

International Business News

Lucrative business class air travel hit by crisis

Businessmen and women, hit by the global financial crisis, are cutting back on their trips and forcing airlines to either slash their prices or to reduce capacity, analysts said.

British Airways, which has 10 flights daily between the world's top two financial centres of London and New York, is among the worst hit carriers.

"Longhaul premium traffic has softened after the summer and forward bookings are being affected by the increased anxiety in financial markets and by the uncertain economic outlook," it said in a review of traffic for September.

The financial crisis, which began in the US subprime mortgage sector, has been routing global financial markets and there are signs it is now affecting other economic sectors such as manufacturing, tourism and property.

British Airways saw an 8.6 percent decrease in premium traffic and a 4.1 percent fall in non-premium traffic compared to the same month a year before, the airline said on its website.

"Its compatriot Virgin Atlantic, which also focuses on the same zone, is going through the same torments, even if it won't say so publicly," said a Paris airline sector analyst who asked not to be named.

Australian govt guarantees all bank deposits

The Australian government will guarantee all deposits in domestic banks as the financial crisis enters a dangerous new phase and threatens growth, Prime Minister Kevin Rudd said Sunday.

"We are talking about all deposits, let's be clear about that," Rudd told reporters in Canberra.

"For Australian banks, building societies, credit unions and also for the foreign subsidiaries of banks operating in Australia taking deposits."

Rudd, who has held two days of crisis talks with top officials on the financial turmoil sparked by the credit crunch, said the government would also guarantee all wholesale term funding by Australian banks operating in international markets.

The centre-left Labor prime minister said the move had been prompted by decisions by foreign governments to offer assurances to their financial institutions, leaving banks Down Under at a disadvantage.

"As prime minister of Australia I will not stand idly by while Australian banks are disadvantaged in international credit market places because of the actions taken by foreign governments," he said.



A combo of images shows an Emirati investor reacting to the movement of share prices on the Dubai Financial Market in Dubai yesterday. Stock markets in the energy-rich Gulf states opened the week's trading Sunday sharply down with the Dubai Financial Market shedding six percent.

Philippine economy to slow but not crash

The Philippine economy may slow down amid the global financial crisis but there is no chance of a crash, an official said Sunday.

Augusto Santos, deputy director general of the National Economic Development Authority (NEDA), appealed for calm as he predicted workers could still get their bonuses this Christmas.

"There is really no cause for panic," Santos said on local ANC television. "The moment that the people panic, that will make the situation worse."

"We will still have positive economic growth. It will contract but it will not go negative," he said.

He said the government was working on a contingency plan for overseas-based Filipino workers who may be affected by the global financial crisis.

Tehran's bazaar stays shut in VAT protest

The Iranian capital's traditional bazaar stayed on strike on Sunday demanding that a decision to bring in VAT be scrapped, even after President Mahmoud Ahmadinejad froze its implementation for two months.

Stalls were shuttered in the capital's main bazaar, an AFP correspondent said, with policemen in uniform and plainclothes patrolling the area. The main gate remained closed and shoppers returned empty-handed.

"Because of this tax (VAT), there is an increase of 10 to 15 percent in prices, so we want the government to annul the law," a shopkeeper standing by his closed business said.

"By closing our shops we are losing money for a few days but if we do not succeed we will lose money for ever," another bazaar said of the bazaar shutdown launched on Wednesday.

FINANCIAL CRISIS

Migrant workers on edge

AFP, Singapore

As the global financial storm blows fear through Asia's stock markets, Filipino maid Christy Arciaga is jittery -- even though she does not own any shares.

Her businessman employer has lately become more irritable as he has watched his investments being swallowed in a sea of red ink, and the 46-year-old domestic helper is often on the receiving end of his bad moods.

"My employer would turn on the television every morning to check the latest stock market report even before breakfast. He is often angry and tells me he might send me home even before my contract ends," Arciaga said.

