

International Business News

Insurance giant AIG faces failure

AFP, New York  
US insurance giant AIG raced against the clock to avert collapse Tuesday after three blows to its credit standing, and central banks pumped out 160 billion dollars to prop up financial markets.

AIG was at risk of following Lehman Brothers into bankruptcy despite approval for it to borrow 20 billion dollars and as report said the Federal Reserve had asked two banks to help provide 70-75 billion dollars.

Markets, investors and savers around the world focused on AIG to see if it would be the next failure in the firestorm from the shocks on Wall Street on Monday, when another investment bank Merrill Lynch was bought out of trouble by Bank of America.

Economist Jeffrey Sachs of Columbia University warned: "There is more ahead. The US economy is definitely going into recession... There's more financial turmoil ahead."

Stock markets fell for a second day on widespread recognition that the financial crisis is the worst since the crash of 1929. The fall in Europe was smaller than on Monday but Asia markets plunged and bank shares everywhere were showing big losses.

Vietnam asks EU to end antidumping duties on leather shoes

AFP, Hanoi  
Vietnam called on the European Union to end its antidumping duties on leather footwear, denouncing the "hard" impact it has on local companies and employment.

The trade ministry in a statement received Tuesday said the tax -- which the EU slaps on imports it deems too low -- affected the employment of more than half a million workers in Vietnam.

Exports from Vietnam to the EU of shoes with leather uppers have fallen from 120,400 in 2005 to 91,000 last year, according to the Vietnam Leather and Footwear Association (Lefaso).

"About 20 to 25 percent of footwear manufacturers were hard hit by the antidumping measures and 40,000 workers lost their jobs in the last two years," the ministry's statement said.

The antidumping measures were introduced by the EU in 2006 to combat an influx of leather shoes from Vietnam and China, where Brussels said manufacturers were getting unfair state aid.

Wall Street chaos to hit Japan economy

AFP, Tokyo  
A senior Japanese official said Tuesday that the meltdown on Wall Street will hit Asia's largest economy by slowing demand for Japanese exports.

"Japan's economy is reliant on external demand for its growth," Kaoru Yosano, the minister for economic and fiscal policy, told reporters.

The turmoil "will inevitably curb US demand for Japanese export products down the road and this will affect the overall Japanese economy," said Yosano, who is a candidate in next week's ruling party vote to be prime minister.

Yosano also said that Japan did not want volatility on the foreign exchange market. The yen has risen sharply against the dollar after US investment giant Lehman Brothers filed for bankruptcy protection.



Customers buy vegetables at a market in Quezon City, Manila yesterday. The high prices of food worldwide are not likely to fall any time soon, and there are no quick solutions to the problem, the Asian Development Bank said.

Trade liberalisation brings little gains to Africa: Unctad

AFP, Geneva  
Africa has opened up its markets significantly to trade, but the move has not given the needed push to the continent's export performance, a United Nations trade and development agency report said Monday.

The UN agency said that despite trade liberalisation, African exports were still insufficient in terms of quality and quantity to gain a foothold in foreign markets.

Average tariffs for the continent fell from 21.7 percent in 1995 to 13.1 percent in 2006, but the average ratio of exports to gross domestic product climbed to just 26 percent from 23 percent.

This increase amounted to a 11 percent growth, much lower than the 50 percent increase (growth from 21 to 31 percent) posted by non-African developing countries after trade liberalisation, said the UN Conference on Trade and Development (Unctad).

ANALYSIS

# Asian banks less exposed to Lehman chaos

AFP, Tokyo  
Asian banks could be spared the worst of the global financial meltdown thanks to conservative lending that has avoided the worst mistakes of risky subprime US mortgage loans, analysts say.

Banks in Asia were scrambling to shore up investor confidence Tuesday as share prices tumbled sharply following the collapse of US investment bank Lehman Brothers, which sparked steep losses on markets worldwide.

But analysts say that, psychological shocks aside, the actual impact of Lehman's failure on Asian banks should be limited, even in Japan -- where two financial institutions were Lehman's top unsecured creditors.

"Japanese banks' exposure this time was very small because they have been cautious and taking little risks," said Masamichi Adachi, Tokyo-based senior economist at JPMorgan Securities.

"They are spared the worst, direct shock from the Lehman incident. But now everybody will become cautious, and every country is connected to the US financial system," Adachi said.

Lehman said in its bankruptcy filing that its top lenders are Aozora Bank, with loans worth 463 million dollars, and Mizuho Corporate Bank, a unit of Mizuho Financial Group, at 289 million dollars.

Shares in Aozora plunged 15.76 percent even though the bank said that, due to protective measures it had taken, its real exposure was estimated at less than 25 million dollars.

Lehman Brothers and other



A Lehman Brothers official looks at monitor at the entrance of Lehman Brothers office in Bangkok yesterday.

US institutions have been hit hard by the subprime mess, which saw easy loans for underqualified home-buyers evolve into a spate of foreclosures and a massive credit crunch.

Japanese banks have avoided aggressive risk-taking, particularly after feeling the pain earlier this decade for clearing massive bad loans accumulated in the "bubble economy" through the early 1990s.

