

International Business News

US jobless rate hit historic 10.2pc

AFP, Washington

US unemployment jumped to double digits in October for the first time since 1983, reaching 10.2 percent and underscoring slow progress toward curbing joblessness in an economy emerging from recession.

Friday's Labor Department report, seen as one of the best indicators of economic momentum, showed job losses narrowed last month to 190,000.

The improvement was not enough however to prevent the jobless rate from surging to the first double-digit level for more than 26 years, from 9.8 percent in September.

President Barack Obama called the numbers "sobering" and said his administration was considering "further steps" to spark job growth.

"To that end my economic team is looking at ideas such as additional investments in our aging roads and bridges, incentives to create jobs and steps to increase the flow of credit to small businesses," he added.

Christina Romer, chair of President Barack Obama's Council of Economic Advisers, said the report "contained both signs of hope for recovery and painful evidence of continued labor market weakness."

"Having the unemployment rate reach double digits is a stark reminder of how much work remains to be done before American families see the job gains and reduced unemployment that they need and deserve," Romer said.

Gold price hits record after 'Sri Lanka purchase'

AFP, London

The price of gold hit a record high above 1,100 dollars an ounce in trading here on Friday following a report that Sri Lanka had joined India in purchasing the precious metal in favour of the US currency.

"The Central Bank of Sri Lanka has announced that it is buying gold to diversify its reserves," industry body the World Gold Council (WGC) said in a statement issued before gold struck a record high of 1,101.42 dollars.

It later pulled back to stand at 1,092.65 dollars an ounce in late London trading.

Gold had struck a series of highs already this week after the IMF said it had carried out a massive sale of the precious metal to India.

"Over the past year central banks, which have been net sellers of gold are now a new and increasingly important source of demand," WGC chief executive Aram Shishmanian said in the council's statement.

"This latest announcement demonstrates that many central banks are reassessing their reserve asset management policies."



AFP

An Indian shop worker fills a plastic bag with lentils in Amritsar yesterday. Prices of essential commodities such as wheat, rice, sugar, vegetables, milk and cereals have risen with official data indicating 13 percent annual inflation.

Signals of economic recovery strong: OECD

AFP, Paris

Green shoots of recovery are beginning to look like strong sapplings of growth, with indicators pulling strongly ahead in China, Britain, France and Italy, the OECD said on Friday.

"A recovery is clearly visible in the United States, Japan and all other OECD economies and major non-OECD economies."

The Organisation for Economic Cooperation and Development said that "tentative signals of expansion have emerged in Canada and Germany."

The OECD, which represents 30 leading industrialised economies, said that its "composite leading indicators continue to show strong signals of recovery."

This measure for the OECD area had risen by 1.3 points in September and was 3.4 points higher than in September of last year.

But the OECD said these signals should be interpreted with caution because they measured expected improvement in economic activity against long-term potential levels of activity.

Two Japanese trust banks to merge

AFP, Tokyo

Sumitomo Trust & Banking Co. and Chuo Mitsui Trust Holdings announced Friday they had agreed on a merger to create Japan's largest trust bank sitting on assets of two trillion dollars.

The deal is the latest attempt by Japan's financial firms to adapt to a tough outlook due to the weak economy, ageing society and shrinking population.

The two banks have reached a basic agreement to integrate their management in April 2011 and merge their operations into a single trust bank the following year. The merger ratio was not announced.

Together they would have assets under under custody of 181 trillion yen (2.0 trillion dollars).

COLUMN

Reverse engineering

SAMANTHA MORSHED

Last month I was part of a panel at the Global Economic Symposium (GES) in Germany organised by the Kiel Institute for the World Economy and our task was to discuss the new wave of social entrepreneurship in the aftermath of the collapse of the Western financial systems and how it might best be used to solve global problems.

The point of the GES is to bring together experts and policy makers from around the world to discuss current problems and most importantly to formulate solutions that are concrete, practical and can enable real change and progress.

To date, social entrepreneurship has globally largely been concentrated on microfinance, which now has such a great reach as to be considered an asset class within the traditional investment mainstream. Clean technologies have similarly achieved this status. So where will the next innovation in social entrepreneurship come from?

Bill Young, president of Social Capital Partners in Canada, started his social business career by helping very small social businesses to grow by providing affordable finance and by developing a new HR recruitment model, before questioning 'wouldn't it be more effective to take already scaled businesses and give them a reason to be more social?'

A great example of this is the fair trade movement in commodities, championed by the Fairtrade Labelling Organisation (FLO). FLO created enormous leverage by mobilising consumer buying power, giving companies like Starbucks and more recently Cadbury's a reason to become more social and move into Fairtrade commodities.

Maybe then the next great innovation of social entrepreneurship is to 'reverse engineer' conventional commercial enterprises rather than or in addition to creating new purpose built solutions.

So how is this applicable to Bangladesh? The largest industry by far in Bangladesh is readymade garments, accounting for about 76 percent of all exports. To migrate RMG so that it has greater social impact could have a very positive impact on Bangladesh.

Two of the biggest problems of RMG are productivity and worker turnover and along with the recent worker unrest that we have seen, the problems are intrinsically linked. Most workers are economic migrants from the villages and slum dwellers. Their lives are difficult. They live on meagre rations paying high prices for poor slum living



Plon Castle, the site for the Global Economic Symposium 2009 organised by the Kiel Institute of the World Economy in Germany.

conditions. The main purpose of the work for most is to send some money home to their families at the end of the month and yet with ever-increasing food prices this is often not possible.