"The thought of going back has caused me sleepless nights. What about my family? Two of my children are still in college."

Thousands of migrant workers, among them maids, restaurant staff and labourers working in wealthy Asian cities such as Singapore and Hong Kong, are worried that an economic slowdown and retrenchments resulting from the crisis could hit their employers' pockets, and leave them without jobs.

This would mean that the flow of remittances they send home to their poor families will dry up -- and with it money for food, clothing and school fees.

Another maid, Myra Catacutan, 34, said she recently heard her employer angrily talking on the phone with someone, presumably a financial adviser, demanding her money back.

"My employer was shouting to the one on the other line: 'Give me back my money'.



Foreign domestic workers chat in front of a financial advertising poster in Hong Kong yesterday. Asia's migrant foreign workers -- among them maids, restaurant staff and construction labourers -- fear the financial crisis could leave them without a job and condemn their poor families back home to greater hardship.

When she turned to me, she was teary-eyed and told me she could lose a big amount," she said. "I am worried she might let me go."

William Gois, regional coordinator of the non-government group Migrant Forum in Asia, said that any massive retrenchment would worsen poverty in the migrants' home countries.

"Families dependent on (overseas) remittances will find now that nothing is coming in and it might further aggravate the poverty situation," Gois said by telephone from Manila.

The Philippines, Indonesia, Bangladesh and Sri Lanka, which are key exporters of human labour, would be most affected, he said.

The Philippine central bank has said money sent home by Filipinos working abroad totalled 9.6 billion US dollars for the first seven months of the year and is expected to hit a record 15.9 billion for the whole of 2008.

Slowdown could see millions sent home --

Another problem is the large numbers of migrant workers without proper documents in Hong Kong, Japan, Malaysia, Singapore and South Korea, Gois said.

"In times of an economic slump, the first thing that governments do is crack down on undocumented workers because they are seen as a burden to the economy and a problem to society," he said.

Gois said there are more than 53 million migrant workers from Asia employed world-

wide, mostly in the Gulf countries and the Middle East. A high percentage are low and middle skilled labourers.

While there have been no reports so far of large layoffs, workers interviewed by AFP said they are worried.

"Of course I am afraid," a Bangladeshi worker said in between drilling with a jackhammer near a suburban housing complex.

"I don't understand much about the reason for the crisis but I'm just concerned my company will be affected."

In Singapore, sending home a maid could save a household at least 600 Singapore dollars (407 US) a month.

Many of those who employ maids also dabble in stocks and other financial products whose value has been eroded because of the turmoil.

With foreign visitor arrivals in Singapore falling for the third straight month in August, there could be retrenchments in restaurants and shops, which employ many Filipinos and mainland Chinese.

Any slowdown in the construction sector would affect thousands of migrant labourers from Bangladesh, India, Myanmar, Thailand and China.

In Hong Kong, which is home to 150,000 Filipinos mostly employed as maids and in bars and restaurants, worries about fallout from the crisis have already begun to resonate through the tight-knit community.

"Migrant workers are very worried," said Eman Villanueva, secretary general of United Filipinos in Hong Kong, a migrant rights group.

"They are first of all concerned about their jobs. Most of the people in Hong Kong who employ domestic workers will have investments or are facing potential job losses because of the financial crisis."

Villanueva said that many migrants were also concerned about the safety of their own investments.

"Many have paid for education insurance to make sure their children are able to go to university, or into a pension. They are worried about what will happen to their money," he said.

COLUMN

HABIBULLAH N KARIM

The game of setting targets

The commerce adviser sat down with the export industry dons last Wednesday to finalise the export targets for fiscal 2008-09. This happens to be a routine exercise done every year by the commerce ministry against which the export performance of the nation is measured. Over the years, the ministry has worked out a definitive protocol of arriving at these target figures each year in advance.

