

## International Business News

## Citigroup to sell trust banking unit in Japan

AFP, Tokyo

US banking giant Citigroup, beset by the global financial turmoil, has decided to sell its Japanese trust banking unit NikkoCiti Trust and Banking, reports said Sunday.

The bidding will likely take place next week, with major domestic trust banks -- including Mitsubishi UFJ Trust and Banking and Sumitomo Trust & Banking -- expected to make bids for the firm, the business daily Nikkei and Kyodo News reported, citing unnamed sources.

Kyodo News reported that the sale could amount to "tens of billions" of yen. NikkoCiti's total net assets stood at 18 billion yen (190 million dollars) as of the end of September.

The reports came after the US government in late November stepped in to guarantee over 300 billion dollars in potential losses at Citigroup and pump 20 billion more into the financial giant.

Nikko Cordial Securities, a major Japanese securities house also under the umbrella of Citigroup, has also decided to trim jobs through calls for early retirements, the reports said.

Despite the subprime housing loan crisis which emerged earlier this year, Citigroup has pressed ahead with expansion into the Japanese market, this year taking full control of brokerage house Nikko Cordial Corp. in a 4.8 billion-dollar share swap.

## German minister calls stimulus plan 'ineffective populism'

AFP, Berlin

German Finance Minister Peer Steinbrueck has defended Berlin's refusal to back a proposed multi-billion-euro economic stimulus plan, dismissing it as "ineffective populist measures".

Germany does not have to go along with the idea of spending more to ease the economic crisis just because other countries are doing so, Steinbrueck told the weekly newsmagazine *Der Spiegel*.

"We can ease the effects of the crisis in a targeted way. But we are not all powerful," he said, adding he rejected "the argument that 'a lot of help helps a lot'."

German Chancellor Angela Merkel this week was cool to the idea pushed by French President Nicolas Sarkozy to contribute to a proposed 200-billion-euro (254-billion-dollar) European stimulus plan drafted by Brussels.

"The Germans do not have to accept a European proposal where we do not understand what could be the economic impact," said the Social Democrat minister.

Berlin has already shown a "strong response" to the global financial crisis, he added, having earlier this month committed around 31 billion euros over two years to support Europe's biggest economy, which official figures showed fell into recession in the third quarter.



College students gather with companies' personnel officers during a job-matching meeting in Tokyo yesterday. Some 80,000 students are expecting to visit the two-day event to seek their job as more than 30,000 temporary workers in Japan will likely lose their jobs by next March, a survey showed.

## SKorea's Hyundai Motor cuts domestic production

AFP, Seoul

South Korea's Hyundai Motor plans to cut domestic production due to slowing demand, following production cuts in its US plants, a company spokesperson said Sunday.

Hyundai Motor, the largest carmaker in South Korea, will cut production by suspending overtime or weekend work at all three of its domestic plants beginning Monday, spokesperson Song Meeyoung told AFP.

All assembly lines, except one producing Avante compact cars and i30 hatchback models at a main plant in Ulsan, will be affected, with daily work reduced from 20 to 16 hours during the weekdays, Song said.

Hyundai refused to confirm local media reports that the carmaker was expected to cut production by 10 percent as a result of the moves.

Last month, Hyundai said it was reducing production at its US plant at Montgomery, Alabama, because of falling demand amid the economic downturn.

The carmaker opened a new factory in the Czech Republic this month to produce its i30 family car.

## Dubai property giant sacks 500

AFP, Dubai

Dubai property giant Nakheel -- behind such grandiose projects as a one-kilometre tower and artificial palm-shaped islands -- said Sunday it has fired 500 staff because of the global financial crisis.

The government-controlled developer, one of the biggest employers in the booming Gulf emirate, also said it would be scaling back work on some of its projects.

"Approximately 15 percent of the total workforce, which amounts to 500 employees, was made redundant," it said in a statement, describing the move as "a responsible action in light of the current global market conditions."

It is the largest job cut to be announced in the wake of the global financial crisis in the oil-rich United Arab Emirates and in Dubai, a city of opulent hotels and shopping malls which hosts hundreds of thousands of foreign residents.

## HANDLOOM

## Weavers shift focus to stay afloat

SOHEL PARVEZ

Weaver Abdus Sobhan Mian pauses to rest his aching feet and hands. After a long deep breath, he renews the shuttle with red yarn.

The 60-year-old weaver has been toiling since dawn, crafting a colourful women's scarf. He has completed one and is almost done with the second -- a white and blue striped medley.

He soon gets back to the rhythmic motion of his limbs. His right arm moves in the direction of upper right to lower left, to let the shuttle run between shafts. His left arm continuously presses a heavy wooden bar towards his torso, ensuring fine texture of the fabric.

The factory he works for is a handloom one. Parallel to it is another one, -- not a handloom unit but an electricity-powered loom unit, weaving much quicker through machines than what Sobhan and his mates do in the handloom unit.

