Mohammad Hatem

RMG industry under strain amid factory closures, job losses

BKMEA chief says, decries rising production costs

JAGARAN CHAKMA

The country's readymade garments (RMG) sector is facing one of its toughest periods in recent years, with falling exports, rising production costs, factory closures, and financial instability putting immense pressure on manufacturers, Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said.

In an interview with The Daily Star, Hatem described the situation as "extremely alarming," blaming ineffective policies and a lack of banking support for worsening the crisis.

"Not only the RMG sector, but the entire economy, business environment, and flow of money are not functioning smoothly," he said. "We have raised these issues for a long time, but effective solutions are still missing."

Hatem acknowledged some government measures, including action against large-scale bank irregularities, partial control of inflation, and easing the dollar crisis, but said they do not address the deep structural problems of the export-driven RMG sector.

"The government has failed to introduce business-friendly policies in a timely and coordinated way. We are not against the government; we have praised several initiatives. But on key economic issues -- trade, banking, and industrial policies -- there has been little consultation with stakeholders like us," he added.

Over the past few years, major financial support for the sector has been withdrawn. Hatem cited the reduction of the Export Development Fund (EDF) allocation and the closure of the Tk 5,000 crore Pre-shipment Credit Fund in April 2024, which offered loans at just 5 percent interest.

"With borrowing costs now around 15-16 percent, businesses are struggling to survive. How can an industry survive under such intense financial pressure? We are fighting just to stay afloat," he said.

The removal of export incentives, part of Bangladesh's plan to phase them out ahead of its graduation from Least Developed Country (LDC) status, has added further pressure.

TAKEAWAYS FROM INTERVIEW

CRISIS & ALARM

RMG sector in "extremely alarming" state, with exports falling and costs rising

The crisis goes beyond garments – business confidence, cash flow, and overall economic activity are badly disrupted

FACTORY CLOSURE & JOB LOSSES

Around 250-260 RMG factories closed in 18 months, resulting in a net loss of over 2.2 lakh jobs

FINANCIAL SUPPORT GAP

Key financial lifelines withdrawn, including reduced EDF allocation and closure of the Tk 5,000 crore Pre-shipment Credit Fund

BANKING SECTOR FAILURES

Banks accused of "active obstruction", especially toward SMEs, instead of supporting industries during crisis

Credit limits not adjusted for dollar depreciation, sharply reducing exporters' ability to open import LCs

GLOBAL MARKET PRESSURES

US demand weakening due to inflation and tariff uncertainty, while tougher competition in the EU from China and India squeezes orders

URGENT WARNING

Factories running 20-50% below capacity, prompting a warning that without urgent banking and policy reform, more closures are inevitable

"From February 1, 2024, previous export incentives were discontinued. The remaining 0.3 percent is almost unusable due to heavy paperwork and red tape. For us, it is effectively cancelled," Hatem said.

He said around 250-260 RMG factories have closed over the past 18 months, leaving more than 2.2 lakh workers unemployed. "Some factories have opened during this period, creating 30,000 to 40,000 jobs, but overall job loss remains very high," he added.

In Narayanganj, a major knitwear hub, individual factory closures have left thousands unemployed. "These are not just statistics. They represent families, livelihoods, and entire communities," he said.

GLOBAL MARKET PRESSURES AND BANKING CHALLENGES

The global economic climate has also become less supportive for Bangladeshi exporters. In the United States, the country's largest export market, inflation and weaker consumer purchasing power have reduced demand. "Buyers are cautious. They are uncertain about future tariffs and are taking a wait-and-see approach. As a result, we are receiving fewer orders," Hatem said.

Some US quarters have tried to impose parts of the general tariff structure -- about 20 percent -- on Bangladeshi goods, which could further undermine competitiveness.

Meanwhile, exporters from China and India, facing barriers in the US, have shifted focus to Europe, creating "unhealthy competition" and reducing Bangladesh's flow of orders.

As a result, many factories are running well below capacity. "Most are running 20-30 percent below capacity, and some are 40-50 percent lower than normal. This is not sustainable," Hatem said.

Hatem criticised the banking sector for failing to support industries in their time of need. "Banks are completely uncooperative, especially with small and medium-sized enterprises. In some cases, it's worse than neglect -- it's active obstruction," he said.

Bank credit limits have not been adjusted with changing exchange rates. "For example, a Tk 50 crore credit limit when the dollar was Tk 83 allowed LCs worth $6 million. Now that the dollar is Tk 122, I can only open LCs worth around $4 million with the same limit. Yet banks refuse to revise it," Hatem added.

