UAE says reforms will better protect foreign workers

REUTERS, Abu Dhabi

The United Arab Emirates, a business hub long dependent on guest workers from Asia, announced labour reforms on Tuesday to protect foreign workers, who rights groups say are often abused by employers and prevented from changing jobs.

The trade, energy and investment powerhouse is one of several Gulf Arab states whose treatment of foreign workers has been criticized repeatedly by campaign groups demanding the repeal of what they consider oppressive labour laws.

Much of this concern is focused on a sponsorship system known as "kafala" that most Gulf states enforce on foreign workers. It not only regulates entry and residence, but also requires they seek permission from employers to change jobs.

Labour Minister Saqr Ghobash said that from January 2016 the UAE would take steps which, when completed, would get rid of "all the practices that were associated with kafala".

He outlined steps strengthening the right to change employer and preventing "involuntary labour" by lodging the workers' contracts with the labour ministry rather than with the employers, who currently hold the documents.

"The worker cannot, under any circumstances, be made to, or otherwise be compelled, to remain in an employment relation," a ministry statement said.

A reorganisation of labour contracts would also stop so-called "substitution", where foreign workers sign one contract before they leave their home country and are compelled to renegotiate lower wages when they arrive in the Gulf.

Guest workers do many of the dirty and dangerous jobs in the region, from construction to the oil industry, transport and services. They account for nearly half of the roughly 50 million population of the six-nation Gulf Cooperation Council and about 4.5 million of the nine million UAE population.

Most blue-collar workers in Gulf Arab states are hired on contract from countries like Pakistan, India, Bangladesh and the Philippines, many of whom have come to the Middle East to escape poverty in their home country.

Typically employed on low wages, workers are usually housed in camps with basic facilities on the outskirts of cities.

In many Gulf Arab states, passports of guest workers are held by the sponsor for the duration of their contracts. Although this is banned in the UAE, the practice survives.

Asked if reforms on wider issues of labour abuse were in the pipeline, Ghobash replied there was no country that stopped improving its labour situation, but the process took time.

Nicholas McGeehan, UAE researcher at Human Rights Watch, said the move against contract substitution "is a huge improvement and something we would fully support and applaud" and it was "good to see" the UAE feeling the need to reform.

But he said many steps did not appear particularly new or ground-breaking, and rights groups wanted evidence of change.

CHEVRON

Melody Meyer, president of Chevron Asia-Pacific Exploration and Production, and Elizabeth Pearce, country director of Save the Children, pose during an event held to announce a three-year extension of a non-formal primary education programme for the communities residing near Chevron's Bibiyana, Jalalabad and Moulvibazar gas plants, on Sunday. Brad Middleton, managing director of Chevron Asia South Business Unit, and Kevin Lyon, president of Chevron Bangladesh, were also present.

Emerging market firms' $18 trillion debt needs careful watching: IMF

REUTERS, London

The International Monetary Fund warned on Tuesday that emerging market firms, which together have amassed a record $18 trillion of debt, need careful monitoring as the era of record low global interest rates comes to an end.

In its latest Global Financial Stability report, the fund said the biggest rises in 'leverage' - the amount of debt relative to a firm's equity - had come in "vulnerable sectors" like construction, mining and oil and gas, and were increasingly exposed to currency risk.

Regionally, the most striking shifts had been in China and Latin America where overall corporate leverage was now at almost 120 percent and 110 percent respectively, and leverage in their construction sectors close to 275- and 200 percent.

"The upward trend in recent years naturally raises concerns because many emerging market financial crises have been preceded by rapid leverage growth," the report said.

The IMF also warned that years of record low rates had meant that despite weaker balance sheets, emerging market firms had been able to issue more bonds, and at better terms.

"If rising leverage and issuance have recently been predominantly influenced by external factors (low global rates), then firms are rendered more vulnerable to a tightening of global financial conditions," the report added.

"Similarly, a decline in the role of firm- and country-level factors in recent years would be consistent with the view that markets may have been underestimating risks."

Slumping commodity prices, the threat of rising US interest rates, exacerbated in some cases by ugly national politics, have whipped up a near perfect storm for emerging markets this year.

The IMF called for countries to keep a careful eye on their big firms as the global backdrop begins to change. More data was needed, particularly in areas such as how much debt firms had in currencies other than their own.

