

International Business News

India's central bank workers plan strike for Tuesday

Thousands of employees at India's central bank plan a nationwide walkout on Tuesday to push for better pensions in a move that threatens to throw the nation's financial system into turmoil, reports said.

The planned strike comes as India's economy is being buffeted by the global financial upheaval.

It would be the first time in 13 years that management and staff of the Reserve Bank of India, based in the country's financial centre Mumbai, have jointly called a strike, newspapers said Saturday.

The walkout will hit payment and settlement operations between banks, foreign exchange market transactions and bulk electronic payments.

The employees are pushing for pension parity with government employees and automatic revision of pensions when pay scales are revised.

Only senior management would not take part in the strike. The central bank operates in 26 cities in India and has around 21,500 employees.

The two sides met on Friday to thrash out a settlement but the talks ended in stalemate, the Business Standard daily said.

Karl Marx classic 'Capital' selling well in crisis, publisher says

Whether it is simply a fashion cycle or a sign of the times, books by communist icon Karl Marx are selling well, German publisher Joern Schuetrumpf said Friday.

"My sales have been increasing since 2005," said Schuetrumpf on his stand at the Frankfurt Book Fair that was decorated with posters of Marx and Rosa Luxemburg, a German socialist figure.

Schuetrumpf is head of Karl Dietz Verlag, which specialises in communist literature, and spoke in front of his bestseller, a sober edition of "Capital," the landmark work written by Marx and Friedrich Engels and first published in 1867.

"In 2005 I sold 500 copies, then 800 in 2006 and 1,300 in 2007. In the first nine months of 2008 I am already at 1,500. The absolute numbers are not impressive but the progression is," noted the militant editor who offers small Russian cakes to visitors.

"Of course fashion has an effect, since there are many young readers who buy it but who will never finish it because it is extremely tough and demanding reading," Schuetrumpf said.



Workers protest in front of Japanese automaker Nissan's factory in Barcelona on Friday. Nissan announced on Monday it would cut 1,680 jobs in Barcelona, northeastern Spain, as the economic downturn in Europe weakened demand for its larger 4X4 and trucks.

Russia promises state aid for crisis-hit companies

The Russian government will offer credit to companies in the agriculture, defence, energy, construction and automotive industries hit by the financial crisis, the Kremlin said on Saturday.

The government will also expand a credit programme for small businesses from 341 million to 1.1 billion dollars (253 to 817 million euros), Russian news agencies reported, citing an official from the Kremlin's press office.

Property developers will receive credit through state banks to build more houses, while energy companies will get state help in paying back external loans and their existing credit will be refinanced, the reports said.

Under the measures, which were agreed at a government meeting on Thursday, state banks will also give additional credit for agricultural projects and the defence industry will get extra state credit guarantees.

The reports did not give any figures on the extent of financing.

Pakistan central bank cuts cash ratio to inject liquidity

Pakistan's central bank moved to inject liquidity into the country's struggling financial system on Saturday by cutting the amount of cash commercial banks must hold in reserve.

The bank lowered the cash reserve ratio two percentage points to six percent, and said it would be cut to five percent on November 15, as it sought to ease tight credit conditions that have hit economic demand around the globe.

Shamshad Akhtar, governor of the State Bank of Pakistan (SBP), said the move would inject 180 billion rupees (2.2 billion dollars) into the system and that the overall package would total 270 billion rupees.

"The State Bank will monitor the liquidity flow after the injection of massive liquidity into the banking system," she said.

ANALYSIS

Credit crisis brings job losses

Fallout from the financial crisis grew Friday as fresh job losses were blamed on the turmoil and bank chiefs faced a backlash, while stocks closed a tumultuous week with more wild swings.

In the United States, markets were reminded of the root of the problem as data showed construction starts on new US homes slumped an additional 6.3 percent in September to the lowest level since the recession in 1991.

Housing starts fell to an annualized rate of 817,000. That was down 31.1 percent from a year ago in the latest evidence of the bursting of the housing bubble that has ravaged the US economy and led to the global financial crisis.