He also highlighted long delays in back-to-back LC processing -- sometimes 20-30 days -- which disrupt production cycles. "Banks give all sorts of excuses -- margin issues, documentation problems, or that your limit is used up. It's the same story every time."

Exporters are struggling to access their own funds, with banks charging 15-16 percent interest on export proceeds needed for salaries. "Earlier, we could access this money interest-free for 30 days. Now, we are being charged

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Responsible banking

MAMUN RASHID

The tragic incident at a commercial bank's branch on the outskirts of Dhaka in 2015, where the branch manager was shot dead alongside several colleagues and clients, still lingers painfully in my mind. In the days that followed, many commented, almost casually, that the young man had acted foolishly. They argued he should have handed over the keys to the armed miscreants and saved his life, as well as the lives of those around him. This judgement, made from the safety of distance, misses a deeper truth about the mindset and ethos of many young bankers.

The manager was at the beginning of his career. For him, the bank was not just an employer; it was an institution he had sworn to protect. Safeguarding the bank's assets, including premises, vaults and client deposits, was part of the trust placed upon him. This sense of duty, though tragically costly, sprang from professional loyalty and an instinctive adherence to responsibility. Many who have worked in banks will recognise this impulse. In moments of crisis, young executives often revert to what they believe their institution expects of them.

This story returned to me when I read headlines accusing banks of "unnecessarily keeping their staff late." The portrayal is simplistic and unfair. Having spent decades around bankers, I must say no, this narrative does not capture the true culture of our institutions. Bankers do not operate in isolation. They work in an environment driven by customer demands, regulatory expectations and market realities.

Inside a bank, people often treat one another like extended family. They step in for each other, provide support when workloads intensify and stay late not because a manager insists, but because the work demands closure. Branch operations, reconciliations, compliance updates, trade documentation and customer service issues do not conveniently end at 5 pm. Banking is not a nine-to-five profession. It is a service industry where client needs dictate the rhythm.

Textbooks remind us that a bank's core functions include financial intermediation, maturity transformation, efficient credit allocation and payment facilitation. These functions are critical to economic stability, and their execution requires precision, diligence and accountability. Behind every loan approval, every trade transaction and every payment settlement, there are teams ensuring compliance, accuracy and risk mitigation.

In carrying out these functions, banks must comply with laws, regulations and central bank guidelines. They must uphold fairness and transparency while balancing the interests of shareholders, depositors, employees and broader stakeholders. This balancing act, complex and ever evolving, requires conscientious professionals who understand not only the rules but the spirit of responsible banking.

Critics often judge the sector through isolated incidents. Those who observe banking closely know that a bank's strength is built on thousands of daily acts performed quietly by people whose names rarely make headlines. They reconcile accounts late, verify transactions to prevent fraud, manage liquidity exposure and ensure payments move across the economy. Their work may be unglamorous, but its impact is systemic.

This duty must sit alongside the need for robust governance. Regulators, auditors and bank boards must maintain a strong firewall to deter malfeasance and protect depositors. Supervision should be proactive, not merely reactive. Capacity building, transparent inspections and strict post-retirement cooling-off rules would help reduce conflicts of interest. Ethical conduct, combined with sound supervision, reinforces public confidence and ensures banks serve the economy without succumbing to short-term pressure or quick gains.

The branch manager embodied that sense of responsibility, perhaps to an extreme and perhaps beyond what training manuals prescribe, but undeniably with sincerity. His story reminds us that banking is not merely about counting money or processing transactions. It is about trust, discipline and extra mile service. It is about individuals who carry institutional reputation on their shoulders, not merely public relations or awards.

As we reflect on such incidents, let us avoid easy judgments. Acknowledge the pressure and expectations that define bankers' lives. Recognise the unseen dedication that keeps the financial system functioning each day. Above all, remember the human cost behind the word "responsibility", a word that defines the banking profession more than any headline ever could.

The writer is a banker and chairman at Financial Excellence Ltd

Netflix's $72b Warner Bros deal faces skepticism over YouTube rivalry claim

PHOTO: AFP

REUTERS, *New York*

Netflix says it must acquire Warner Bros Discovery to compete with YouTube, but antitrust experts doubt regulators will buy that argument.

The streaming giant's $72 billion takeover of Warner Bros Discovery's studios and HBO Max will face scrutiny from US and global regulators, given its scale and the combined 428 million subscribers.

Netflix insists the deal is needed to challenge Alphabet's YouTube, which media analysis firm Nielsen ranks as America's most-watched TV distributor. But attorneys say the Justice Department is unlikely to see Netflix and YouTube as interchangeable rivals, given their different content, audiences and business models.