Many major emerging market currencies have dropped between 20-40 percent against the dollar over the last year which will make paying back any 'unhedged' dollar debt far more expensive.

"As advanced economies normalize monetary policy, emerging markets should prepare for an increase in corporate failures."

"Monitoring vulnerable and systemically important firms, as well as banks and other sectors closely linked to them, is crucial," the report said.

South African clothes sellers eye fast, local supply as rivals land

REUTERS, Cape Town

South African retailers are waking up to the need to work more closely with a resurgent domestic textile industry to help fend off global fashion giants muscling in on the continent's most lucrative market.

Cheap Chinese clothes imports almost broke the back of local garment makers, but the sector has started to recover after the government invested more than 2 billion rand ($149 million) in upgraded production lines and more innovative technology.

However, the majority of clothing sold in South Africa by local brands such as The Foschini Group (TFG), Truworths, Mr Price and Edcon is still sourced from Asia.

But more competition is expected from global brands such as Inditex's Zara and Hennes & Mauritz as they expand in a sector whose value rose to more than 200 billion rand ($15 billion) at the end of 2014 from 8 billion in 2001.

Among the continent's most brand-conscious consumers, South African households spent an average of 5.3 percent, or 582 rand, of monthly income on clothing and footwear in 2014, above spending on education at 373 rand, according to the Bureau for Market Research at the University of South Africa.

In impoverished shanty towns where the black majority live, the trendiest clothes and latest fashion are common features of township life.

"If we are able to take raw materials to the season's hottest, in-demand products faster than anyone else, that's good for our business, for the local manufacturing industry and for our customers," said Graham Choice, head of Foschini's manufacturing and design centre

Keen to tap this vibrant market, Zara opened in South Africa four years ago and now has six stores. Australian no-frills chain Cotton On has described the country as its fastest growing market while Britain's Top Shop and Forever 21 arrived recently.

H&M is set to open a vast store next month. At 50,000 square feet (4,700 square meters) the outlet in Cape Town's trendy V&A Waterfront mall will be one of H&M's biggest and the Swedish retailer will open another outlet in Johannesburg in November.

Inditex, which pioneered the idea of producing a constant supply of new styles from factories close to its biggest markets - a concept known as "fast fashion" - flies in clothes twice a week from suppliers in Portugal, Turkey and Spain.

H&M, which produces the bulk of its garments in Asia, is expected to adopt a similar approach.

"The signs are there that we could bleed market share, unless we change," Justin Barnes, chairman at B&M Analysts which advises the government and the clothing industry, told Reuters.

To defend their market share, South African retailers should take advantage of the faster speeds at which local suppliers can get clothes to market, analysts said.

The Foschini Group says it is aiming to work more closely with local suppliers, and about 65 percent of its women's wear is now made in South Africa.

Some South African factories can get fresh garments into stores within 32 days, and most are aiming to regularly beat a maximum cut-off target of 42 days, though not surprisingly that's still slower than the fast fashion pioneer.

Inditex says in some cases, depending on the availability of fabrics and the complexity of the garment production, it can race from design to the store in less than two weeks.

South Africa has about 900 clothing factories left, just over half an estimated 1,600 plants at the sector's peak in 1996, according to data from the clothing manufacturing industry bargaining council.

From 2010 to 2014, productivity jumped 36 percent while employment in the clothing, textile, footwear and leather industry rose to 88,657 in the year to March 2015 from 87,386 a year earlier. That's still a far cry from the 1996 peak of 228,000 jobs, before Chinese imports hammered local factories.

But now rising wages in China and a weaker rand currency, which touched record lows of 14 rand to the dollar in September, are starting to favour local clothes production.

"Fundamentally, the currency has effectively changed the landscape completely. The longer-term trend is for it to weaken and, given that fact, retailers want to be predisposed to an environment where you benefit and are not penalised," said Abdul Davids, research head at Kagiso Asset Management.

Before taking into account any shipping costs or import tariffs, a South African factory can already produce a cotton T-shirt for just under $2, compared to 1 euro ($1.12) in Turkey and the $0.50-$0.80 in China, said Kagiso's Davids.

Axel Springer buys Business Insider for 300m euros

AFP, Berlin

German media giant Axel Springer said Tuesday it has agreed to buy the US website Business Insider for around 300 million euros ($336 million), two months after its failed attempt to take over the Financial Times.

