temporarily.

Kamaluddin, 18, has seen his factory salary slashed from Tk 7,000 a month to around Tk 3,000, although he is still expected to put in the same gruelling hours.

His shift involves standing all day at his sweater knitting machine -- exhausting

work that he blames for his deteriorating health, including two recent bouts of hepatitis.

"Before, it was bearable because I was sending Tk 3,000 home to my mother each month, now there's barely enough to live on for me, let alone for her," he said.

In leaving his home in northern Bangladesh, Kamaluddin had been following in the footsteps of hundreds of thousands of rural labourers, lured to Dhaka's clothing factories by the promise of doubling or tripling their wages.

Bangladesh has a legal minimum wage of around 25 dollars per month. With overtime, a skilled garment worker can earn up to 150 dollars -- or rather he could.

Since early 2008, salaries have been cut by an average of up to 30 percent, according to union leader Tauhidul Islam who said this week's violence had been fuelled by desperation.

"The workers hit the streets because their backs are up against the wall," Islam said.

The government's Factory Inspection Department said this week that 122 of 825 factories surveyed -- or 14.7 percent -- between January and May did not pay staff on time with eight not even paying the minimum wage.

The wage cuts have been prompted by a price war between garment-producing nations like Bangladesh, Pakistan, India and China, as the downturn puts a squeeze on orders from the United States and Europe.

The Bangladesh government, fearful that labour unrest will scare off foreign investors, has vowed to crack down on violent protests.

Bangladesh earned 11 billion dollars from garment exports in the year to June 30, 2008, making it the second biggest clothing exporting nation after China, according to the International Monetary Fund.

Official figures since November last year show growth in the garment trade has shrunk to just two or three percent, compared to 40 percent before the global slow-

down.

"Prices are down as we compete with other countries for shrinking orders," said Fazlul Hoque, the head of the Bangladesh Knitwear Manufacturers and Exporters Association, which represents 1,300 factory owners.

"This violence sends the wrong message to buyers at a time when we need their orders most," Hoque said.

Apparel makes up 80 percent of Bangladesh's exports and employs 40 percent of the country's industrial workforce.

Ananya Raihan, head of the Development Research Network, a local economic think tank, warned that without a sizeable cash injection from the government the sector risked further labour unrest.

"There could be more violent protests if the price cuts continue. These people are struggling to make ends meet. They're among the worst hit by the global crisis," Raihan said.