

**International Business News**

**\$85b AIG rescue eases fears but banks still pressured**

AFP, Washington

The US Federal Reserve pumped 85 billion dollars into AIG to stop the US insurance giant joining the Wall Street scrap heap, but stock markets were on edge on persistent fears over financial groups.

The rescue, which gives the US government a 79.9 percent stake in American International Group, pushed Asian and European stock markets higher, but European markets then switched back into weak and volatile mood.

However, overall sentiment appeared somewhat reassured by central bank action after panic following the collapse of Lehman Brothers and forced sale of Merrill Lynch.

International worries remained evident though with hundreds of AIG policy holders in Singapore queuing to withdraw their money despite the US rescue.

And in London shares in HBOS bank, Britain's biggest mortgage lender, fell another 35 percent in early trading on Wednesday.

But in general European and Asian markets tried to rally with Japanese share prices closing up 1.21 percent -- after the Bank of Japan injected another 19 billion dollars into the market.

Frankfurt and Paris markets put on one percent after opening, but then fell back in highly volatile trading.

**US financial turmoil to slow Australian growth**

AFP, Sydney

The shockwaves from the financial turmoil in the United States will slow growth in Australia despite the fundamental strength of the economy, Treasurer Wayne Swan said Wednesday.

"It will slow growth here and that will have a flow-on effect on the budget surplus," Swan told the Australian Broadcasting Corporation.

"But at the moment we are experiencing very high terms of trade, record commodity prices, which are assisting us during this difficult period."

Swan later told parliament that while there was likely to be further volatility in global financial markets the Australian banking system remained well placed to meet the challenges.

"What I can say is, and I think it's very important and we should continue to shout it from the rafters, is that our banking system in particular is well regulated and it is well capitalised."

Prime Minister Kevin Rudd also stressed that Australia was well positioned to weather the financial storm symbolised by the collapse of Wall Street titan Lehman Brothers and the troubles of insurance giant AIG.



AFP

Tourists photograph the bull on lower Broadway near Wall Street in New York on Tuesday. Wall Street saw highly volatile trade, a day before the rescue of insurance giant AIG, a behemoth whose collapse could have dealt a further blow to a shaken global finance system.

**India's central bank places curbs on Lehman operations**

AFP, Mumbai

India's central bank said it has told Lehman Brothers not to engage in any government security transactions as primary dealer following the Wall Street giant's collapse.

The Lehman Brothers Fixed Income Securities firm in India has been advised "not to undertake transactions in government securities as a primary dealer in the primary market," the Reserve Bank of India (RBI) said late Tuesday.

Lehman Brothers Capital, a non-banking finance arm of Lehman Brothers, will also need central bank approval "before contracting any direct or indirect liability" from any institution in or outside India, the bank said.

Lehman Brothers filed for bankruptcy in New York on Monday after suffering massive losses from the subprime crisis of loans to high-risk customers.

The RBI "is keeping a close watch on the developments in the wake of filing of Chapter 11 bankruptcy petition by Lehman Brothers Holding in the US," the central bank said in a statement.

**Tata in talks over alternative cheap car plant**

AFP, New Delhi

India's Tata Motors, whose cheap car plant has been dogged by protests, is to hold talks about making the vehicle in southern Karnataka state, an official close to developments said Wednesday.

A senior team from Tata was due to meet Thursday with B.S. Yeddyurappa, the Chief Minister of southern Karnataka state to discuss shifting the making of the Nano from West Bengal, the official, who did not want to be named, told AFP.

The planned meeting follows fresh protests Tuesday outside the unfinished factory in eastern West Bengal state, where the world's cheapest car -- which will retail at 2,260 dollars -- was planned to be made.

Tata Motors has received a slew of invitations from Karnataka and other Indian states to relocate the plant after warning in August it would close the West Bengal factory if farmers' demonstrations kept up.

**SHOPPING**

**Craze for Indian clothes**

SARWAR A CHOWDHURY

With a gorgeous function, Star World joined last week the race of showcasing foreign-branded clothing, especially Indian wears, on Gulshan Avenue, an upmarket area in Dhaka.

Bollywood actor Mahima Chowdhury stole the exclusive fashion house's inaugural, attended among others by Dhallywood star Alamgir, legendary vocal artiste Runa Laila, songster Shuvro Dev and Aankhi Alamgir.

The new business house offers well-off customers the neighbouring country's clothes, ranging from children's dresses to wedding attires with magnificent colour and designs, which have created a craze among the Eid shoppers, especially youngsters.

Cashing in on the craze, which is said to have stemmed from Indian satellite culture, several other fashion houses or stores sprang up in the area. If you wander across Gulshan, others like Star World will not spare your eyes. You can name Shoppers World, Vasavi, Khan Brothers, Almas Super Shop, Rupali and Priyo.

The houses also import a huge number of Indian garment and other fashionable items for men, women and children to make a brisk business ahead of the Eid.

What not available here? The items include sari, salwar kamiz, wedding sari, lehanga, punjabi, pajama, serwani, shirt, T-shirt, trousers, suit, children clothes, shoes, slippers and cosmetics. The prices of those range from Tk 500 to over Tk 1 lakh.

Industry insiders say demand for such clothes have been on the rise since the late 90s. The most common thinking behind it is the influence of Indian satellite television channels. The attraction of Hindi serials and musical programmes has gripped many Bangladeshis, particularly the teens.