US-based General Motors on Thursday announced a cut of 1,600 jobs, while Swedish plane maker Saab said it would cut 500 positions over two years after announcing heavy losses.

Unemployment has grown across Europe and the US with key sectors such as car-makers badly hit. Analysts forecast worsening economic conditions in most advanced economies.

Chinese toy maker Smart Union, heavily reliant on the US market, announced it had gone bust due to the financial crisis, leaving up to 7,000 people jobless.

The world's largest steelmaker, ArcelorMittal, said it was cutting production and could ultimately reduce output by as much as 15 percent because of weakening demand.

The finance industry's reputation took a new blow in France where Caisse d'Epargne bank said it lost about 600 million euros (800 million dollars) in a trading "incident."

A company official, speaking on condition of anonymity, told AFP that a group finance director had been sacked over the loss. French President Nicolas Sarkozy said those responsible must "bear the consequences."

On arriving in Canada, the French leader also said that a summit of world leaders on the crisis was likely to take place before the end of the year.



Undocumented immigrants crowd by the van of a potential employer who might hire them for the day on a street corner in the Brooklyn borough of New York City on Friday. The men wait for vans from construction, rubble cleaning companies and other services that hire day labourers. In tough financial times, the work has slowed down for the immigrants.

Sarkozy was due in the United States for talks Saturday with President George W. Bush.

Also Friday, Swiss newspapers angrily called on former top managers of banking giant UBS to return bonuses after the bank had to be rescued by the state this week.

"Mr. Ospel, pay back your bonus! Now! Immediately!" screamed the front page of tabloid Blick, referring to former UBS chairman Marcel Ospel, who was forced to resign this year over billions in losses in the US subprime mortgage crisis.

The headline reflects widespread public anger in Europe and the United States about the bailout of troubled banks, whose bosses have pocketed millions in bonuses in recent years.

In other developments Friday:

-- The Libyan state became the second biggest stakeholder in Italy's leading bank UniCredit as foreign investors showed renewed interest in troubled Western banks amid the global financial crisis.

-- Ukraine said it was negotiating a 14-billion-dollar emergency loan with the International Monetary Fund and Argentina announced it had struck a deal with three foreign banks to renegotiate part of its 150-billion-dollar sovereign debt mountain.

-- Both houses of the German parliament approved the government's rescue package for the financial sector. But 99 deputies voted against and

Greens parliamentary chief Renate Kuenast said the proposals were a blank check for banks which could not be held accountable by taxpayers.

-- Luxembourg joined the scramble to strengthen bank deposit guarantees. The banking principle increased its guarantee from 20,000 euros to 100,000.

-- British Prime Minister Gordon Brown said in a newspaper column that the financial crisis was a "defining moment" for the world economy and renewed his call for revamped global institutions.

"The old post-war international financial institutions are out of date," he wrote in The Washington Post. "They have to be rebuilt for a wholly new era in which there is global, not

national, competition and open, not closed, economies."

Returning to the US economy, Andres Carbacho-Burgos at Economy.com said the latest data on home construction showed the housing market is still looking for a bottom after an unprecedented meltdown.

"With the nation's financial crisis resulting in tighter credit across the board, housing construction will see at least another month of declining activity before picking up," he said.

Global stock markets remained choppy after wild swings in the past week, but most were firm as some analysts said there was evidence of a "bottom" from the market meltdown of the past few weeks.

The London FTSE 100 index surged 5.22 percent, the Paris CAC 40 added 4.68 percent and the Frankfurt Dax finished 3.43 percent up.

On Wall Street, the Dow shed 1.41 percent to close at 8,852.22, capping a week of ups and downs that saw the blue-chip index gain 4.7 percent after a horrific 18 percent meltdown the prior week.

Tokyo's Nikkei index finished a volatile week -- in which it soared a record 14.15 percent on Tuesday and fell more than 11 percent Thursday -- five percent higher.

