

International Business News

G7 vows cooperation on financial crisis, warns on yen

AFP, Tokyo

The Group of Seven major economies on Monday vowed to work together to protect the crisis-hit financial system and fired a warning shot to currency traders over the surging yen.

But their efforts did little to stem the market turmoil. Asian stocks suffered fresh losses, with Japan's Nikkei plunging to a 26-year low, while the yen resumed its ascent towards a 13-year high against the dollar.

Unless the G7 takes "drastic steps" such as joint market intervention to sell the yen, the currency is unlikely to come down, said Kenichi Yumoto, vice head of forex trading at Societe Generale in Tokyo.

In a brief joint statement, the G7 finance ministers and central bankers reaffirmed their "shared interest in a strong and stable international financial system."

They voiced concern about "excessive volatility" in the yen and its "possible adverse implications for economic and financial stability."

"We continue to monitor markets closely and cooperate as appropriate," said the statement, which mentioned no other currencies and was issued while US and European markets were shut.

Dealers said it appeared to be a Japanese initiative that reflected growing concern here that the soaring yen will push Asia's economy into a deep downturn.

Spike in illegal immigrants seen amid global turmoil

AFP, Manila

The number of illegal immigrants worldwide may spike if governments restrict visas in response to the global financial crisis, experts at a UN-backed forum said Monday.

"Our fear is that those numbers will increase," Sharan Burrow, president of the International Trade Union Confederation, said at the opening of a four-day migration forum in Manila.

"We will risk seeing that number grow rather than reduce if the financial crisis (constrains)... legitimate avenues for regular migration," she said.

The number of migrants in the world is now estimated to be 40 million, 25 percent of whom are illegal, with the United States having the most migrants, according to Burrow.

With many migrants seeking to escape harsh economic realities at home to work abroad, Burrow urged governments to "think carefully" before closing their doors to legal movements of migrant workers.

Restrictions on labour migration will "deprive developed countries of badly needed manpower in certain areas and constrict rather than expand growth potential," she said.



Protesters shout slogans and display banners as they try to march towards the venue of the Global Forum on Migration and Development in Manila yesterday. The protesters criticise the UN-backed forum, where they say would worsen the exploitation of global labour.

Japan's Canon lowers net profit forecast

AFP, Tokyo

Japanese electronics maker Canon Inc. said Monday it was lowering its net profit forecast for 2008 by 25 percent due to the global economic slowdown and higher yen.

Canon, often hailed as a success story in Japan's recovery from a recession a decade ago, becomes the latest company to cut its forecasts as the yen soars to a 13-year high against the dollar.

Canon, a maker of digital cameras and office equipment, said it now expected net profit of 375 billion yen (four billion dollars) for the year ending December 31.

It had previously predicted net profit of 500 billion yen. The new estimate would mark a fall of 23.2 percent from net profit in the previous year.

Canon said in a statement that the sharp recent falls on global markets had "increased concern over the impact to the real economy."

Sony still on offensive in tough times

AFP, Tokyo

Sony Corp. chairman Howard Stringer said Monday the electronics giant was keeping up its long-term global ambitions despite taking a "very, very strong" hit in the global financial crisis.

The iconic Japanese firm last week slashed its net profit forecast for the year to March by more than half, blaming a soaring yen, intense competition and a global financial crisis that has sapped demand.

"We are a very strong export business in Japan. Most of our business comes from exports, over 80 percent," Stringer, Sony's first foreign chief, told a business forum in Tokyo.

"So the impact on us is always going to be very, very strong. There is no hiding that," he said.

Stringer said, however, that the global crisis could provide Sony opportunities to seek out acquisitions, reorganise or to seek out talent from other firms.

AVIATION

Asian airlines brace for worse

AFP, Singapore

Asia's aviation sector is hurting from a sharp descent in passenger numbers but the full impact of a deepening global financial crisis is not likely to be felt until next year, analysts said.