They now tend to imitate



AMRAN HOSSAIN

A woman tries on a sari at the upmarket Star World on Gulshan Avenue as shopping gathers momentum ahead of the Eid.

everything Indian. Whenever they see a new design or a new collection of sari or salwar kamiz or punjabi on Indian TV channels, they rush to the malls to buy the garment.

Local shopping mall owners say Indian clothes are more fashionable than local ones.

Star World's Sales and Purchase Manager Joynal Abedin thinks in line with the sub-continental tradition and culture, Indian clothes are world-class.

"As demand for designed clothes grows among the middle class to upper class,

we have started the new mall to cater to the need of our customers," he told The Daily Star.

Prices of the clothes in the mall that sits on a space of 8,000 square feet, ranged between Tk 700 and Tk 35,000. Other products such as shoes, slippers and cosmetics, imported from India, are also available here.

Star World also imports garments, especially for men, from Bangkok, Dubai, London and some other places, Abedin added.

"I come to buy the latest clothes and other exclusive

collections here, as those are offered at a reasonable price," said Umme Salma, a housewife who came to the Star World along with her kid on Tuesday noon to choose a pair of sandals for her daughter.

She also desired to buy a sari, as she is fond of Indian saris for its design and exclusiveness.

Echoing her, another customer searching for a sari, finds that choice options are many in the case of Indian garment items. "A fashion-conscious person will find various collections of one

item, which may not be possible in the case of Bangladeshi items," she says.

Nazir Hossain, manager of Khan Brothers, has made a point behind the fondness of Indian clothes by Bangladeshi customers.

He says almost all the Indian clothes are manufactured with synthetic fabric, while Bangladeshi items are mostly manufactured with cotton fabric.

"The design and colour reflection in synthetic fabric is much more eye-catching than in cotton fabric," he says.

Nazir blamed the lack of development in the country's fashion and designing industry. "In India the fashion and designing industry is developed, even they do research on fashion and design regularly, whereas Bangladesh is far from such initiatives," he pointed out.

"It's an open market economy and the fashion and design is changing every day. If Bangladesh could not cope with fashion and design, a tough time ahead for the local garment industry," he added.

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**ANALYSIS**

**AIG roots run deep in Asia**

AFP, Singapore

AIG has deep roots in Asia, and the troubled insurance giant is now trying to reassure millions of policyholders and tens of thousands of employees in the region that it will survive.

American International Group, rescued by an 85 billion dollar US government bailout, was founded in China in 1919, and Asia remains a vital market for the firm, whose collapse could well have heralded a full-on global crisis.

Of AIG's 116,000 staff in 130 countries, almost half are reportedly in Asia, where wholly-owned subsidiary American International Assurance Company Limited (AIA) manages most of the operations in Southeast Asia, China and Australia.

Even after the US Federal Reserve rescued AIG, hundreds of worried customers converged on the company's Singapore subsidiary on Wednesday, many looking to end their contracts -- some having flown in from abroad.

Others nervous policyholders went to the local offices in Hong Kong. AIG, best known to many around the world as the sponsor of English football powerhouse Manchester United, also has key business in Taiwan, China and Japan.

"I am really worried," said a tourist from the Chinese main-



AFP

People flock to the American International Assurance Company, Limited (AIA) Singapore branch office in the financial district of Raffles Place yesterday. Hundreds of worried policyholders, some hoping to terminate their agreements, lined up outside the Singapore office of troubled global insurance giant American International Group (AIG) and its wholly-owned subsidiary AIA.

land surnamed Chu, who dragged her suitcase to the company's local offices in Hong Kong before catching a return flight home.

"Despite the rescue bid by the US government, AIA will still have to sell its assets to pay back the loans," she said.

From its beginnings in

Shanghai 89 years ago -- it was founded by a Dutch American who was the first foreigner to sell insurance to the Chinese -- AIG grew into a behemoth with worldwide interests including aircraft leasing.

Now AIG's Asian units are trying to distance themselves

from the parent firm's troubles, saying they remain well capitalised.

In Taiwan, where AIG owns 95 percent of Nan Shan Life Insurance, a spokesman said it is "business as usual." Similar assurances came from subsidiaries in Hong Kong, Singapore and Malaysia.

AIA Singapore said it has more than sufficient capital and reserves to meet obligations to policyholders. It said the funds maintained in Singapore are segregated from AIG.

In Shanghai, AIA operations "have been running normally and AIA will fulfill the commit-

ment to Chinese clients," a spokesman said.

But some worried policyholders were not convinced.

Pentja, an Indonesian, was in the Singapore queue, saying he had flown from Jakarta and gone immediately to the AIA office.

He said he knew about the US rescue plan for AIG but wanted to terminate his three policies anyway.

The bailout deal, sealed with AIG on the brink of collapse, gives the US government a stake of 79.9 percent in the insurance company in exchange for the loan.

Singapore's de facto central bank, the Monetary Authority of Singapore, said AIA has enough assets to meet liabilities to policyholders, who should "not act hastily to terminate their insurance policies".

Gary Kwan, a Hong Kong broker with financial services group Convoys, said he advised most of his clients to keep their AIA policies.

"I trust that Hong Kong's regulators are going to do all they can to protect individual investors," he said.

Even if AIG failed, local business units should be able to carry on, said Tey Tze Ming, a market strategist at Saxo Capital Markets Pte Ltd.

Speaking before the Fed announced its rescue plan, Tey said a rush to liquidate policies is an over-reaction.