Biggest losers in India's economic slowdown

SHAILESH CHITNIS

The reaction to news that India's economy grew at its slowest rate in over a decade was predictable. There was frustration over squandered potential, pleas for a rate cut, unshaken optimism and even an opportunity to indulge in clever wordplay. Yet as everyone from economists to businessmen had their say, the demographic affected most by this slowdown was silent -- India's poor.

One of the big successes of India's economic growth has been its positive impact on poverty reduction. The percentage of the country's population living below the poverty line declined from 37.2 percent in 2005 to 29.8 percent in 2010 (the last year when exact numbers were available). That translates to 52 million Indians who have been lifted above the poverty line. Encouraging as those gains are, the country still counts over 320 million poor among its citizens.

Higher economic growth has also correlated with a larger rate of poverty reduction. Between 2005 and 2010, the country's GDP grew at an average of 8.5 percent and the poverty rate (the proportion of the population below the poverty line) registered an average annual decline of 1.48 percent.

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Former sweatshop worker to billionaire Walton family

Kalpona Akter of Bangladesh Centre for Worker Solidarity stands to officially call on Wal-Mart to address workplace safety in Bangladesh

CLARE O'CONNOR, *Forbes*

Kalpona Akter

THE multimillion dollar dog and pony show that is Wal-Mart's Annual Meeting started off on its usual celebratory note on Friday morning with 14,000 workers and shareholders cheering and whooping along with host Hugh Jackman, the Hollywood star, and musical interludes by such luminaries as John Legend and Kelly Clarkson.

Billionaire Walton family scion and company chair S Robson 'Rob' Walton repeatedly invoked the memory of his father, Wal-Mart founder Sam, to cheers of "U-S-A! U-S-A!"

"Dad would get such a kick out of this celebration," said Walton, the ninth richest person in America. His entire extended family, including brother Jim Walton and the country's richest women, sister Alice Walton and sister-in-law Christy Walton, sat beaming as the camera panned their way.

The jubilant atmosphere at the aptly named Bud Walton Arena at the University of Arkansas was punctured an hour into the program, however. The otherwise excitable crowd grew silent as Kalpona Akter, a former sweatshop worker from Bangladesh, stood to officially call on Wal-Mart to address workplace safety in the wake of tragedies at Tazreen Fashions, where a deadly fire killed at least 117 workers in November, and Rana Plaza, which collapsed in April killing 1,127.

Akter worked in a garment factory from age 12, toiling for $6 a month (and 450 hours a month) for eight years. Now the executive director of the Bangladesh Centre for Worker Solidarity, Akter was flown in thanks to a grassroots campaign by labour activists Making Change at Wal-Mart, who raised $9000 on fundraising site Indiegogo. She travelled to Arkansas with Sumi Abedin, a survivor of the Tazreen Factory fire.

Akter delivered a shareholder proposal -- one of five on the schedule -- on behalf of activist shareholder Jim McRitchie. If passed, McRitchie's Proposal No. 5 will allow Wal-Mart shareholders who own 10 percent of shares to call for a special meeting on key issues of corporate governance. "Shareowner input on the timing of shareowner meetings is especially important when events unfold quickly and issues may become moot by the next annual meeting," McRitchie said in a statement. These events include tragedies caused by poor workplace safety standards, Akter explained.

"Wal-Mart executives say its production was placed in these buildings by unscrupulous suppliers, claims that strain credulity," Akter said. "Even if true, this only proves that Wal-Mart's supply chain is out of control. Worse, Wal-Mart commissioned labour rights audits at one of these factories, yet the hazards that ultimately killed workers were never addressed. Now Wal-Mart executives have stated the repairs needed to make our factories safe are too expensive, yet the costs would be just two tenths of 1 percent of the company's profit last year, and just 1 percent of the dividends paid out last year to the Walton family heirs."

Akter addressed the Walton family, who are worth $93 billion collectively, saying: "I would like to direct this to the chairman of the board, Mr Rob Walton: I am sure you are aware that fixing these buildings would cost just a tiny fraction of your family's wealth, so I implore you to please help us. You have the power to do this very easily. Don't you agree that the factories where Wal-Mart products are made should be safe for the workers?"

She noted that 41 major retailers have recently signed an Accord on Fire and Building Safety. "Wal-Mart is one of only a few major importers refusing to sign," she said. "Instead, Wal-Mart's public relations officials have announced plans for an alternative to this landmark agreement, but so far not a single meaningful detail has been provided. Forgive me, but for years every time there's a tragedy Wal-Mart officials have made promises to improve the terrible conditions in my country's garment factories, yet the tragedies continue. With all due respect, the time for empty promises is over."