"Netflix is trying to say it competes with YouTube because people only watch a certain amount of content a day," said Abiel Garcia, antitrust partner at Kesselman Brantly Stockinger. "That argument ultimately fails."

Netflix spends billions of dollars on scripted original movies and series like "Stranger Things" and "KPop Demon Hunters". It frequently dominates Nielsen's ranking of most-streamed original series, accounting for eight of the top 10 originals in a recent ranking. Subscribers pay $7.99–$24.99 monthly, while ads remain a small but growing revenue stream.

YouTube, by contrast, thrives on user-generated content and advertising built on music videos, how-to tutorials and influencers. It commands more viewing time than Netflix or traditional TV, powered by creators like MrBeast, with more than 450 million subscribers, top recording artists and children's hits like Cocomelon.

In October, YouTube held 12.9 percent of streaming viewership, compared with Netflix's projected 9 percent share once combined with HBO

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US launches pact for AI supply chains

REUTERS, *Washington*

The United States on Thursday announced a pact with allies to secure supply chains for minerals needed for artificial intelligence, hoping to secure a key resource as China quickly takes a lead.

The United States signed an agreement on the supply chains with key Asia-Pacific allies concerned about China's growing clout -- Japan, South Korea, Singapore and Australia -- as well as Israel.

Dubbed the "Pax Silica," adapting the Latin terms for peace and silicon, a key material in AI, the partnership aims to secure supply chains and ensure that the countries are not dependent on China.

"Pax Silica is a new kind of international grouping and partnership -- one that aims to unite the countries that host the world's most advanced technology companies to unleash the economic potential of the new AI age," a State Department statement said.

The United States, which said other countries would join, was vague on the practicalities but said countries would work together to ensure timely supply chains.

"We believe that this gathering and grouping matters because the global system is shifting from 'just in time' to strategically aligned," said Jacob Helberg, the State Department's undersecretary for economic affairs.

"Pax Silica ultimately ensures that these countries have reliable access to the inputs and infrastructure that determine AI competitiveness," he told reporters ahead of the signing.

China has quickly taken a dominant position in the race for resources in the fast-growing area of artificial intelligence, mining around 70 percent of key rare earths.

Nvidia may increase H200 chip output due to robust China demand

REUTERS

Nvidia has told Chinese clients it is evaluating adding production capacity for its powerful H200 AI chips after orders exceeded its current output level, according to two sources briefed on the matter.

The move comes after US President Donald Trump said on Tuesday the US government would allow Nvidia to export H200 processors, its second-fastest AI chips, to China and collect a 25 percent fee on such sales.

Demand for the chip from Chinese companies is so strong that Nvidia is leaning toward adding new capacity, one of the sources said. They declined to be named as the discussions are private.

"We are managing our supply chain to ensure that licensed sales of the H200 to authorized customers in China will have no impact on our ability to supply customers in the United States," an Nvidia spokesperson said in a statement to Reuters after the story was published.

Major Chinese companies including Alibaba and ByteDance have already reached out to Nvidia this week about purchasing the H200 and are keen to place large orders, Reuters reported on Wednesday.

However, uncertainties remain, as the Chinese government has yet to greenlight any purchase of the H200. Chinese officials convened emergency meetings on Wednesday to discuss the matter and will decide whether to allow it to be shipped into China, said one of the two sources and a third source.

Very limited quantities of H200 chips are currently in production, Reuters reported on Wednesday, as the US AI chip leader is focused on producing its most advanced Blackwell and upcoming Rubin lines.

Supply of H200 chips has been a major concern for Chinese clients and they have reached out to Nvidia seeking clarity on this, sources said.

A Nvidia GB300 NVL72 supercomputer is seen on display at the Foxconn headquarters in New Taipei City.

PHOTO: AFP/FILE

As part of the briefing provided by Nvidia, the company has also given them guidance on current supply levels, said one of the first two people, without providing a specific number.

The H200 went into mass deployment last year and is the fastest AI chip in Nvidia's previous Hopper generation. The chip is manufactured by TSMC using the Taiwanese firm's 4nm manufacturing process technology.

TSMC declined to comment on capacity allocations for specific customers, pointing instead to recent remarks by Chairman and CEO C.C. Wei on the company's capacity planning approach amid surging AI demand.

China's Ministry of Industry and Information Technology (MIIT) did not immediately reply to requests for comment.

Chinese companies' strong demand for the H200 stems from the fact that it is easily the most powerful chip they can currently access.

It is about six times more powerful than the H20, a downgraded chip from Nvidia tailored for the Chinese market that was released in late 2023.

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