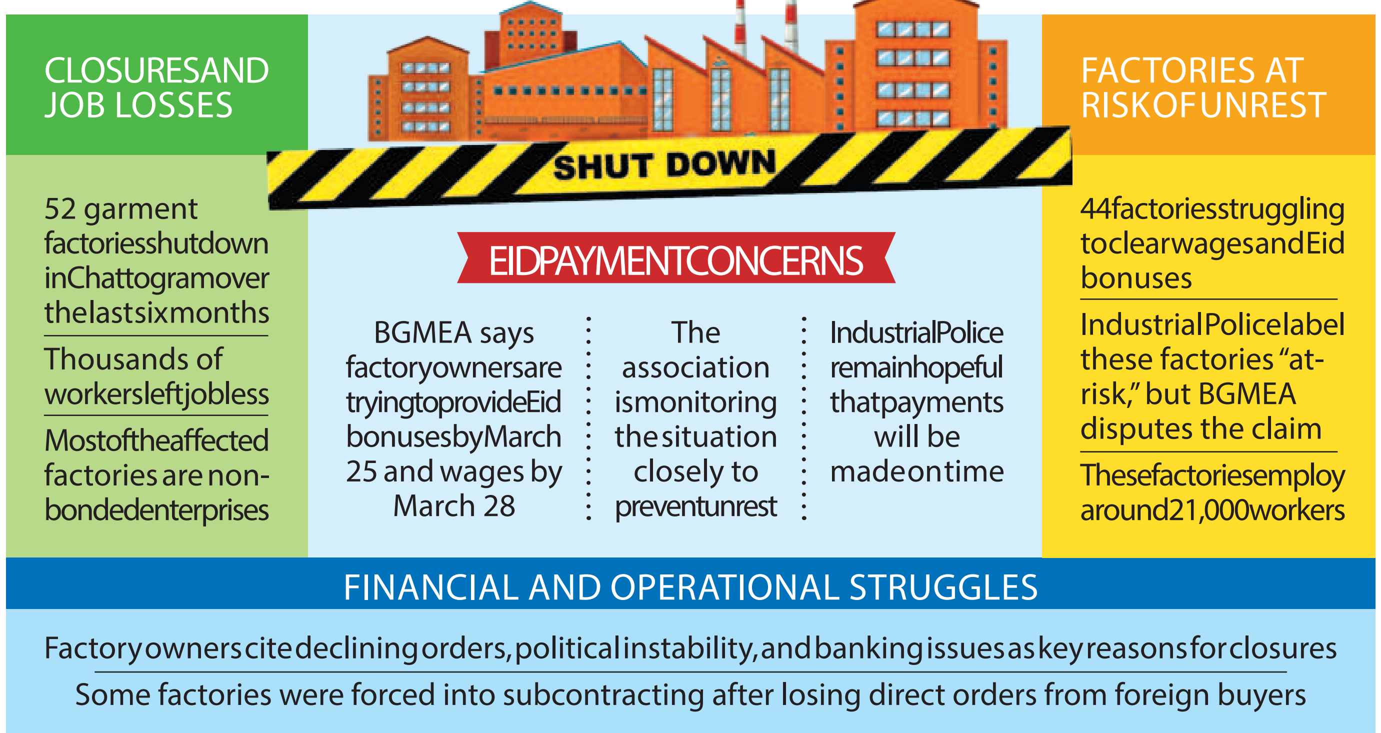
52 subcontract RMG factories in Ctg shut over order slump

MD NAZRUL ISLAM, *Chattogram*



At least 52 garment factories, both small and large, have closed in the past six months in Chattogram thanks to a 25 percent drop in work orders amid political instability, according to Industrial Police sources.

This has left thousands of apparel workers jobless.

Besides, 44 more factories are struggling to pay worker wages and bonuses ahead of the Eid. The Industrial Police has labelled these factories "at-risk", a claim disputed by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Of the 611 registered garment factories in Chattogram, the BGMEA says only 350 are currently operational. Of them, some 180 are fulfilling foreign orders, while 170 working as subcontractors.