Wal-Mart's board has recommended that shareholders vote against the proposal, adding that its adoption "would not be in the best interests of our company or its shareholders." The company added that holding a meeting at the behest of 10 percent of shareholders "would be a costly undertaking."

Note: Proposal No. 5 was voted down along with all other shareholder proposals.

Apple radio service may come on Monday

AFP, *San Francisco*

Apple, aiming to overcome recent missteps and keep its cutting-edge reputation, is expected to unveil a streaming music service along with fresh hardware and software at an annual conference on Monday.

Speculation that Apple will provide developers with a look at an online radio service heightened Friday with reports that the California company had inked a content deal with Sony Music.

Universal and Warner music groups are already said to be on board with Apple, and enlisting the Japanese entertainment giant would mean that all three major music labels have been won over to the service.

"They need a streaming audio service to remain at the forefront of their customers' music experience," said Forrester analyst Charles Golvin.

"People are moving to Rdio, Spotify and even Google Music; Apple can't rely just on the iTunes store model anymore."

Apple appears to have the software and services in place and had only to work out "niggling details" regarding business relationships with labels owning music and publishing rights, according to Golvin.

Senegal opens world's first tablet cafe

AFP, *Dakar*

Among the washer women, carpenters, busy waiters and squabbling children sweltering under the midday sun on this dusty Dakar street an Internet revolution is taking place in the world's first tablet cafe.

Next to the workshops, meat stores and barbershops on what could be any bustling street in sub-Saharan Africa, a grey concrete building stands out with a garish sign advertising the Tablette Cafe.

"This is the first tablet cafe in the world, a cafe that works with tablets," said Tidiane Deme, the head of Google in French-speaking Africa.

The concept, introduced by the Internet search giant, is a simple twist on the traditional cyber cafes which have been springing up across Africa as the Internet boom takes hold, ditching PCs for tablet computers.

Euro crisis is over: Hollande

BBC NEWS

FRENCH President Francois Hollande has declared an end to the eurozone debt crisis, which has gripped the region for the past four years.

"What you need to understand here in Japan is that the crisis in Europe is over," he told Japanese business leaders on a trip to the Far East.

Much of Europe is suffering from high unemployment and recession.

As recently as April, there were fears about the future of the euro due to confusion over bailing out Cyprus.

The tiny eurozone state secured a loan package worth 10 billion euros (£8.4 billion; $13 billion) from its EU partners and the International Monetary Fund.

An early proposal to raise money through a levy on all Cypriot bank deposits caused panic in financial markets and was quickly withdrawn. Instead, the island agreed to raise 13 billion euros through a tax on large deposits and through banking reform.

This came after bailouts of Greece - twice - as well as Ireland, Portugal, and a bailout of Spain's banks.

Unemployment in the eurozone is at another record high - with 19.38 million out work - and the bloc is in its longest recession since it was created in 1999, now in six consecutive quarters of shrinkage.

In a speech on the last day of his visit to Japan, the French president said that the debt crisis has served to bolster Europe.

"I believe that the crisis, far from weakening the eurozone, will strengthen it," he said. "Now, we have all the instruments of stability and solidarity. There was an improvement in the economic governance of the eurozone, we set up a banking union, we have rules on budgetary matters that allow us to be better coordinated and have a form of convergence."

He has pledged to boost jobs and growth at home, but domestic demand has been sapped by the eurozone crisis.

The French jobless rate this month climbed to the highest level in 15 years.

Recently, the European Commission and the International Monetary Fund called on France needed to introduce more economic reforms or else risk lagging behind some of its European neighbours.

On the way out of China

BBC NEWS, *Taipei*

GETTY IMAGES

More changes are inevitable as the Chinese economy gets more affluent.

FOR the past 20 years, Taiwanese businessman Jimmy Chu, the head of a company that makes elevators and forklifts, has been spending most of his investments, and time, in mainland China.

Some 80,000 Taiwanese companies like Chu's have poured a total of $120 billion into the country in the past two decades, making Taiwan one of the biggest investors there and a key driver of China's economic growth.

But Chu will soon open two new factories in Taiwan at a total investment of $70 million, the biggest he has made at home in years.

He is among an increasing number of Taiwanese shifting at least some of their operations away from China - either to South East Asia or Taiwan - and adjusting their investment strategies in the mainland.

One of the main reasons is a significant rise in Chinese wages. Some estimate salaries have doubled in the past six to seven years. Companies are also now required to pay into Chinese workers' health insurance and pension plans.

