

International Business News

KfW managers fired for payment to bankrupt Lehman Brothers

AFP, Frankfurt
The German public bank KfW said Monday it had fired two directors who were suspended after the bank transferred more than 300 million euros (434 million dollars) to Lehman Brothers after it filed for bankruptcy.

The transfer, which made KfW a laughing stock in financial circles, was made on September 15 as part of a liquidity exchange operation agreed before the US investment bank went under.

Economy Minister Michael Glos and Finance Minister Peer Steinbrueck said in a joint statement on Monday that the decision to fire the two managers would take effect immediately.

KfW said last week that the service responsible for the transfer had made "an error in estimating the risk of Lehman Brothers insolvency."

The German state-owned development bank has already been hit hard by the US financial crisis, owing to its holding in IKB. This specialist in loans to small- and medium-sized enterprises had invested heavily in securities backed by risky US mortgages.

That stake was finally sold to an investment fund for a fraction of its initial value.

Japan faces 'uncertainty' from financial crisis: BoJ

AFP, Tokyo
Japan will likely avoid a deep slump from the global credit crisis but faces "considerable uncertainty" and downside risks to growth, a top central bank official said Monday.

The possibility of a dive on the back of the Wall Street crisis "is rather small," Bank of Japan deputy governor Kiyohiko Nishimura told a news conference.

But "the outlook for economic activity is accompanied by considerable uncertainty and various risk factors could influence the outlook," he said.

The central bank "is attentive to downside risks to economic growth," he added.

Despite being relatively insulated from the US-born subprime crisis, Japan's export-driven economy is teetering on recession due to a cooling global economy and tepid domestic spending.

Nishimura lauded recent investments by Japanese banks that have embarked on a buying spree of US banks, which have crumbled due to massive mortgage-related losses and failure to secure funds.



Bank of Japan Deputy Governor Kiyohiko Nishimura speaks before press in Tokyo yesterday. Japan will likely avoid a deep slump from the global credit crisis but "considerable uncertainty" and downside risks to growth remain.

Wal-Mart subsidiary in Japan to close stores

AFP, Tokyo
Japanese supermarket chain Seiyu, a subsidiary of US retail giant Wal-Mart Stores, said Monday it will close 20 stores in a bid to turn a profit after six straight annual losses.

The company did not say whether it would cut jobs. The Nikkei newspaper said 350 positions would go through early retirement.

"We shall stop operations and close about 20 existing stores that do not fit into the new basic store format," said a statement from the company, which runs about 400 stores nationwide.

Although Seiyu has taken similar measures in the past, it is the first major restructuring since Wal-Mart took full ownership of the company in December.

The Japanese supermarket operator said it continued to renovate stores and improve its product lineup.

Critics have said Wal-Mart's mass-market formula faces a tough sell in Japan, where customers are known for being ready to pay higher prices for luxury or convenience.

Vietnam GDP growth at 6.5pc

AFP, Hanoi
Vietnam's economy grew 6.5 percent in the first nine months of the year, lower than its target rate but still "encouraging" in the "context of a deteriorating world economy", the government said Monday.

To reach the official aim of 7 percent growth for the whole year, "the GDP growth for the remaining three months must be 8 percent," said an official report from the state-run General Statistics Office (GSO).

Amid double-digit inflation, Vietnam had to lower its growth target for 2008, after recording 8.5 percent growth in 2007.

But some parts of the media estimate the economy will grow at less than the 7 percent target, while the government says it has changed its focus from high growth to containing inflation to ensure stability and social security.

Vietnam's inflation rate in September reached 27.9 percent compared to a year ago.

BANKING

Crisis slams European banks

Belgian-French bank Dexia is the latest in line after Fortis and Bradford & Bingley

AFP, New York
A 700-billion-dollar deal to save the US economy awaited approval Monday but the global crisis swept on regardless, hitting European banks, slamming stocks and freezing money markets.

Several European banks were being rescued or were under stock market attack Monday, with Belgian-French bank Dexia the latest in line after Fortis and Bradford & Bingley.

Suspicion and fear swept onwards despite the revised bailout for US banking stitched together by US lawmakers Sunday, despite European government rescues for Fortis and Bradford & Bingley and despite renewed central bank infusions to sustain interbank funding.