However, statistics from Chattogram Industrial Police-3 show 528 out of 580 garment factories associated with the BGMEA, the Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA) and the Bangladesh Textile Mills Association (BTMA) are operational in the port city.

Sources say at least 52 of these factories have closed in the past six months due to a lack of orders and turmoil related to the political changeover.

"The closures were due not only to declining orders, but also political issues and banking complexities," Rakibul Alam Chowdhury, former vice-president of BGMEA Chattogram, told The Daily Star.

He said most of the affected factories were non-bonded enterprises.

The owner of a closed garment factory in the Mohra area of Chattogram, speaking to The Daily Star on condition of anonymity, said, "Since August 5, our factory has been looted repeatedly. Therefore, we were forced to shut down the factory."

This echoed the BGMEA leader's assessment.

The BGMEA leader said they did not support the "at-risk" label assigned by the Industrial Police to some garment factories.

"No factory owner deliberately withholds wages and benefits from workers, and there is still time to clear dues," the leader said. "Factory owners are trying to provide Eid bonuses by March 25 and wages by March 28, with the BGMEA closely monitoring the development."

According to Industrial Police, concerns have been raised about payments before Eid in 44 garment factories in Chattogram. Police said many of these factories had faced protests over wage issues in the past.

The 44 factories employ around 21,000 workers. These include eight in Kalurghat BSCIC, six in CEPZ, six in Double Mooring, five in Pahartali, three in KEPZ, three in Bayezid, and 13 in urban and suburban areas.

Factories face severe financial crises due to delayed shipments, reduced orders, and unpaid wages from previous months, heightening worker dissatisfaction.

Some previously worked directly with foreign buyers but were forced into subcontracting, only to face further order shortages. Internal worker conflicts have worsened the situation.

Santosh Mondal, a worker from a recently closed factory in Pahartali, said he had been struggling to find a job for two months as factories were no longer hiring.

MDM Mohiuddin Chowdhury, a BGMEA administrative committee member, said order declines and financial struggles from delayed shipments had forced many closures. New regulations requiring employers to pay earned leave, two months' wages, and bonuses simultaneously had further strained them.

"No factory owner wants to stop paying wages. Even with fewer orders, they want to retain workers. We are working to prevent unrest during Eid," he said, adding that political instability had pushed foreign buyers toward alternative countries.

Md Jasim Uddin, senior assistant superintendent of Chattogram Industrial Police, said, "We have identified 44 at-risk factories, but this does not mean they won't pay. These factories have faced similar issues before, and we are hopeful the crisis will be resolved."

Banks asked to ensure smooth ATM operations

STAR BUSINESS REPORT

Bangladesh Bank has instructed commercial banks to ensure uninterrupted transactions through automated teller machines (ATMs), point of sale (POS) terminals, internet banking, online e-payment gateways, and mobile financial services (MFS) during the Eid-ul-Fitr holidays.

In a notice issued yesterday, the central bank also directed banks to enhance security at ATM booths and raise awareness among merchants and clients to prevent fraud in POS transactions.

Additionally, banks have been asked to keep two-factor authentication (2FA) active for "card-not-present" transactions on online e-payment gateways and notify clients of transactions via SMS alerts.

To assist customers, banks must keep their helpline services operational throughout the holidays to address any issues or complaints, the notice added.

Paramount Textile to invest Tk 29cr in solar power

STAR BUSINESS REPORT

The board of Paramount Textile PLC has decided to invest approximately Tk 29 crore in solar power generation activities.

In a disclosure published yesterday, the textile manufacturer stated that it will purchase 2.89 crore shares of Paramount Solar Ltd at a face value of Tk 10 each as part of its portfolio diversification.

Following the investment, Paramount Textile's total holding in the company will increase to 99.9 percent.

Stocks of Paramount Textile declined by 1.94 percent to Tk 45.6 yesterday at the DSE.