"Labour costs in China are rising dramatically each year and the pace is scary," says Chu, chief executive of Fair Friend Enterprise Group.

"Demand for workers is also very high. With more jobs to choose from, Chinese factory workers now switch jobs whenever they can get a higher salary. That makes it difficult for us to find workers with enough experience.

"So the cost of manufacturing in China is higher now, sometimes higher than Taiwan," he says. These changes have global implications, economists say.

"Many companies from other countries that are in China manufacturing products for export will [also] have to go elsewhere," says Sun Ming-te, an economist at the Taiwan Institute of Economic Research.

"After all, the Taiwanese understand China much better, can communicate in the same language, and we are good at keeping production costs low. So if even we can't survive, how can others?"

Taiwanese investors were one of the first to invest in China in the 1980s, despite political tensions at the time. According to China's Commerce Ministry, Taiwan is the fourth biggest source of Foreign Direct Investment (FDI) for the country.

But government statistics show Taiwan's investments in mainland China in 2012 dropped 17 percent from the year before to US$11bn, a three-year low. One of the biggest drops came from the electronic components sector, which was down by 44 percent.

Foreign firms that had relied on China's cheap labour for a competitive advantage are having an especially hard time, analysts say.

"Companies that make garments, and toys are moving from Guangdong province. They're finding it difficult to survive there, so they're moving to places like Vietnam," says Tony Phoo, a Taipei-based economist at Standard Chartered bank.

Last year, Taiwanese investments in Malaysia, Vietnam and Thailand increased by 44 percent, doubled or quadrupled, respectively.

Money is also returning to Taiwan. In the past five years, Taiwanese investors with money in China invested $6.5 billion in their home country - averaging $1.3 billion a year - creating more than 24,000 jobs. In 2006, when the government began tracking the trend, the total invested was just $76 million.

Those coming back are motivated by Taiwan's low wages, which, if factoring in inflation, are back at the same level they were 15 years ago for entry level jobs.

In the past, Taiwan's wages were much higher than those in China. But now, Chinese blue-collar wages are approaching those of their counterparts in Taiwan and in some sectors and big cities in China white collar workers can expect to earn even more than their island neighbours.

For governments like Taiwan's, which has long grappled with the layoffs, factory shutdowns and other negative effects of the exodus to China, this is a good time to lure some of them back.

Taiwan is offering a slew of incentives, including cheaper land, relaxing restrictions on hiring migrant workers, preferential loans, and help tapping new markets, such as in the Middle East and Africa.

"We hope this will help Taiwan's economy," said Chiu Yi-cheh, director-general of the Department of Investment Services.

"Our initial goal for 2012 was to attract $50 billion New Taiwan dollars ($1.69 billion) in investments; we've surpassed that.

"In the next two years, we hope to attract NT$200 billion. The tax revenue will help our overall economy and 84,000 jobs will be created in the next five years."

The companies going to South East Asia tend to be labour intensive ones. But the firms reinvesting in Taiwan typically make higher-value-added goods and need specialist skills, says Phoo.

The world's biggest contract electronics manufacturer, Taiwanese-owned Foxconn, or Hon Hai, is one of those. It employs about one million people in China, but it is slowing the pace it recruits new workers there.

It recently announced plans to hire 5,000 technicians to work in two plants in Taiwan. It will be one of the group's largest hiring sprees here in recent years.

The Taiwanese technicians will research and build factory robots, so that the company, which makes smartphones and computers for top brands such as Apple and Dell, can further reduce dependency on increasingly expensive Chinese workers.

The transformation of the Chinese economy is another major factor. Once hungry for overseas investors to build factories and provide jobs, Chinese firms can now make many of the same products.

So the question for Taiwan and other countries in similar situations is, how can they continue to benefit from China's growth?

One obvious way is to sell to China, rather than just making products there. But whereas South Korea and Japan have been able to sell vehicles to China, Taiwan does not have many things to sell that the mainland cannot already make.

Instead, Taiwanese manufacturers are shifting into other sectors and becoming owners of department stores, hotels, and shopping malls. Taiwan's financial services industry is also doing more business in China; investment rose more than a third last year.

So China is expected to remain a top destination for international investors, and despite its higher wages, it remains a relatively cheap place to manufacture by international standards.

The factories Chu sets up in Taiwan will make more sophisticated machinery than his factories in China, but he is not planning to abandon the mainland entirely.

After all, his eight factories and 4,000 workers in China generate 22 percent of his company's revenue.

"I'm not closing down in China," says Chu. "I will expand there if needed in the future."