

# The bleak bend of RMG

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A day after Rana Plaza had collapsed, there were Indians predicting that their exports would definitely rise within 2013 itself. Yes, it has. India today is all set to achieve \$17 billion in export earnings for 2013-14, with a 31 percent surge in October and the monthly exports reaching \$1.19 billion in November, according to figures released by the nation's Apparel Export Promotion Council (AEPCC). This made India the sixth largest apparel supplier to the US with its exports to the EU rising in the last five months to the tune of \$2.38 billion.

Does India have safer factories than us? No.

Does the labour rights scene in India fare better than in Bangladesh? No.

But they are certainly better when it comes to selling skills. They sell the concept of Shining India much better than how we sell our Sonar Bangla.

A simple example will clear my point: While India marches forward, in contrast, even after seven months, we ourselves are still asking questions like: "What is happening to our duty-free privileges to the EU" to none other than the EU commissioner in press conferences related to multiple issues. The EU commissioner naturally had a response which meant that Bangladesh has to improve or else it will lose its trade privileges.

A few weeks earlier, the EU commissioner had himself said that Bangladesh was improving in terms of workplace safety and labour standards. And a few weeks later, we put the words to his mouth and prompt him to threaten us, which possibly keeps the tension going.

Competitors are doing far better now.

The manufacturing activity in China continued to improve in November, and according to figures released, the purchasing managers' index, stands at 50.8 for the month. The prime gainer in the supply chain has been none other than Ethiopia with its African Growth and Opportunity Act, steadily attracting investments from Turkey, China, India and Europe. With so many foreign investments the country is all set to soar.



The negotiations with garment buyers are much tougher now due to intense competition in the global apparel business.

Sri Lankan apparel sales have also picked up as the country is tapping into the Chinese e-commerce opportunities. Myanmar has just started their SMART Myanmar project with European partners, which will enhance their capacity and skills. That's something to be careful about. In about 10 years, Myanmar has the potential of becoming the next Bangladesh, the next apparel hub for the world. Let's also not forget Vietnam, which has reached \$13.26 billion in apparel export this year.

The scene of the global placement becomes clear when we study the itinerary of the retailers and the manufacturers. No one is travelling to Bangladesh this season. Flights are filled with manufacturers like us who are travelling to places,

meeting up with customers and trying to explain in the most convincing manner that all's well with the country. Trust me. The negotiations are much tougher than before and none wants to buy at an increased price. With 23 cents to 30 cents padded on top of the current price, customers are shying away with alternative placement ideas.

Customers with huge volumes are the only ones who are not looking for immediate exit, but the rest all are. A typical pattern of negotiation begins with: "Oh my God! We thought the increase was going to be a maximum of 7 cents. How have you come up with such an inflated figure?"

Typically every meeting that is meant to be wrapped up within one hour, is dragging on for the whole day, with the

manufacturers sweating and not knowing whether to let go of the orders and walk away or whether it is worth sticking around. After all, the venues of the meetings are mostly Shanghai, Hong Kong, or India where the customer simply loves the hotel, the service and the readiness of the businessmen.

Moreover, in terms of pricing, in China price range continues to remain dicey. With the Chinese, one never knows for sure. One can never tell whether the Chinese vendor is hungry or disinterested. After all they don't grow tummies like us overnight. And as for the Indians, they seem to be strategically attracting our customers with a deadly resolve of offering super competitive prices backed by their own vertical operations.

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# Singapore's soul searching over foreign workers

REUTERS, Singapore

SINGAPORE'S first major riot in four decades is forcing the wealthy island to confront a stubborn but vexing question: how to treat low-paid foreign workers whose muscle underpins much of the economy but whose presence increasingly riles its citizens.

Images of rioters overturning police cars, throwing garbage bins and burning an ambulance in Singapore's Little India on Sunday night shocked the orderly Southeast Asian nation and stirred debate over whether foreign workers should be better integrated or see their numbers reduced.

"This is just a tip of the iceberg," said Gayathiri, 30, an engineer who lives near the scene of the riots and goes by one name. "I hope the government will take it as a wake-up call. We need foreigners to boost our economy, but not at the expense of our security," she added, echoing a widely held sentiment.