Axel Springer, which already holds a nine percent stake in Business Insider, said in a statement it had agreed to buy a further 88 percent share for 306 million euros.

The other three percent would remain in the ownership of Bezos Expeditions, the investment company of Amazon founder Jeff Bezos

The acquisition of Business Insider, which Springer described as the leading digital offering for business news in the United States, was "a vital part of (the German company's) strategy to broaden its global reach, diversify its English-language offerings and expand its commitment to innovative digital journalism," the statement said.

Business Insider was launched in 2007 and employs more than 325 people, around half of them are journalists.

In addition to its US news sites, the company has a growing international presence, with local editions or licenses in seven other countries, Springer said.

A German edition would be introduced in the fourth quarter of this year.

With 76 million visitors per month, Business Insider is valued at $442 million or 395 million euros overall.

In July, Axel Springer was beaten by Japan's Nikkei in the race to buy the Financial Times.

Indonesia unveils new stimulus to lift ailing economy

AFP, Jakarta

Indonesia on Tuesday introduced more stimulus measures to woo desperately needed investment, in its latest bid to boost the sliding rupiah and breathe new life into the slowing economy.

It was the second time this month that Southeast Asia's top economy has unveiled steps to battle a sharp slowdown, as it comes under pressure with other emerging markets due to a strengthening US economy and turmoil in China.

"We are making (investing in Indonesia) as attractive as possible," said Chief Economics Minister Darmin Nasution, announcing the latest measures along with several other ministers. "We must fix, simplify, make it cheaper."

New measures announced Tuesday included slashing the time taken to process investment permits from at least eight days to just three hours, with processing for permits in mining and geothermal projects in forested areas to be cut from up to four years to about 15 days.

To keep US dollars in the country, the government said it was cutting taxes for exporters who deposit their foreign exchange revenue in the country or convert it to rupiah, which should make it more attractive than depositing funds in countries such as neighbouring Singapore, Finance Minister Bambang Brodjonegoro said.

President Joko Widodo, who has been in office for almost a year, is faced with a dire economic situation.

The rupiah has plunged about 20 percent against the US dollar this year, while the economy is forecast to grow less than five percent in 2015, its slowest pace in six years.

While many of the challenges facing Indonesia are blamed on global turmoil, the president must also contend with many domestic problems hampering the economy -- a complex bureaucracy, rickety infrastructure and confusing investment policies.

The World Bank ranked Indonesia 114th in its annual "ease of doing business" survey this year.

The first stimulus package, which included such measures as tax breaks and attempts to simplify confusing regulations seen as a drag on business, failed to boost the market and rupiah.

Economists welcomed the new policies but said they would not be a silver bullet.

ICMCI congress held in Netherlands

STAR BUSINESS DESK

M Zakir Hossain, president of Institute of Management Consultants Bangladesh, attended the ICMCI International Consultancy Conference and Congress in Noordwijk, The Netherlands.

The theme of the conference was global examples in innovation in consultancy and their local effects, the institute said in a statement yesterday.

Hossain also spoke on innovations, focusing on experiences from Bangladesh, and attended business meetings in the Netherlands, according to the statement.

PRIME BANK

Habibur Rahman, deputy managing director of Prime Bank, and Salehin F Nahian, director for marketing and HR at Hotel Star Pacific in Sylhet, exchange documents of a memorandum in Sylhet. Prime Bank's cardholders will enjoy discounts at the hotel.

BTRC toughens up on operators for dues

FROM PAGE B1

The BTRC has decided to notify the operator to pay Tk 258.24 core in 15 days or face judicial action.

Top WiMax operator Banglalion owes Tk 46.72 crore.

Twelve private land phone operators are yet to repay Tk 38.6 crore owed to the regulator.

Some internet service providers and VoIP operators are also among the debtors, but the regulator is yet to calculate their total dues.

The BTRC also said mobile phone operators owe about Tk 4,000 crore, but the claim is disputed, according to the officials.

Of the amount, the regulator has sought Tk 3,034 crore from Grameenphone following an audit finding. But the issue is currently in the court.

Grameenphone, Banglalink, Robi and Citycell have also taken the sector regulator to court over its VAT claims.