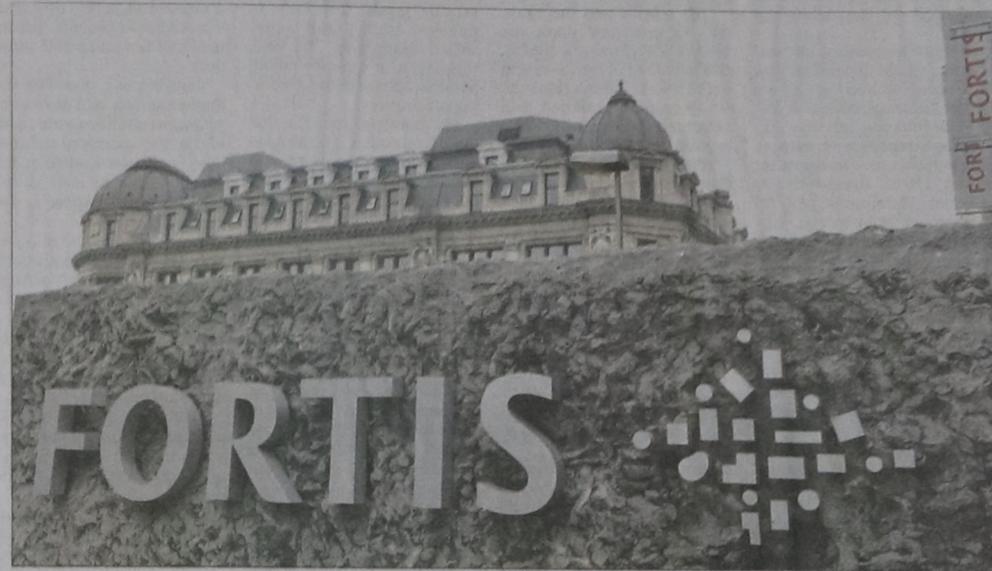
And stock markets slumped in a strong vote of scepticism about prospects for the global economy, and uncertainty about Congressional approval for the bailout.

But the dollar jumped, and in London the euro was at 1.4362 dollars from 1.4613 here late Friday.

Barclays Capital analyst David Woo said the bailout deal "reduces the risk of a systemic collapse" but "many downside risks remain -- not least those related to a protracted slowdown in the global economy."

In addition "financial market turbulence is seriously affecting the European financial system" and "weakness in equities ... suggests the market is pessimistic about the likely effectiveness of the (US) Treasury's plan."

UniCredit economist Marco Annunziata said in London that Congressional approval could take a few days and although the package "pulls us back from the brink," extreme



View taken of the Fortis bank logo yesterday in front of the Fortis headquarters in the centre of Brussels. The new head of troubled bank Fortis admitted that mistakes had contributed to the Belgian-Dutch financial group's woes which required a complex partial nationalisation by three governments over the weekend.

dislocations in money markets were a source of "serious stress in the financial sector."

UniCredit said that money market interest rates were "symbolic" rather than meaningful, and central banks "are trying their best" to provide emergency funding.

The European central bank announced a special 38-day loan to eurozone banks, and the Bank of Japan injected 1.9 trillion yen (17.8 billion dollars) in Tokyo.

Financial shares led European stocks downwards. Shares were down 2.49 percent in London, 2.83 percent in Paris and 2.84 percent in Frankfurt, after falls of 4.3 percent in Hong Kong and 1.26

percent in Tokyo.

"In this market, no-one is taking any chances and we must wait until the vote to confirm it (the plan) has passed," said City Index market strategist Joshua Raymond. "Then we must see if it ticks all boxes for a recovery, and that means the market understanding how it is going to work fundamentally."

The US House of Representatives was to vote Monday, but it was not certain that the complex package would be passed.

President George W. Bush said the rescue "sends a strong signal to markets around the world that the United States is serious about restoring confi-

dence and stability to our financial system."

But some conservative Republicans and liberal Democrats steadfastly opposed the plan, which includes the immediate release of 250 billion dollars to enable the government to buy up troubled assets.

Central banks again pumped funds into money markets because, analysts say, interbank lending is being strangled to an "apocalyptic" extent, with massive potential repercussions on lending to businesses and consumers.

Interbank lending rates rose even further Monday, in defiance of the agreement in Washington.

The Belgian government said it would stand by Dexia bank, a leading European lender to municipalities, as its shares plunged by 23.0 percent and it rushed out a statement assuring "our liquidity is very good."

German Bank Hypo Real estate was rescued by other banks as was small Danish bank Bonusbanken.

Shares in Fortis, one of the biggest banks in northern Europe, plunged again despite the weekend nationalisation, and stocks in leading Swiss bank UBS also slumped more than seven percent.

Meanwhile French President Nicolas Sarkozy called a meeting of the heads

of top French financial groups to "review the situation of financial institutions and the credit level of households and business," his office said.

The US bailout plan is the biggest state intervention since the Great Depression, but the wave of failure and distress in European banking is also assuming unprecedented proportions.

Any relief internationally from the tentative US rescue agreement came too late for Fortis, rescued by Benelux governments for 11.2 billion euros (16 billion dollars) at the weekend. Fortis shares slumped 18.9 percent in Amsterdam after crashing last week.