"We are exhausted with the recent violent swings. Honestly, I want to take a little break," said Masatoshi Sato, a broker at Mizuho Investors Securities.

COLUMN

SARWAR AHMED

Good to greed

As we exchanged Eid greetings, Masud Bhai, a colleague-turned consultant, recalled a past column in which I had noted the influence of Jim Collin's book, Good to Great, on Rahimafrooz. The conversation turned to the ongoing financial meltdown on Wall Street and beyond. We wondered if some of those great companies studied in the book were also victims of the meltdown. And if so what had happened?

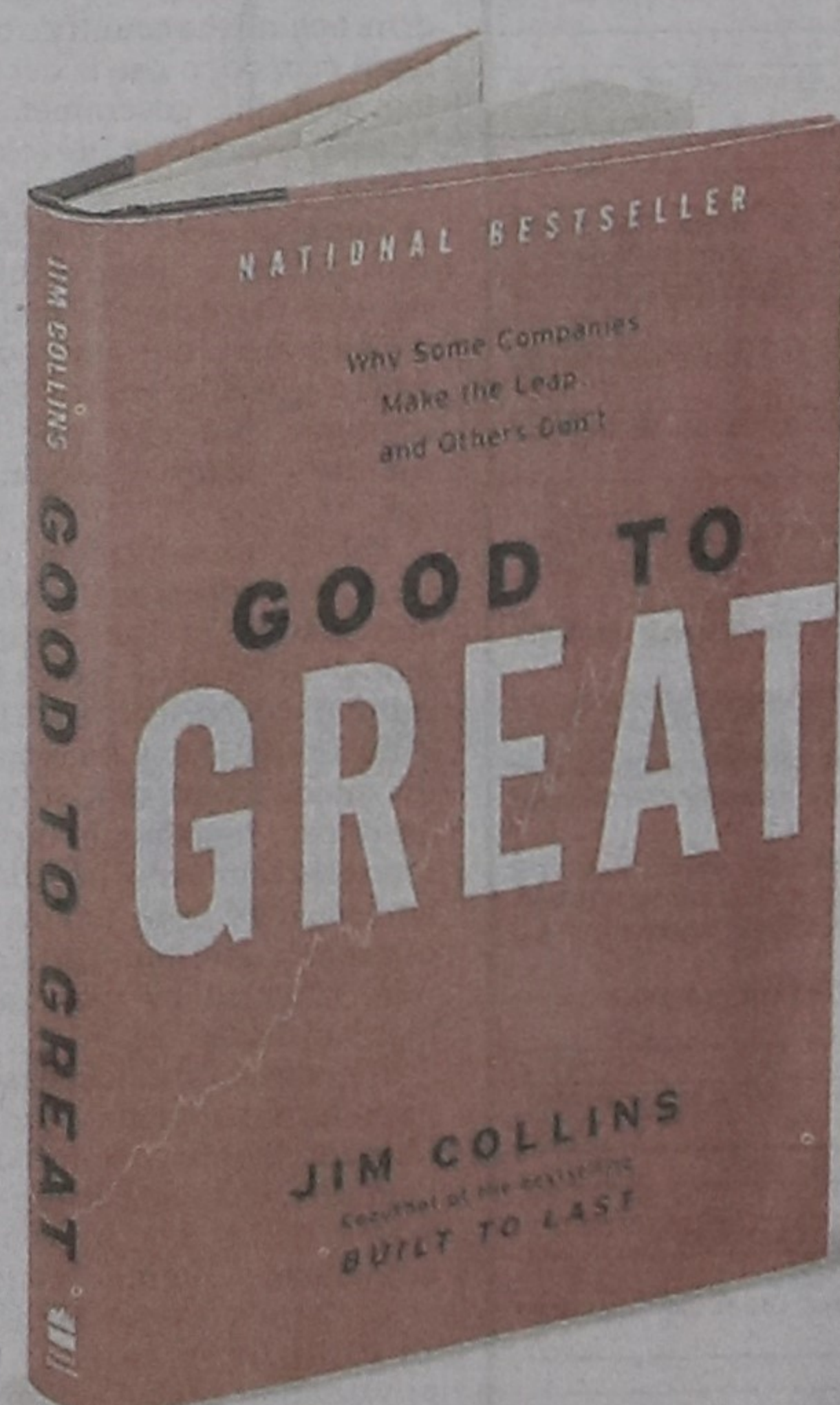
Many venerable, centuries old organisations have vanished in an incendiary flash of an exploding financial atomic bomb. It was Warren Buffet who knew this ticking bomb would wreak havoc, a weapon of financial mass destruction and inflict terrible harm to the US economy. He had made sure his companies were not dabbling in stocks of such organisations. What was this dangerous weapon? It is a basic human trait, greed. I guess someone should now write a book, Good to Greed.