"We went through the bubble era and we all know what happened," said Mitsumaru Kumagai, senior economist at Daiwa Research Institute.

"For the time being, the Japanese financial sector is not

likely to be dragged into a full-out financial crisis," Kumagai said. "But concerns are there for the real Japanese economy."

In South Korea, the Financial Services Commission said the country's banks have invested about 720 million dollars in Lehman.

"South Korean financial institutions' exposure to Lehman will have a limited effect on their financial soundness," the commission said in a statement.

The Bank of China said it was closely watching its unsecured debt with Lehman. But the bank's New York branch is only owed around 50 million dollars by the failed Wall Street titan.

"We will closely watch the

development. It's a big matter," said Wang Zhaowen, a spokesman for the Bank of China.

Macquarie, Australia's largest investment bank, said its exposure to Lehman was negligible. The Commonwealth Bank of Australia said its exposure was less than 150 million dollars (118.5 million US).

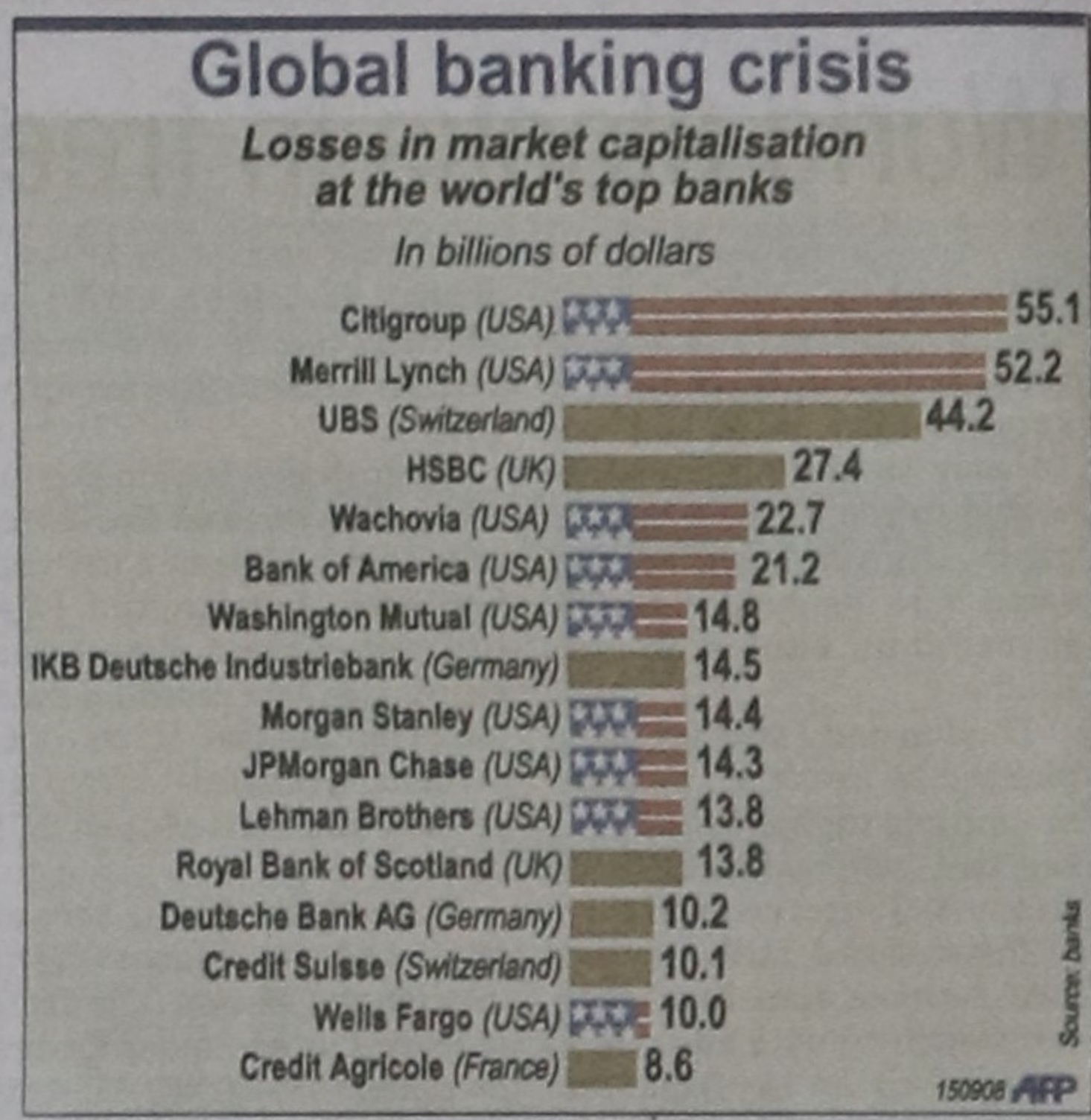
But the sheer scale of Lehman's failure could still leave marks in the regional economy, especially nations that rely on exports for US consumers, analysts said.

