International Business News

GM's SKorean unit recalling nearly 60,000 vehicles

AP, *Seoul, South Korea*

General Motors is recalling nearly 60,000 automobiles in South Korea due to potential problems with steering wheels, fuel hoses and seats, the company's local unit and the government said Sunday.

The recall of 58,696 vehicles will begin Monday and cover four models manufactured in South Korea, said Kim Byeong-soo, a spokesman for GM Daewoo Auto & Technology Co., the country's third-largest automaker.

Recalls in other countries where some vehicles were exported under the Chevrolet and Opel brands will be decided and announced later in accordance with local rules, Kim said. He said China has already announced some recalls, though he did not immediately have details.

A total of 45,957 small SUVs sold in South Korea as the Winstorm and Winstorm Maxx are being recalled due to the possibility that the steering wheel can become separated. The Winstorm is exported as the Chevrolet Captiva, while the Winstorm Maxx is sold overseas as the Opel Antara, Kim said.

A total of 12,604 Lacetti Premiere sedans - sold overseas as the Chevrolet Cruze - are being recalled for possibly defective fuel hoses that could leak, Kim said.

Also, the company is recalling 135 of its Damas model, a small commercial vehicle, over materials in seats that do not meet South Korean safety standards, he said.

Kim said no accidents have resulted from any of the problems and the recalls were decided by GM Daewoo.

China predicts first monthly trade deficit since 2004

AFP, *Beijing*

China warned Sunday its export-dependent economy is likely to experience a trade deficit in March -- the first for a single month in six years.

The announcement followed predictions by analysts of a slump in shipments by the world's biggest exporter compared with February, when factories cranked up production for April's Easter holiday.

Commerce minister Chen Deming's remarks to the closed-door China Development Forum in Beijing were published by the state Xinhua news agency and People's Daily newspaper amid growing international pressure for the yuan to appreciate.

Chen defended the nation's exchange rate policy, arguing that a stronger yuan by itself could not resolve global trade imbalances.

Beijing says the policy is necessary for the survival of Chinese manufacturers and supporting jobs growth but critics say the government has kept the currency low to boost exports, resulting in massive trade surpluses with the United States and Europe.

A slowdown in shipments could be a sign that the recovery in crisis-hit markets is not yet on a firm footing, which could be a drag on China's export-dependent economy.

China last recorded a trade deficit for a single month in May 2004, official data shows.

AFP

A soap bubble vendor attracts customers in Jakarta yesterday. The Indonesian government aims to cut unemployment from 8.1 percent to 5.0-6.0 percent this year, and poverty from around 14 percent to 8.0-10 percent.

GARMENT

Too cheap for comfort

AFP, *Dhaka*

The process of outsourcing production by Western companies is all about finding cheap labour to cut costs. But in Bangladesh, some retail groups are finding the wages too low for comfort.

As Chinese labour prices increase, Western giants such as Wal-Mart and H&M are increasingly shifting production to factories in Bangladesh -- where some have found themselves on the same side as the unions in an unusual alliance.

Bangladesh suffers chronic power outages and poor infrastructure but is one of the cheapest manufacturing destinations on earth, largely because factory worker wages are set at just $25 a month.

Conditions on the factory floor are cramped and frequent accidents such as a fire last month that killed 21 people at a factory producing knitwear for H&M, worry image-savvy Western companies.

For the first time, they are now speaking out.

"It's absolutely unacceptable that minimum wages are just $25," the Dhaka-based head of a top Western store, speaking on condition of anonymity, told the news agency.

"We pay enough to factory owners, but we don't think that the benefits trickle down to workers or are being spent on improving conditions," he added.

In January, buyers including Wal-Mart, H&M, French giant Carrefour and Levi Strauss wrote to the prime minister saying that "below the poverty line wages... contributed to unrest" among workers and should be addressed.

Current minimum wages "do not meet the basic needs of the workers and their families," the letter said, adding that the government should set up a review board to reassess the minimum wage.

"The increased cost of living during 2008 and 2009 has contributed to the unrest among workers in the garment sector as wages have not been regularly revised," the letter added.

Bangladesh's 4,500 garment factories are the country's largest employers -- providing jobs to 2.5 million people or 40 percent of the nation's industrial workforce.

Last year the country was one of the world's top three garment exporters, with shipments up 10 percent to 12.3 billion dollars -- around 80 percent of the country's total exports.

"But workers are as poor as ever. You can't buy food with 25 dollars a month, let alone pay rent," said Mosherefa Mishu, a middle-aged woman who heads the country's best known union, the Garment Workers Unity Forum.

For Mishu, a "vicious cycle" of greedy factory owners, Western buyers and a government keen only to see export figures grow has "trapped thousands of workers in poverty."

With campaigners such as Mishu in action, improving pay is now a practical issue for buyers as the industry has been paralysed by strikes since food inflation hit double digits last year.

But the apparent concern of Western buyers is dismissed as a publicity stunt by factory owners, who say wages are low because order prices were being slashed on falling global consumer spending.

"It's not fair that they want us to hike workers' salaries while the buyers continue to cut order prices," said factory owner Shafiul Islam Mohiuddin, who is vice president of the country's leading exporters group.

Experts agree, saying the retailers are trying to shift blame to the factory owners to avoid negative publicity in their home markets.

"Ethical buying is a hypocrisy," said Mustafizur Rahman, executive director of Centre for Policy Dialogue.

"Buyers talk of compliance issues like labour conditions, increased wages and safety. But when it comes to placing orders, they always prefer the factories that offer the lowest rate," said the trade analyst.

However, the Dhaka-based Western buyer said retailers were increasingly sensitive to revelations about working conditions in their supply chains, aware that consumers are interested in how and where their cheap clothes are made.