Police charged 24 Indian nationals with rioting, which carries a maximum penalty of seven years' prison and caning. They were among an estimated 400 people who rampaged after a private bus fatally struck construction worker Sakthivel Kumaravelu, 33. The number of arrests could rise.

The government has urged people not to jump to conclusions but many Singaporeans blame an overabundance of migrant workers and could use the riots to intensify a push for tighter immigration curbs - a step that could hurt the economy.

The dominant People's Action Party (PAP) that has ruled Singapore for more than half a century was already facing pressure over Singapore's high cost of living and its reliance on foreign workers on the island of nearly 5.4 million people.

Founded by Lee Kuan Yew, the father of the current prime minister, the PAP is credited with transforming Singapore from a colonial outpost in the 1960s into a global financial hub with world-class infrastructure, safe streets, an efficient civil service and the world's highest concentration of millionaires.

Part of that success is built on cheap foreign labour, which makes up nearly 20 percent of the population. Many Singaporeans have expressed concerns over a government proposal on Jan. 29 to raise the population to 6.9 million by 2030.

Of that, up to 36 percent, or 2.5 million, would be made up of foreign workers to balance a low birth rate and sustain economic growth.

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# Zara owner reports slower growth in sales, profit

AFP, Madrid

SPANISH textile giant Inditex, owner of the fashion brand Zara, revealed Wednesday slower profit growth as it pursued a global expansion beyond the fragile economies of Europe.

Inditex said net profit in the nine months to October 30 edged up one percent from the figure for the same period a year earlier to 1.67 billion euros (\$2.3 billion), a far cry from the 27-percent leap in profits it reported a year ago.

Sales rose by five percent to 11.93 billion euros in the same period; a year ago they had shot up by 17 percent.

"The results for the interim nine months 2013 show that Inditex continues its global, multiconcept, multi-channel growth," said a statement by the group, which has grown from humble beginnings in the northwestern Spanish region of Galicia to reign over 6,249 stores in 86 countries.

Inditex said it now employs 124,880

people in a fashion empire that includes the brands of Bershka, Massimo Dutti, Oysho, Pull and Bear, Stradivarius and Zara.

The group said its operating costs were "tightly managed" but nevertheless rose by seven percent as it opened up new retail space.

Inditex said expansion plans for its 2013 business year, which ends January 31, were "on track". The group plans to open about 500 large stores, enlarge 100 global flagship stores and introduce a new image to key stores around the world.

The group said it now had 4,545 stores in Europe, 536 in the Americas and 1,168 in Asia and the rest of the world. Inditex said it had rolled out online sales in Russia and now planned to launch e-commerce operations in South Korea and Mexico next year.

In an encouraging sign in the run-up to the key end-of-year sales period, Inditex said sales rose by 10 percent between November 1 and December 8 after excluding the impact of currency variations.

# Indian policymakers vow to tackle inflation after poll drubbing



RBI Governor Raghuram Rajan, second from right, shakes hands with India's Finance Minister Palaniappan Chidambaram, third from left, as they arrive to attend the Delhi Economics Conclave 2013 in New Delhi yesterday.

REUTERS, New Delhi

TACKLING inflation will be a key priority, India's finance minister and central bank governor said on Wednesday, after high consumer prices contributed to painful losses for the ruling Congress Party in recent state elections.

Finance Minister P Chidambaram also reiterated his pledge for fiscal discipline as investors worry the Congress-led minority coalition will boost spending to improve its standing ahead of general elections due early next year.

Data on Thursday is expected to show India's consumer inflation remained high at 10 percent in November from a year earlier, with wholesale prices due out on Monday expected to have risen 7 percent.

High inflation will increase expectations the Reserve Bank of India will raise interest rates for a third time in four months, even as the economy grows at its slowest in a decade.

Although rate hikes are unpopular with businesses and investors, Chidambaram said the government can ill afford to saddle Indian citizens with high prices for food staples.

"It is common knowledge that the government of the day will pay a price for high inflation, especially if inflation persists over a long period of time," Chidambaram said in a speech at an event organised by the Finance Ministry.