Greed blinds you. Over the years, Wall Street institutions built up dubious high-sounding financial instruments that piled up debt upon debt like a house of cards. All this, with a view to make high-risk high-profits, which trans-

lated into simple English, means greed. Unfortunately, the gamble did not pay off. Lo and behold, like the magician's swishing away his cloak, the house of cards simply disappeared. That house of cards is what the American economy is today, swaying and staggering like a drunk, making Americans a lot poorer than they were or deserved.

We now hear of toxic financial assets poisoning the global financial system. Through out the years of my career, I am accustomed to people associating agricultural chemicals with toxicity, and my eternal explanation of toxicity being a relative term. Plain salt can be significantly toxic to a person having high blood pressure, as a simple teaspoon of sugar is to a diabetic. The same is true with agrochemicals. Used as recommended, there are no toxic issues. However, it seems this toxicity has spilled over into finance as high and mighty financial institutions are being brought down to their knees, having highly toxic assets on their balance sheet.

Where do you draw the line between greed and profiteering? Businesses are created on the premise of making profits. And when you think of marketing, there are several segments



of us humans with varying income levels. People with high income tend to ostentatiously flaunt their wealth at

people who do not, for instant one of the richest persons in India is building a tower of a house in a sanctuary of shanty

slums. This leads to a consumerist rat race, where companies make a killing with high profits by selling products that serve the vanity of the rich.

For instance, all the ridiculous looking dresses that pass off as 'branded fashion' fetches reckless prices. And these fashion statements do not come cheap. Is this greed? I don't think so. If people are willing to pay a price for ridiculousness, so be it.

What I think greed is when you ask for an unreasonable price where the customer does not have a choice but to accept what you put on the tag. Look at our private hospitals. A father of a colleague recently had to have an angioplasty where a tube had to be inserted in a blocked artery of the heart so that blood could flow easily. The supplier's price for the tube is less than Tk 50,000 whereas the hospitals will charge you four to five times, at least. This is greed at its best.

Greed is also when you are in a monopolistic situation and making a pot of money at the expense of your customers, knowing fully well they have nowhere to turn to.

I recall my revered teacher Subhan sir's lectures on poetic justice, when I was a student of

English Literature. When you do injustice, it will come back to haunt you. Remember Macbeth? So it is with greed. Greed may bring you immediate windfall profit, however, it will not sustain you in the long run. There are natural laws that govern our lives. One such law is being fair in our dealings with humanity. Greed goes against this law of fairness. And greed will eventually lead to downfall, as the recently financial catastrophe gripping the world so glaringly proves.

The Enron ruin in the early 2000s led to a spate of controls in the US, including the Sarbanes-Oxley Act, which is supposed to make commercial organisations responsible and transparent. Soon after, the demise of WorldCom showed the Act had had no impact. And what I wonder now is all these organisations going bankrupt must have diligently followed SOX edicts, but greed had blinded them. At the end of the day, if we do not have basic human values right no laws or regulations can keep us from doing things wrong. Next time when you hire people, look for character, not just talent.

The writer is the managing director of Syngenta Bangladesh Ltd.