Looking at past export performances and targets set we find that the numbers are strikingly close. For example, in fiscal 2007-08, the declared target was \$14.60 billion, while our total export receipts as per Bangladesh Bank were \$14.10 billion, which is just 2.5 percent shy of the target. In the last 10 years, the export targets and receipts were within a band of +/- 5 percent except in 2001-02 when there was a negative growth for the first time since 1980. Setting targets within 5 percent of actual performance is quite a feat in itself.

Ask any economist. In fact the gurus of economic forecasts are usually so offbeat in their predictions that mainstream economists usually rely on moving averages of seemingly disparate numbers. The following story illustrates the point. Three economists go hunting in the Sundarbans (let's say they got the licence from the forestry department). They see a deer and the first shoots but misses the deer to the right. The second shoots but he also misses the deer but to the left. As the third looks on, the other two urge him to shoot but he shrugs his shoulders and in a resigning gesture declares that as far as he is

concerned, averaging the two shots already taken, the deer has been shot (no offence meant). Compared to such deer hunters, obviously, the commerce ministry and the Export Promotion Bureau (EPB) deserve much kudos for their panache for accurate forecasts.

Setting forecasts is far from trivial.

In the private sector, most companies do not have annual forecasts of sales or profits and those that do are lucky to have their actual performances even graze the perimeters of their set targets. Of course, there are sophisticated econometric tools to make economic forecasts, which border on science. But determining the set of factors influencing economic performance is not an exact science as many, if not all, factors and their weightages are grounded in subjective assumptions which make such exercises more an art rather than science. Then there are of course the likes of the Chicago feline which in the nineties became famous for predicting the weather expressed through her moods that turned out more accurate than forecasts made by super-computers. Whether the feline's lady mistress was a voodoo magician or not, a certain measure of mystique always surrounds those who can make good predictions for the future.

Despite all these uncertainties then why bother with setting targets? A lot of research and academic examination has gone into the theory of goal setting in the last fifty years. According to the theoreticians "Goals provide a sense of direction and pur-



The picture shows shipments ready for export. The government sat down with the export industry dons last week to finalise the export targets for fiscal 2008-09.

pose". This alone justifies setting goals or targets at personal, organisational and national levels. When setting targets we can take a conservative approach based on historical data as in time-series forecasting, an optimistic approach based on economic trends as in causal forecasting or a BHAG approach based on our long-term dreams where BHAG stands for Big Hairy Audacious Goal as proposed by management gurus James Collins and Jerry Porras in their Harvard Business Review paper "Building Your Company's Vision" in 1996.

Deciding on targets, however, depends on many factors, some are internal to the entity

setting the targets while some are external over which the entity has little or no control. While setting national export targets, we can help boost performance through necessary interventions from the government or the state, such as removing negatives where a certain policy or procedure is seen as an obstacle to growth or introducing positive interventions such as providing incentives. However, the government and the nation at large have no direct means to subvert dwindling export fortunes due to any onset of global recession (very likely in the aftermath of the financial industry meltdowns in the US, UK and other major export

destinations of our goods and services) or let's say diversion of global economic resources due to a pandemic (at one point a bird-flu pandemic was looking menacingly real) or some such "Force Majeure" externalities. Seen from this perspective it's quite amazing that the forecasts by the commerce ministry and EPB have been as close as they are.

The theory of goal-setting however mandates that any enhancement of performance through goals requires feedback. As a software industry promoter, I would be remiss in my duty if I did not mention that appropriate software solutions can make the tasks of taking feedbacks, assessing

them and re-aligning targets to match performance potential, a breeze.

I am happy to note that the government has set a target of \$16.3 billion, an increase of 15.5 percent in exports for the current fiscal year despite all the external negatives but what we would all like to see is a BHAG of \$60 billion in exports to be achieved by 2015 and then pull out all the stops to make that happen. It may surprise you to know that this BHAG requires an annual export growth of slightly over 20 percent a year. Certainly not beyond our reach.

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