Small carriers will be particularly vulnerable as people curtail travel plans, they added, predicting some airlines will not make it through.

"The biggest challenges right now are weakening passenger demand, particularly for first and business class travel, and continuing uncertainty about the global economic outlook," said Andrew Herdman, director-general of the Association of Asia Pacific Airlines (AAPA).

"The next 12-18 months will be extremely difficult times for airlines and some won't survive the current crisis," said Herdman, whose AAPA represents 17 airlines in the region.

Shukur Yusof, an aviation analyst with credit rating agency Standard and Poor's, said he expects some airlines to defer aircraft orders or return leased planes as they reduce routes and flight frequencies.

"The weakest ones will not be able to maintain the business," he said.

The International Air Transport Association (IATA) said passenger volumes for Asia Pacific carriers dropped 6.8 percent in September, much sharper than the average 2.9 percent decline worldwide.

Asian airlines also carried 10.6 percent less cargo in September, worse than the drop in Europe and North America, as trade volumes fell sharply, IATA said.

"The deterioration in traffic is alarmingly fast-paced and widespread," IATA director-general Giovanni Bisignani said in a statement.

"We have not seen such a decline in passenger traffic since SARS in 2003," he added, referring to the health scare that grounded travellers in Asia.

Analysts fear that unlike during the SARS period, which lasted for a few months, the current crisis will last for a year or more.

Losses for global airlines this year may exceed IATA's earlier projection of 5.2 billion US dollars, with another further 4.1 billion dollars in losses seen in 2009.

Business class travel, a major cash-spinner for airlines, has become an early casualty of the crisis, especially with retrenchments and belt-tightening in the

financial sector, analysts said.

Leisure travel is also suffering as tourists stay home or travel to nearer destinations.

Singapore Airlines said it carried 1.6 percent fewer passengers in September from a year ago.

Singapore's Changi Airport said it handled 2.89 million passengers in September, down 0.4 percent from last year -- the first decrease in monthly traffic since February 2004, the airport operator said.

Hong Kong's Cathay Pacific said passenger numbers in September dropped 0.7 percent year-on-year, while Australia's Qantas said the number of international passengers it carried fell an annual 6.4 percent in August.

"People in the source countries are beginning to say: 'Well, let's rethink what we're going to do for the holidays,'" said John Koldowski, an analyst with Bangkok-based Pacific Asia Travel Association.

"It will take a little bit of time because some have already booked their tickets. But if this progresses, we're going to see a much deeper contraction for 2009."

Tourism-related industries like hotels are likely to suffer as well.

"What we're finding out is that people are shifting the way they travel. Instead of travelling business they travel economy; instead of staying at a five-star hotel, they stay at a three-star hotel," Koldowski said.

Business travellers have become more prudent with entertainment expenses as well, he said, adding: "The longer the crisis goes, the tougher it's going to be."

Some analysts said the crisis could force a consolidation of the industry, but others argue that pride could get in the way of cross-border mergers for national flag-carriers.

Earlier this month, India's largest domestic airline, Jet Airways, struck an alliance with arch-rival Kingfisher Airlines involving code-sharing, ground-handling and route rationalisation to avert collapse.

Herdman of AAPA said a key factor in surviving the current crisis is a strong balance sheet because of the tight credit situation.

"In this environment, it's almost impossible to raise equity and the cost of debt is rising," he said. "The airlines best placed to survive are those with good cash reserves."



Airlines employees wait for passengers at the counters of the airport in-town checking in Hong Kong. The number of passengers travelling through Hong Kong's airport dropped 4.7 percent year-on-year in September as the global financial crisis hits the aviation industry.

SYED NASIM MANZUR

COLUMN

Great expectations

As a child growing up in Bangladesh, I remember the stereotype of a businessman as portrayed in BTV dramas (pre-satellite era): dishonest, immoral, greedy and intent only on making as much money as fast as possible and preferably, as unscrupulously as possible. For some reason, he was usually attired in a silk dressing gown and smoking a pipe at any time of day and night. In the last 25 years that has changed quite a bit -- no more of a gown, for a starter.

