

International Business News

Heads set to roll over trading scandal at French bank

AFP, Paris

The fate of top executives at French savings bank Caisse d'Epargne hung in the balance Sunday over huge losses in a trading scandal that President Nicolas Sarkozy said were unacceptable.

Caisse d'Epargne, considered one of France's most trustworthy banks, lost 600 million euros (800 million dollars) in high-risk derivatives trading last week at a time when European governments were scrambling to rescue banks.

A meeting of the supervisory board was called for later Sunday to decide whether bank chairman Charles Milhaud and other top executives would be asked to step down.

"Yes I do feel responsible," Milhaud told Le Journal du Dimanche newspaper. "Believe me, this incident is serious and is profoundly upsetting for me."

The scandal revived memories of the disaster at another French bank, Societe Generale, which lost 4.9 billion euros in unauthorised deals allegedly made by junior trader Jerome Kerviel.

Milhaud, 65, said he first learned of a 100-million-euro loss on derivatives last Monday and that he had asked traders to quickly unwind those deals after concluding that the bank stood to lose much more.

Britain will spend way out of recession: Darling

AFP, London

Britain will boost public spending to help pull the economy through a looming recession, finance minister Alistair Darling said in an interview published Sunday.

"This is a time when you have to support the economy," Darling, Chancellor of the Exchequer, told the Sunday Telegraph newspaper.

"You will see us switching our spending priorities to areas which make a difference."

His comments come ahead of crucial data this week that are expected to show that the British economy shrank in the third quarter after zero growth in the second. The technical definition of a recession is two straight quarters of negative economic growth.

Darling told the paper that Britain would embark on large government projects to help prop up the economy, with a "reprioritising" of spending to funnel cash into areas like housing, energy and small businesses.

The government would also press ahead with plans for two new aircraft carriers and a new nuclear deterrent programme, he added.



An Iraqi stock trader updates share prices on a whiteboard at the Baghdad stock exchange. As the world's bourses crumble, the tiny Iraqi stock exchange has proved an island of financial security with the embattled nation's main index belying the violence that still plagues the city outside.

Tata chief warns West Bengal of flight of industry

AFP, New Delhi

Tata group chief Ratan Tata, forced to relocate production of the world's cheapest car from eastern India, has warned there could be a flight of capital and industry from the poverty-hit region.

In an open letter to residents of communist-ruled West Bengal, Tata asked whether they wanted to build a prosperous state or "see the state consumed by the destructive political environment of confrontation, agitation, violence and lawlessness?"

The letter received here Saturday was published in leading West Bengal newspapers the previous day.

The tea-to-steel group earlier this month shifted production of the high-profile Nano car to the business-friendly western state of Gujarat, abandoning the original site in West Bengal.

The decision to move production followed a month of violent demonstrations by activists and evicted farmers who complained they were forced to give up their land for a pittance to make room for the factory.

Philippine exporters brace for tougher times ahead

AFP, Manila

The Philippines has so far escaped relatively unscathed from the global financial crisis, but its export industries are bracing themselves for tougher times ahead, analysts say.

While orders for the remainder of the year still look healthy, exporters fear that going forward into 2009 the outlook might not be so rosy, especially if the United States slips into recession as expected.

The export sector is hugely important for the Southeast Asian nation, accounting for about 45 per cent of its economy.

Philippine exports last year rose 6.1 percent to 50.3 billion dollars and the government expects growth of about 5.0 percent this year.

But in 2009 exports are expected to see zero to 4.0 percent growth, according to the government's own Development Budget Coordination Committee.

GLOBAL CRISIS

China economy shows cracks

AFP, Shanghai

China's strong economy appeared to put the nation on the global high ground when the financial tsunami first struck last month, but as the storm continues to rage, that position is looking less sure.

After five years of annual double digit economic growth, and with more than 1.9 trillion dollars in foreign reserves as well as a closed financial system that protected it from toxic US assets, China seemed insulated from the crisis.

But with thousands of workers already being laid off as exports shrink, the property market slowing and the stock market low on confidence, the world's fourth biggest economy is clearly starting to hurt amid the global downturn.

"People are starting to see the pain, that is in business and also in the labour market. It's not as easy to get a job as it was a few months ago," Beijing-based World Bank economist Louis Kuijs told AFP.

"The bigger the economic crisis -- the recession in the US and in Europe -- the more it will be felt in China," he said.

China's leaders, for their part, have said the country's best strategy is to keep the economy growing.

"If a large country of 1.3 billion people can keep up stable and relatively fast economic growth, that's a big contribution to the world," Premier Wen Jiabao said.