Calling monetary policy a "blunt instrument," he added the government would ultimately need to tackle the structural bottlenecks that keep prices of food high.

"The answer to inflation, therefore, especially inflation in food articles, is to increase supplies and to radically transform the manner in which commodities and food articles are stored, transported, distributed and sold in the various markets, especially urban markets."

Congress lost four key state elections, according to results on Sunday, as the government headed by Prime Minister Manmohan Singh has been widely criticised for policy drift and for allowing corruption to spin out of control.

Inflation has been another thorn, leaving the RBI with a tricky balance between fighting high prices or boosting growth.

So far it has chosen inflation, raising interest rates by a quarter percentage point in September and again in October. The central bank will hold its next policy meeting on Dec 18.

"Our effort is firmly on controlling inflation," Rajan said during his speech at the same conclave.

"We can spend a long time debating the source of inflation. But, ultimately, inflation comes from demand exceeding supply and can be contained only by bringing both in balance."

Whether the government can act quickly enough to tackle India's stagflationary environment is in doubt.

Despite recent encouraging data, including

a report on Wednesday showing the trade deficit narrowed in November as gold and silver imports slumped 80.5 percent, few analysts expect a meaningful recovery yet.

"Today the Indian situation is very unique. In all developed and developing countries nobody has as high an inflation rate as India has despite the fact that we have slowed down so acutely," said Rupa Rege Nitsure, chief economist at Bank of Baroda in Mumbai.

"It's a politically sensitive issue and the government is in the election frame of mind," she added.

The government also faces the challenge of delivering on its promise to keep the fiscal deficit to 4.8 percent of gross domestic product. The gap has already reached 84 percent of the target in the first seven months of the fiscal year.

Chidambaram has repeatedly vowed to meet the deficit target, but investors worry the government will succumb to the temptation to increase spending ahead of polls, similar to the \$20 billion plan to provide cheap grain to the poor earlier this year.

On Wednesday, Chidambaram sought parliament's approval for 131.2 billion rupees (\$2.14 billion) in extra spending to pay for items such as higher fertiliser and fuel subsidies.

Chidambaram said the additional spending would not have a "significant" impact on the fiscal deficit target, after earlier in the day vowing to stay the course.

# General Motors to close Australian plants by 2017

AFP, Sydney

AUTO giant General Motors on Wednesday said it will shutter its Holden manufacturing plants in Australia by 2017 with the loss of 2,900 jobs, dealing a major blow to the nation's car industry.

The news was followed by a statement from Toyota that it was now reviewing its future in the country, raising the possibility of an end to the Australian auto sector.

Holden's decision to move to a national sales company comes after Ford said in May it would stop making vehicles at its unprofitable Australian factories in 2016, with the loss of 1,200 jobs.

With Mitsubishi closing its Adelaide plant five years ago, only Toyota Australia - which employs more than 4,000 workers - will be left making cars in the country.

"The decision to end manufacturing in Australia reflects the perfect storm of negative influences the automotive industry faces in the country," GM chief executive Dan Akerson said in a statement.

"This includes the sustained strength of the Australian dollar, high cost of production, small domestic market and arguably the most competitive and fragmented auto market in the world."

Commodore car, said 2,900 jobs would be axed over the next four years - 1,600 from its Elizabeth vehicle manufacturing plant in Adelaide and approximately 1,300 from Holden's workforce in Melbourne.

It spells the end of a long association with Australia. The company began as a saddlery in 1856 and first started manufacturing cars locally in 1948.

Unions have warned of a multi-billion-dollar hole in the economy and the loss of up to 50,000 automotive industry-related jobs if car manufacturing in Australia ends altogether, and Toyota said it was now examining its options.

"This will place unprecedented pressure on the local supplier network and our ability to build cars in Australia," Toyota Australia said in a statement.

"We will now work with our suppliers, key stakeholders and the government to determine our next steps and whether we can continue operating as the sole vehicle manufacturer in Australia."

The Australian Manufacturing Workers Union said it expected Toyota to follow Holden's lead.

"It's now highly likely that Toyota will leave Australia. In fact it's almost certain," AMWU national vehicles division secretary Dave Smith told reporters.

"It's a very bleak day indeed."