The headless industry dilemma: Navigating the fallout of crony capitalism

ZAHID HUSSAIN

The golden rule of crony capitalism, in which profits are private but losses are social, has led to blatant injustice, as is generally recognised. The extra-market connections of crony capitalists facilitated transactional benefits while leading to entrenched market power, distorted competition, and depressed productivity growth, all contributing to growing inequalities. Yet, attempts to change the crony business model are facing their own dilemmas.

Vacuum at the top

Many companies, foster children of erstwhile power structures, are facing existential threats due to a sudden departure at the top. The fallen oligarchs were astute enough to perpetuate a system from which they generated their fortunes. They secured a larger share of a smaller pie or a larger share of a larger pie, depending on the perceived chances of maintaining control over resources.

Their companies have significant stakes in financial and labour markets, spanning sectors such as garments, textiles, steel, shipbuilding, cement, leather, paper, pulp, steel, sports, liquid petroleum gas, fast-moving consumer goods, finance, real estate, transport, education, healthcare, media, and digital business.

Their combined workforce, encompassing both white-collar and blue-collar employees, likely ranges from 500,000 to perhaps a million, representing about 0.7 percent to 1.4 percent of total employment. Their contribution to GDP is likely several times greater, as was their share in political power.

The policies they implemented became endemic over time, making reform difficult. The incumbents fortified their advantage. Banks, often owned by the same people who own the borrowing companies, never bothered to run veracity checks on their balance sheets before lending them loans in thousands of crores of taka or millions of US dollars.

In the aftermath of August 5, 2024, many of these companies have become headless. Their ultimate beneficiary owners have fled, gone into hiding, are imprisoned, keeping low in Bangladesh, or are wheeling and dealing from abroad. These individuals face criminal charges and various sanctions impacting their finances and the operation of the companies they owned or patronised.

The abrupt cessation of political patronage, hitherto extended through public budgets, banking systems, and business regulations, has put at risk production and employment in the headless enterprises.

A case for interim support

A case can be made for sustaining these entities to maintain stability and prevent needless detriment. These are far from fledgling ventures; they are well-entrenched institutions. Numerous ones contribute significantly to the economic fabric. They possess deployable physical and human resources that add substantial value. Presently, they resemble neglected orphans, bereft of the nurturing direction and attention they once received.

They lack the connections that gave them resilience and expansion. Their management leveraged the influence of their owners and political godfathers to skew the competitive landscape in their favor. In fact, there is now a real separation of ownership from management, a separation the enterprises cannot handle on their own because the fleeing owners emptied the company accounts.

If these enterprises remain fundamentally sound, is it not possible to rescue them through policy-driven recovery efforts aimed at rectifying the illicit transfer of capital? Without intervention, the potential loss in production and employment could diminish economic value significantly unless alternative structures are introduced to replace the departing owners. Given the extensive diversification of these conglomerates, their sudden collapse would send shockwaves through the broader economy. Strategic policy support could help mitigate such systemic risks.

Policymakers are currently wrestling with the challenge of deciding on the best course of action for these leaderless enterprises, without regard to their paths of survival. The preservation of actual jobs is paramount, and this concern differs fundamentally from endeavors to hold the ultimate beneficiary owners responsible.

Should the government ease sanctions and show leniency towards behavioral issues to sustain productive enterprises until lasting solutions emerge? The immediate social costs, such as unemployment and shortages, must be weighed against the long-term benefits of demonstrating strict accountability.

Culture of impunity

While maintaining an open mind, it is crucial not to disregard our own experiences and those of others. Entities that are vulnerable today once wielded significant influence, and those who were previously marginalised are now striving to regain their footing with the changing political landscape. The currently powerful often extend a hand to the newly vulnerable, fostering a reciprocal dynamic of mutual support.

We've observed how this can result in merely changing the players without altering the underlying game. The efforts of the caretaker government in 2007-08 serve as a historical example, where displaced powers re-emerged significantly, and the rest is history.

Those at the helm of these entities felt impervious to consequences. Aware of their likely immunity from accountability, immediate gains were prioritised over long-term stewardship. They can even afford to smirk and declare, "We will be back," as they are escorted to jail.