The Bangladeshi business community has proven beyond doubt in the last two decades that it is a committed stakeholder in the process of building a prosperous, strong and equitable Bangladesh. Business does not operate in a vacuum. It is part of the greater society and world that we live in.

Today we are truly at a turning point in world and Bangladesh history. From the US to Japan to China to Brazil to Iceland, governments are struggling to combat global financial meltdown and possibly financial meltdown and possibly almost a century.

In Bangladesh we watch nervously, hoping to escape the brunt of the crisis but fearing the effects no less. And equally importantly we await a return to democracy by year-end. So in these troubled times what do we expect from our leaders to lead us?

First, we must permanently move beyond the politics of destruction and violence and



The Asia Europe Meeting, a summit of 43 nations, held in Beijing, has offered the first opportunity for Asian countries to discuss the ongoing financial crisis as a group.

division. Investment follows business confidence and business people, like all people, want to see a functional democratic political system, which reflects the true wishes of the people. The recent slide in local and foreign investment in Bangladesh has shown that a political vacuum is not political stability. At the same time, we simply cannot go back to politics as usual of hartals, unbridled abuse of power, corruption, politicisation of all levels of government, a parliament rendered non functional and

almost irrelevant and rampant crony capitalism.

We believe that we still have political leaders who have the ideals, values and vision to change the lot of the common people for the better and they must now come forward to bring about these changes. There is no point in trying to brand Bangladesh if the most commonly associated images of Bangladesh are violence on the streets and corrupt politicians.

Second, we would like to see a culture of democracy, mutual respect and tolerance in all

spheres of life, not just politics. The recent elections of our apex business chamber FBCCI and the BGMEA have set the standard where hard fought campaigns have ended with the loser congratulating the winner and pledging to work together. Everything cannot be a zero sum game, where winner takes all. The system requires difference of views and dissent to be meaningful and effective.

Third, we want to see an end to the politics-business nexus. Politics cannot be just a business with nominations being

sold to the highest bidder and then investments recouped by any means fair or foul. Business also cannot be based on just politics where party loyalty is the only prerequisite for success.

Fourth, the major political parties must take a bipartisan approach on national economic issues such as transit, market access and coal extraction; we have to move beyond negative contrarian politics that prevent the timely and strategic decisions required to boost competitiveness and build infrastructure for growth.

Fifth, we must formulate and implement a long-term strategic plan for specific economic issues such as power and gas, mass transportation and ports. This will attract the necessary long term investments required to bring about qualitative changes in these areas.

Sixth, there has to be a qualitative and quantitative change in bureaucracy and the regulatory framework. The business of government is not to be in business but to facilitate and regulate business. Simplify the rules of the game, reduce arbitrary powers and then implement and enforce with an iron fist. The recent computerisation of Chittagong port is a project that had already consumed 10 years and Tk 247 crore until 2007. It was completed in eight months financed completely by fees paid by users, thanks to a focused and intense private

public partnership. The import clearance process has been reduced from 42 to 5 steps, and export clearance process from 116 to 6 steps.

When business processes are rationalised like this and cost of doing business is reduced, entrepreneurs can focus on improving their own efficiency and competitiveness. This also requires a major attitudinal shift in bureaucracy, who have traditionally seen themselves as overlords and masters rather than facilitators.

Seven, global best practices and advice from foreign development partners are welcome but we need to prioritise home-grown talent as much as possible.

Eight, let us leverage our three natural competitive advantages: labour, coal and gas and geographical access, for the optimal benefit of our nation.

A foreign diplomat many years ago remarked he could not name a single large Muslim majority, moderate, democratic state other than Bangladesh. This indeed could be our greatest strength in the new world order. Bangladesh is a diamond in the rough, it is now up to all of us to determine whether we cut and polish it into a gem for the world to see or it remains a lump of coal.

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