"There is no doubt that we are going to see significant financial uncertainty of global scale," Kumagai said.

In Hong Kong, Zachariah Au, a dealer at Prudential

### LEHMAN FALLOUT

- A day after Lehman Brothers filed for bankruptcy and Merrill Lynch, another Wall Street titan, was sold, central banks in Europe and Japan provided a desperately needed \$160 billion in liquidity
- The European banking system is not threatened by the US turmoil, says Ernest-Antoine Selliere, head of employers' federation BusinessEurope
- Dominique Strauss-Kahn, the head of the International Monetary Fund, says the current international credit crisis was "unprecedented" but cautioned against panic



Brokerage, said there were concerns for the health of local financial institutions.

"The chance of other major banks and US firms falling apart is high," Au said.

"The situation is bound to

seriously affect Hong Kong and the mainland market since the US is our largest investor. I'm now advising my customers to just hold what they've got and not to buy any more."

COLUMN

SYED NASIM MANZUR

# Wanted for RMG industry: Ghost busters

Like most people whenever I hear talk of "conspiracy theories" I disregard the rest as it has become the most used and abused excuse for all our ills, be they political, social or economic. Exhorting the people to resist the evil designs of "foreign powers or aliens" has been the most popular diversionary tactic used by our leaders. I confess therefore that I have always been highly sceptical about the conspiracy theories floated by our garments industry from time to time as an explanation for the random and increasingly frequent violence plaguing their industry. But the specific events of Diganta Sweaters that occurred a few weeks ago have changed my point of view. I watched at great length the innumerable news reports and talk shows that day and read also many of the newspaper reports on the same.

The "facts" are, as they emerged:

"The factory employs several thousand workers producing sweaters for export in a huge multi storied factory complex in Gazipur.

"The company seemed to be quite well regarded by the workers as a fair and good employer, with no issues regarding nonpayment of wages, bonuses and overtime, which are the most common roots of discontent in such factories.

"The trouble started when rumours started that a particu-



lar bathroom on the fifth floor was haunted and some unnamed workers had been seen to enter the same in good health and emerge mauled and bloodied. One or more of these victims were rumoured to have actually died as a result and it was alleged that the management then smuggled out the bodies in gunny bags to avoid detection. Some eagle-eyed workers had spotted this and immediately went up the battle cry of "return us the bodies".

"Another woman worker described how she had witnessed two bodies "floating" out of the same bathroom and then had herself fainted, to a TV channel.

Net result: Ten factories in that area attacked and damaged over a 48 hour period, 100 people injured including police, cars burnt, roads blocked and four factories closed down. I watched in disbelief, as the senior police officer on the spot described his inability to "apprehend these spirits" on live prime time TV.

Finally when on a live call in TV show, a viewer advised the senior BGMEA leader to engage an exorcist and bring to justice those evil conspirators that had released these spirits

in the first place, I had to ask: have we lost all rationality and sanity?

Why was there not a single attempt by the police, local administration or even the factory to take a TV crew into that bathroom and actually disprove these claims? Even a layman such as I could see from the wildly contradictory and inconsistent stories by "witnesses" that reason had left the building and mob hysteria ruled the day.

The industry leaders have repeatedly claimed that they have evidence of "outside" interests including foreigners,

NGOs, fake trade union activists provoking such anarchy. They have also claimed that the government intelligence agencies have identified these agent provocateurs but are not acting. The workers have claimed that they have evidence that their co-workers have been assaulted and even killed.

What is preventing the government to conduct a proper and credible investigation of such incidents and then announce the findings to the public, workers, management and local authorities?

We all condemn the few irresponsible and exploitative garment factory owners but we must also laud the majority of hard working entrepreneurs who have transformed Bangladesh. Beyond the statistics (76 percent of our export earnings, two million directly employed, 80 percent women) are the intangibles: how they have helped put Bangladesh on the map, how "Made in Bangladesh" has replaced "Aid for Bangladesh", how they have brought millions of young women into the workplace, how they have generated an entire ecosystem of support industries such as packaging and labels, how they have created new consumers for local industries such as cosmetics and cell phones. The multiplier effects of this industry are too numerous to list but my favourite is a small bazaar store in Shafipur Bazaar that makes "compliance signs".

So then why does this industry still suffer tragedies such as Diganta? I believe the first reason is the too big too fast syndrome where some factories have boosted production capacity rapidly without growing requisite managerial capacity. They have not developed the systems to effectively manage the huge number of people they suddenly employ. The HR function has been simply get more workers and if they leave, get more. In this race to get hands not enough attention is given to the heads and the hearts.

Many of these factories started as small unit where there was a direct link between owner and factory, often a shared history. As the factories have grown that link has been broken and owners have become isolated from the shop floor and completely dependent on line managers. But that cannot and should not be an excuse for anarchy and violence.

Which brings us to the second reason. Suffice it to say the next time you see a factory being vandalized on TV, look a little closer and ask yourselves: do those rioters all look like factory workers and would they really destroy their source of livelihood?

Maybe then we can all help exorcise these evil spirits.

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