Bailouts, irrespective of size, connections, and systemic significance, effectively insulated the beneficiaries from the negative repercussions of their actions, leading to a reckless disregard for accountability. Over time, the erosion of responsibility rendered the system increasingly fragile, concentrating power in the hands of a few colossal conglomerates. Irresponsible behavior increasingly displaced responsible conduct. Adhering to the rule of law was less rewarding compared to aligning with the rule of the powerful.

The culture of impunity fostered a belief that rules can be selectively enforced for the powerful and well-resourced. It stymied essential reforms in the legal, social, and business frameworks that missed accountable governance. We have, as did many others, experienced how transitory policy support to crony-dependent enterprises can run into slippery slopes. Reversion to more of the same game by episodic changes in players has fueled public frustration, transforming them into a force poised to be gaslighted.

No easy answers

A similar quandary beset advanced economies during the 2008 global financial crisis. Governments stepped in to rescue major financial institutions bankrupted not merely by market risks but also by corrupt practices, ranging from straightforward cheating to highly complex financial derivatives. They combined bailouts with professional incarcerations, imprisonment for financial crimes, and legislative reforms. Yet many executives who made extravagant money managed to escape with their personal wealth intact.

The dilemmas faced by the IG are not fundamentally different, even though the trigger was shifts in political power rather than a housing market crash. However, bailing out companies owned by individuals accused of flouting the system differs significantly in strategic and operational details from bailing out enterprises disrupted or bankrupted by market shocks. The headless companies require salvation not only from their immediate financial predicaments but also from the return of the business model that cannot breathe without political oxygen.

One pragmatic approach involves implementing business resolution procedures to find suitable substitutes for the lost guiding oversight. These temporarily orphaned legal entities might opt for dissolution as one solution. Alternatively, securing new owners could be viable if their ownership is safeguarded against political vicissitudes. The government could step in as a temporary guardian, provided it can supply the requisite human and financial resources. Special purpose vehicles could also be established. Though numerous options exist, none promises immediately lasting solutions.

Kicking the can

The lesson from history for policymakers is to deter impunity better, balancing righteousness with practicality. Changing the equation necessitates imposing penalties on those who violate legal and social standards, with severity sufficient to dissuade future infractions. Bailouts should be accompanied by rigorous conditions and regulatory supervision.

It is unlikely that a universal, one-size-fits-all solution can address this complex issue comprehensively. Risks to stability are inherent on both sides. The IG will not have the luxury of time to create new support systems or identify alternative proprietors. Its most viable option is to offer temporary aid targeted to sustain employment and production, while the long-term resolution will depend on outcomes post-election.

The writer is former lead economist of the World Bank's Dhaka office

US earnings outlook less rosy with tariff worries

REUTERS, *New York*

Analysts are turning more cautious on US corporate earnings for the first quarter of this year, with the Trump administration's policies threatening to trigger a global trade war that could undermine economic growth.

Apple, Tesla and Ford Motor are among companies contributing the most to recently lowered estimates for the quarter, along with some insurers, whose projections have been hurt by fires in California early this year, according to Tajinder Dhillon, senior research analyst at LSEG.

S&P 500 forecasts for the first quarter of 2025 have fallen by 4.5 percentage points since January 1, the largest downward revision since the fourth quarter of 2023, he said.

Earnings growth for S&P 500 companies is now seen at 7.7 percent year-over-year, which would be the lowest since 2023's third quarter and a big decline from 17.1 percent in the fourth quarter of 2024, based on Friday's LSEG data.

While a handful of companies have already reported on the quarter, the unofficial start of the first-quarter season is still weeks away.

"You know there's this negative bias out there. You just don't know to what degree," said Michael O'Rourke, chief market strategist at JonesTrading in Stamford, Connecticut.

Earnings estimates typically decline in the weeks ahead of a new reporting period as companies guide more conservatively, but the majority of companies often go on to beat those lowered expectations.

Fears that import tariffs and retaliation by US trade partners, along with government cutbacks under President Donald Trump in the first months of his second term, might push the economy into recession have increased in recent weeks.