The increase in minimum wage a couple of years ago had very little impact on these problems and created very little change for the garment workers. The solution therefore cannot be purely financial. It is too simplistic to suggest that higher prices for garments would lead to higher wages for workers and an end to the problems of the garments industry.

Consider the scenario of factories located rurally. With rural based factories the workers would live in their own homes, in their own villages, travelling to the factory

daily and spending their day off each week with their families. Without a doubt this would be a much better situation for the workers with significantly lower living costs and increased income to share with their families.

With the workers living at home rather than being economic migrants, it is likely that they would consider their work on a more long term basis and that would result in lower staff turnover. Lower staff turnover results in greater productivity since the workers are more skilled and the factory owners can invest in cross-training and multi-skilling.

From the point of view of productivity and worker satisfaction, this scenario is very appealing providing benefits for both the

factory owners and workers and potentially signalling an end to the violent unrest that we have seen recently.

Could this be the win-win situation that would result in an RMG industry creating positive social impact?

There are a couple of barriers to this happening. The first is investment. Rurally it would be necessary to set up larger integrated factories. The required investment will be \$10 million and greater which would include effluent treatment plants, power generation plants and regular gas supplies. The existing model enables some sharing of resources and the ability to expand through investments of \$3-5 million and at current local interest rates expanding rurally may be seen as too great an investment. With global interest rates at an all time low surely this is the time to bring finance to Bangladesh at more preferential rates for this type of investment?

Secondly, there is a presumption that factory managers would not want to relocate rurally due to lack of appropriate schools and other services for their families in the rural areas. Whilst this is correct, maybe this is an opportunity to start to see much more investment rurally, to decentralise from Dhaka and to grow the provincial towns.

As a poverty reduction strategy 'reverse engineering' RMG could bring significant and speedy results to Bangladesh. Multipliers are often used to describe benefit created when one person is employed rurally. Typically by employing one person in a rural setting you are creating benefit for two or three other people as a result. Moving only a small proportion of garments factories rurally would therefore create significant additional benefit with increased disposal income rurally and a growth in the rural economies.

The finance minister has hinted to this option as a solution when considering the appropriate level of fiscal support due to the garments sector to compensate it for the effects of the financial crisis. Clearly the problems and the solutions to the recent worker unrest in this sector are not only financial but that there is a need to look at the more fundamental issues and potential solutions within this sector.

Maybe 'reverse engineering' commercial businesses will be the next great achievement of social entrepreneurship and maybe the greatest opportunity for demonstrating this is in Bangladesh.

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G20 MEETING

Ministers to firm up global recovery

AFP, St Andrews, Scotland

Hosts Britain told the G20 it had "no reason to give up" on a new climate change deal Friday, as finance ministers met for talks on bolstering the world economy and green finance.

Ministers from the world's 20 biggest and top emerging economies are holding the third in a series of ministerial meetings this year that have helped launch a one-trillion-dollar fiscal stimulus package to tackle the slump.

Over two days in the picturesque Scottish coastal town of St Andrews, they are seeking to flesh out agreements made at a leaders' summit in Pittsburgh in September.

Now that the United States, Japan, Germany and France have emerged from recession after last year's credit crunch, the G20's focus has switched from disaster management to building a secure economic future.

They are also grappling with reaching agreement on how to finance any deal to help poorer countries tackle climate change, ahead of December's UN talks on the issue in Copenhagen that observers say could end without a firm accord.

In a bid to give fresh momentum ahead of this weekend's meeting, British finance minister Alistair Darling told the G20 it "must push for a deal on climate financing and governance."

"The road ahead will be difficult, there are arguments still to be won. But that's no reason to give up -- rather, it's a reason to redouble our efforts," he added in a speech in Edinburgh.

Talks in Barcelona designed to lay the groundwork for the



Indian Finance Minister Pranab Mukherjee (L) and Chinese Central Bank governor Zhou Xiaochuan (R) arrive for the evening dinner at the Fairmont Hotel in Saint Andrews, Scotland, as part of the G20 Finance Ministers and Bank Governors Meeting on Friday.

December 7-18 sessions ended Friday, leaving a host of bitterly divisive issues still to be hammered out.

On the broader world economic situation, Darling also warned there was "no room for

complacency," despite the fact that the United States, the world's biggest economy, emerged from recession last week.

"We must see through measures to support demand and repair the financial system

because we cannot yet be sure the global recovery has sufficient momentum to be sustained and durable," said Darling, whose country is still in its longest recession on record.

"The biggest risk to recovery

would be to exit before the recovery is real."

The St Andrews meeting will also work out details of a global framework for growth agreed in Pittsburgh, designed to prevent fresh meltdown through coordinated international action.

Meanwhile, France says it wants to see genuine signs of progress on curbs on bankers' bonuses after the leaders agreed in Pittsburgh to move towards a system of spreading them over a longer period with the possibility of clawing back payments if they under-perform.

Finance minister Christine Lagarde told BBC radio: "I would hope that a little bit more can be done, to actually cast in stone the fact that we want to stop excesses, stop abuses, and bonuses that are strictly risk incentives."

Bonus policies have been blamed by many observers for fuelling last year's instability in financial markets, amid claims they encourage excessive risk-taking.

As a handful of protestors gathered in St Andrews to target the meeting, anti-poverty campaigners called for ministers to take action to help people in developing countries, notably by acting on climate change.

"Getting a global climate deal is literally a matter of life and death for millions of people in Africa," said Jamie Drummond, executive director of advocacy group ONE.

"We're now faced with a ticking time bomb: this G20 finance ministers' meeting is a crucial stepping stone towards an agreement that could help the poorest countries adapt to the impacts they are already experiencing."