Fortis's problems are "weighing on European banking stocks," a Zurich-based trader told AFP, adding "UBS is much more exposed than Fortis."

In Paris, shares in Credit Agricole fell 6.84 percent and in BNP Paribas by 6.27 percent.

In London, Royal Bank of Scotland stock shed 13 percent, HBOS dived 8.94 percent, and Barclays dipped 6.55 percent. Bradford & Bingley was rescued at the weekend with a part takeover by Spanish Santander bank and 612 pounds (773 million euros, 1.1 million dollars) by the British government.

Monday, German banks extended a life-saving multi-billion-euro credit line to Hypo Real Estate (HRE), and small Danish bank Bonusbanken was rescued by Vestjysk bank.

Motomi Hiratsuka, a trader at BNP Paribas, said: "We know that we are most likely to avoid a meltdown in the US financial sector, but what matters now is negative news from new regions."

The oil price dropped 3.39 dollars in London to 103.50 dollars per barrel.

EID

Afghan tailors race against the clock

AFP, Kabul
Mobin Frough's eyes are red and bleary.

He and two other young men squeezed into his tiny shop in northern Kabul have been working at their sewing machines day and night to complete orders of clothes in time for the start of Eid al-Fitr this week.

"It's good business but it makes us very tired and very impatient," says the 24-year-old.

This is boom time for the city's tailors, with many Afghans getting at least one new outfit for the three days of socialising that mark the end of the holy month of Ramadan.

Such is the demand, Frough's one-room shop opens at 8:00 am, and he and his team will work until three or four the next morning.

Tea and cigarettes keep them going, they joke. "I have worked as a tailor for 10 years, so I can do it," Frough says.

In a street market outside, women in blue burkas stand out in a crowd sifting through stalls of bright fake flowers, coloured bangles and plastic versions of gold and gem necklaces that go for 80 afghani (1.5 dollars).

These markets do brisk trade ahead of Eid, along with cookie makers, dried fruit sellers and boutiques of expensive Turkish and Iranian fashions that are startlingly revealing in conservative Afghanistan.

But it is the tailors that put in the hours, working well into the wee hours in rooms of fluorescent light, standing out

like beacons in dark and empty streets.

Aisha, 40, says she has had four punjabi suits -- Indian-style long tops and loose trousers -- made this year. An olive one is for the most important occasion, morning prayers on the first day of Eid.

Covered in black with only her face and hands bare, she says she has spent less than 48 dollars.

"Some women will spend 100 dollars, some make six outfits and then everywhere they go they will change," she says in a courtyard where boys at machines sew on buttons and finish seams, coils of zips and bias binding hanging above them.

"This is the time we have to work hard to make money," says Safar Mohammad, 22, a tailor since he was 10.

A measuring tape around his neck, Mohammad stands at a sewing machine that is hand-operated. Electricity is irregular, sometimes just a few hours a day.

On a tall workbench an iron for pressing seams rests on a gas flame; about 20 plastic bags holding completed piran tunban -- men's long shirts and baggy trousers -- hang from nails in a line from the ceiling.

Mohammad says his small business has made about 100 of the outfits this Eid. Last year they made about 60. In ordinary weeks, they make seven to eight.

His monthly income at Eid is about five times that of the rest of the year, although New Year in March is another good time for tailors.



Tailors work in a shop in Kabul. It is a boom time for the city's tailors, with many Afghans getting at least one new outfit for the three days of socialising that mark the end of the holy month of Ramadan.

He and his team also work almost around the clock, snatching a few hours of sleep in the early morning.

"For me it is boring," he says. "If I could find another job, I would do it."

Across town, Habibullah Walizada has a larger operation in a wealthier area close to parliament and about half of his Eid customers have chosen Western-style jackets and trousers over traditional wear.

In his workroom electric

sewing machines and irons are plugged into a web of cables that run across the ceiling to a generator chugging outside.

"The orders are really high and they want them on time, so we have to work really hard," Walizada says while his staff of 20 men take a break before the graveyard shift.

"For 20 days it's not too bad. It is hard but we have to."

But running a business in Afghanistan presents a myriad of problems, says the 31-year-

old, who returned six years ago from exile in Iran.

Just months back, material and other items worth 9,000 dollars were stolen from another of his shops. He believes the police may have been involved -- a common suspicion in Afghanistan.

"But I can't say anything because if I do, I could go to jail and would have to pay to get out," he says.

Then there was the government official who wanted 300

afghani to overlook an expired business licence. He refused and paid a fine of half that sum.

His generator costs a fortune to run, rent is high and he sees no benefit from the tax he pays the government. In a good month, he makes just 300 dollars.

Walizada is thinking about leaving again. "I know that living as a refugee is difficult but here I have so many problems, it is making me depressed."