On Monday, China will release its third quarter gross domestic product figure.

China's GDP growth is expected to shrink to 9.1 percent in the third quarter from 10.1 percent in the second, according to a forecast by Goldman Sachs.

If accurate, it would mark the first time China's quarterly GDP growth has fallen below 10 percent since the end of 2005.

But a fall in the third quarter figure would mostly reflect



A Chinese worker goes about her chores at a zipper factory in Jinjiang, southeast China's Fujian province on Saturday. China's strong economy appeared to put the nation on the global high ground when the financial tsunami first struck, but as the storm continues to rage, that position is looking less sure.

government policies to moderate growth, Goldman Sachs said, not the US crisis.

Morgan Stanley predicts full-year GDP growth will shrink to 9.8 percent and to 8.2 percent in 2009 -- still above Beijing's official 8.0 target.

However, if property markets melt down across the country, the economy could see a hard landing with GDP growing less than seven percent, Morgan Stanley said. Its economists estimate there is

about a one in four chance of that.

Independent Shanghai-based economist Andy Xie is more pessimistic, saying a property crash is imminent because prices are too high and developers have borrowed heavily and built too much.

He points to Guangdong province, south China's economic engine, where property prices have already crashed.

The booming city of Shenzhen has experienced

one of the deepest corrections, with prices down 40 percent in August from a peak a year earlier.

"The economy is going to go through a rough patch. All these bubbly things are going to bounce back on people," he said.

Officials said this week that industrial output growth in the Shanghai metropolitan area slowed to six percent on year in September, compared with an average of 11.5 percent on year growth for the first three quar-

ters.

And exporters, who accounted for 40 percent of China's GDP last year, are already being hit hard.

In one of the highest-profile examples, a toy maker that sold to US giants Mattel and Disney announced last week it had gone bust due to the global economic crisis, leaving up to 7,000 people jobless.

Exporters across a wide range of industries are increasingly voicing pessimism about their immediate futures.

Analysts widely expect China's leaders will speed up infrastructure projects around the country to stimulate the economy in a downturn, as well as push ahead with their long-term plans to boost domestic consumption.

The Ministry of Finance has 2.7 trillion yuan (400 billion dollars) deposited in the central bank to help fund a stimulus package, Standard Chartered economist Stephen Green wrote in a research note.

Immigration debate intensifies as European economy falters

AFP, Paris

Several thousand people took to the streets of France's capital to protest against sweeping new immigration guidelines agreed by EU leaders as the British government warned of tougher entry restrictions owing to the financial downturn.

Immigration as an economic issue is exercising governments across Europe with unemployment set to rise as recession threatens in the fallout from the global financial crisis.

French demonstrators unfurled a banner proclaiming "Bridges, not walls" at the Paris rally. Other signs that read: "We are all immigrant children" and "Detention centres are lawless places, a state secret."

In Le Mans, central France, a 60-year-old woman doused herself in flammable liquid in front of a detention centre and set herself on fire in protest at authorities' threats to deport her partner back to Armenia.

The Paris rally along with a 'citizens summit' was organised by some 300 international NGOs, many of them from African nations. Its organisers adopted a declaration Friday evening express-



People demonstrate in Paris on Saturday, during a rally called by non-governmental organisations for the defence of illegal immigrants, requesting 'Bridges and no walls' and denouncing the European Union Immigration policies.

ing their dismay at a policy "which would turn Europe into a fortress."

Adopted Thursday by leaders of the 27-member European Union, the

European Pact on Immigration and Asylum -- a document of political intent but not binding laws -- sets out principles for managing migration, fighting illegal

immigration and forming partnerships with countries people leave or travel through to get to Europe.

It also seeks to make border controls more effective while

building better asylum policy, with refugees increasingly obliged to apply for asylum status from outside the bloc.

Britain's new immigration minister has already promised

to impose tougher restrictions as the country's unemployment rate looks set to soar to its highest level in nearly a decade.

"It's been too easy to get into this country in the past and it's going to get harder," Phil Woolas told The Times newspaper in an interview published Saturday.

In a dramatic change of policy, the Labour government intends to place a limit on immigration, according to the daily.

"There has to be a balance between the number of people coming in and the number of people leaving," said Woolas.

The minister said his government would not allow Britain's population to grow to 70 million people.

Britain's population grew by about 3.4 percent to almost 61 million people between 2001 and 2007 fuelled by expansion of the European Union, according to latest figures from the Office for National Statistics.

Britain's unemployment rate jumped to an eight-year high of 5.7 percent in the three months to August, official data showed on Wednesday.

The 5.7-percent unemployment rate was the highest since the three months to March, 2000.