




Cheap labour lifts Bangladesh through global downturn

 AFP, DHAKA

Jan 25: An army of cheap labour has made Bangladesh a hotspot for growth as the rest of Asia struggles through the global financial crisis and observers say the country must now exploit its advantages.

With China finding it increasingly difficult to mass-produce low-cost items at discount rates, buyers have turned their attention to Bangladesh where textiles and footwear can be made cheaply.

"The country is fast replacing China as the desired low-cost manufacturing hub in Asia for items such as textiles and footwear," Ifty Islam, managing partner of Asian Tiger Capital, an investment bank, told AFP.

"Thanks to this abundance of cheap labour and an insulated financial system, Bangladesh was one of the best performing economies in Asia in 2008," Islam, a former managing director at Citigroup and Deutsche Bank, said.

"It will remain so this year and in 2012 we may hit eight percent growth. If the new government can sort out power and infrastructure problems, Bangladesh will be unstoppable."

Battered by the global financial slowdown, stock markets across the continent fell more than 50 percent on average in 2008, while exports have slumped to the negative in many of the so-called Asian tiger economies.

"Dhaka shares were down by merely seven percent. In the five months to November Bangladesh exports grew 27 percent year-on-year, possibly the best rate in the world," Islam said.

Thanks to soaring exports and also remittances sent by the country's overseas workers, Bangladesh's central bank has projected a 6.5 percent growth this year if shipments continue to fare well.

"Unlike economies facing heavy capital outflows and credit crunches in the current turmoil, credit and liquidity conditions remain easy here with no need for any blanket economy-wide monetary or fiscal stimulus," the bank said.

Analysts and foreign investors said tens of millions of labourers who work in poor conditions for less than 50 dollars a month are boosting Dhaka's growth at a time when buyers such as Wal-Mart are looking for cheaper sources.

"All eyes are on Bangladesh because it is the only country which can produce quality textile items at least 20-30 percent cheaper than China," said Steffen Mohler, director of Germany's Multiline Limited, a top trading firm.

Multiline has this month started building one of the world's largest textile factories 50 kilometres (30 miles) north of Dhaka with an investment of 200 million dollars.

It will be largest foreign investment in the country's fast growing textile sector, which accounts 75 percent of its total exports, and will create jobs for 15,000 people when it goes into production early next year.

"We are here because Bangladesh will dominate (the) textile business for years to come. I know of no one-department stores, top retailers and trading firms-who are now not in Bangladesh. They are diverting their orders from China," Mohler said. "We see Bangladesh textile exports doubling to 22 billion dollars by 2011."

Taiwanese entrepreneurs who played a key role in transforming China into the world's top performing economy are rushing to Bangladesh to look for land to build footwear and textile factories, Taipei's representative Frank Chen said.

"Every week we have teams from Taiwan. Many of them have shut down factories in China's southern Dongguan city because they cannot make any money there. Bangladesh is the place which is still profitable," he said.

Taiwanese investors have set up more than two dozen footwear, textile and furniture factories in Bangladesh with the firm Pao Chen looking to build the world's largest footwear factory which would employ 40,000 people, he said.

Such has been the rush of investors that Bangladesh's export processing zone (EPZ) authority says it is running short of plots to allocate to the incoming foreign investors.

"We have rented out almost all the plots," said the authority's spokesman. "Only a handful in the country's 10 EPZs remain, but we are searching for more."

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