Since the start of 2010, numerous international brands which have long sourced clothing from Bangladesh have set up their own local liaison offices in Dhaka.

Spanish label Zara, American brand JCPenney, Japan's Uniqlo and British retailers Tesco and Marks and Spencer, who formerly sourced garments via middlemen in Delhi or Hong Kong, now all have branches in the capital.

This will allow them to monitor "supply chain management and compliance issues," the Western buyer said -- in other words, keep an eye on the conditions in which their branded goods are produced.

AMRAN HOSSAIN

Garment factories are the country's largest employers -- providing jobs to 2.5 million people or 40 percent of the nation's industrial workforce.

ECONOMIC CRISIS

Eyes on Germany as Greece deadline looms

AFP, *Brussels*

The summit opens on Thursday, the subject isn't even on the agenda and the markets have control of the political keys, even as Germany debates what to do about Greece.

As one experienced observer notes, it's as if German Chancellor Angela Merkel is busy planning what to do with the summer holidays, just as the family car is sliding off the edge of a cliff.

The leaders of the 27 European Union nations gather this week for a summit officially called to decide on a long-term strategy for competing with rival, emerging economies.

Despite the head of the body that manages the bloc's day-to-day affairs -- responsible for supervising Greek efforts to quit blowing the budget -- pushing for early agreement, the EU's serious powerbrokers are still caught in a conundrum.

Under intense pressure from peers, traders and his own counterparts, Merkel's finance minister, Wolfgang Schaeuble, has made it known that Berlin could stomach bilateral, voluntary loans in an effort to close a deal among eurozone nations.

Brussels officials have been busy this weekend trying to drum up support, in an effort to head off Greek threats to call in the financial cavalry, the International Monetary Fund.

They want loans from the likes of Belgium, through Dexia bank, France and, yes, Germany, through regional money lenders that don't need a federal constitutional court go-ahead to help.

European Commission chief Jose Manuel Barroso went out on a limb on Friday night to demand that Merkel, French President Nicolas Sarkozy and the rest reach a meaningful political agreement later this week.

There is time yet, but some pointed remarks from Merkel, essentially the EU's boss, mean anyone looking for a rapid turnaround is likely to be disappointed.

"I don't believe that Greece has need for money at the moment, and the Greek government will confirm that," Merkel said on German radio on Sunday morning.

"That's why I advise against causing turbulence on the markets by raising false expectations about the European Council meeting this Thursday," she underlined.

Pressure from Greece, whose prime minister was in town last week, from fellow EU heavyweights like Barroso, and from markets, who had dragged down the euro and raised the bond yields representing the interest rates Greece needs to pay on critical borrowings, didn't do much there.

The EU needs to act, but Merkel seems to think not just yet.

So what is this week's summit going to achieve?

A deal on broad-brush strategy going forward to 2020? Even before the weekend, EU officials could show you the final conclusions on the issue behind the Spring summit -- all that's missing is a greenlight from leaders, almost all of whom will be long gone from their national political scene before the time to judge these pledges comes up.

Another on fighting climate change? Again, anyone following the summit in Brussels will, more than anything else, want to know if Europe is going to cough up real money of its own to stop Greece's problems threatening the euro currency and its economy as a whole.

Europe, as it would like to be known, has other issues to contend with -- not least sorting out who controls the top jobs in a new multi-billion-euro service designed to articulate its strength on the global stage over the coming years.

There are also local elections, whether in non-eurozone Britain, a staunch backer of the IMF as the lender of last resort, or in the Netherlands, an influential eurozone peer whose political paralysis has ensured that no-one who doesn't want to offer Greece money is obliged to do so.

But if the EU wants to do more than issue what one, prominent English critic, London mayor and former newspaper correspondent Boris Johnson, termed "cosmically unimportant foreign policy declarations," it may face increasingly intense pressure over the coming days to act on the challenge right in front of its nose.

Merkel's position will, of course, remain key.

India faces more rate hikes to tame inflation

AFP, *Mumbai*

India's central bank looks set to tighten monetary policy futher after raising interest rates for the first time in nearly two years as it bids to check spiralling inflation, economists say.

In a move that surprised experts, the Reserve Bank of India (RBI) hiked short-term rates from record lows late Friday to battle near double-digit annual inflation amid fast-strengthening industrial output.

Expectations had been for a rate hike at the bank's scheduled policy review on April 20 but the RBI said in a statement that inflation had "been a source of growing concern."

The wholesale price index (WPI) in Asia's third-largest economy was 9.89 percent in February, well above the central bank's own estimate of 8.5 percent by the end of the current financial year this month.

On Friday, the RBI raised the repo, the rate at which it lends to commercial banks, by 25 basis points to 5.0 percent.

It also raised the reverse repo, the rate it pays to banks for deposits, by 25 basis points to 3.5 percent, saying "inflationary pressures had accentuated and been spilling over to the wider inflationary process."

"The timing of the hike is surprising," said Siddharth Sanyal, economist with Mumbai-based Edelweiss Securities. "With this sudden move, the stance of the central bank is amply clear."

"We expect the bank to raise rates again in April by 25 basis points," Rupa Rege Nitsure, chief economist with the state-run Bank of Baroda, told AFP.

Edelweiss Securities also forecasts a similar rate hike in April as India bids to perform the delicate balancing act of tackling high annual inflation while keeping growth on track.

Inflation is a politically sensitive issue in India and the left-leaning Congress-led government has been under attack from opposition parties for its inability to control food prices.

The cost of food has rocketed following the country's worst monsoon in nearly four decades last year, putting pressure on the government to deal with the rising cost of living.