"It (power loom) is going to seize many of our means of livelihood. Once we wake up to the sounds of the buzzing handlooms. But those are days gone by," lamented elderly Azizul Haque, descendant of a family long associated with weaving, at Shekherchar of Narsingdi.

Haque and his relatives left weaving years ago amid a dearth of capital that was needed to switch to power looms. He now collects tolls in favour of an Islamic educational institute, Madrassa, at Shekherchar, Narsingdi. This area was the second biggest hub for handloom products until the early 1990s.

The region however notched down in its ranks against other areas such as Tangail and Pabna, mainly because of an emergence of power looms. Merchants made their debut with low-priced coarse variety saris' and grey cloth. It led many weavers, mainly the subsistence ones, to switch professions.

Some weavers, who were relatively well-off in terms of the number looms and the capital they possessed, managed to sustain the high tide by shifting their focus.



Abdus Sobhan Mian, a 60-year-old weaver, crafts a striped medley scarf on a handloom in Narsingdi.

They began to make other clothing items like gamcha and fabrics for boutique stores.

"I used to weave a coarse variety of a sari. But the demand for these sari dropped as printed saris came into play," says Abdus Sobhan, also a freedom fighter.

"Had I shifted to production of fabrics in the past, I wouldn't have witnessed such fate," he says, who was previously working at the Shuvo Weaving at Shekherchar, Narsingdi.

Sobhan and his relatives jointly owned 250 looms, prior to such times of difficulty. He now counts Tk 23 for weaving a five-yard long scarf. His employer, Shafi Mahmud, produces these scarves and other fabrics to meet the demands of foreign and local buyers, mainly the local boutique

stores like Kay Craft and Banglar Mela.

Mohammad Abdul Aziz, another handloom owner, manages the operations of 50 handlooms, jointly owned by him and his family. He also plans to set up power looms, to produce a certain variety of fabrics. "To ultimately sustain in the business, we will have to set up power looms," he says.

"But if you need to craft designs, you will have no alternative but to use handlooms. Besides, the finishing of products made in handlooms are better than those of power looms," he says.

"Once we saw weavers dominate the weekly markets. Now mill owners have captured a majority of the market share, due to high volume production," says Mahmud, who now owns 20 powerlooms.

Lungi, a traditional men's wear,

is also being produced on power looms.

Power looms have already pushed out the lower-priced segments of the local clothing market.

Currently, a bulk of the country's total cloth production comes from mills and power looms, as evident from the Handloom Census, 2002-03. The handloom industry, which accounted for about 64 percent of country's total cloth supply in 1989-99, supplied 28 percent of the total domestic cloth production. The remaining portion has been taken over by mills and power looms, according to the last census.

The total number of looms dropped to 505,556 in 2002-03, from 514,456 in 1989-90. The number of operational looms also declined over the period.

However, the trade still provides jobs for about 1.5 million people in the rural areas, according to the Bangladesh Handloom Board.

Hopes run high for this sector, as some experts believe that the handloom sector will sustain as the regional demand for items such as the Benarasi, Jamdani and Tangail saris and cotton fabrics are on the rise. This is mainly due to the emergence of hundreds of boutique stores in many parts of the country.

"The persistence of the production and use of handloom clothes in Bangladesh undercut the implicitly evolutionary assumptions of development theories which states that handicrafts would die out with the advent of industrially produced goods," writes Enamul Haque, in the publication titled, "Textile Traditions of Bangladesh".

"The production of handwoven clothes can partly be explained by the continued demand for such textiles as expressions of traditional and nationalist sentiments and of prestige and status, even while quantities of industrially produced clothes are being consumed as well," he adds.

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## ANALYSIS

## Attacks chill India economic prospects

AFP, Mumbai

The deadly Islamist militant strike on India's financial nerve centre clouds the future of Asia's third-largest economy at a time when it already faces a significant slowdown, analysts say.

Ruthless gunmen stormed luxury hotels, including the iconic Taj Mahal Palace, a landmark restaurant and the main train station, killing at least 195 people in a brazen attack that paralysed Mumbai for 60 hours.

The murderous rampage, which Indians are calling their own 9/11, was clearly intended to "destabilise markets and scare off tourists," said Nihilesh Bhattacharyya, an economist at Moody's Economy.com.

The attack -- which also saw the gunmen single out Americans, Britons and Israelis -- "signifies an attack by extremists on India's economic success and its closer and warmer economic and diplomatic ties with the West," said Deepak Lalwani, India director at London's Astaire and Partners.

And the timing of the attack, the most devastating of a string this year, was "abysmal" from an Indian economic viewpoint, he said.

The stock market is down by 55 percent this year, banks are facing a huge fund outflow due to the global financial crisis, the rupee is at record lows and growth has slowed significantly amid a widening global recession.

"There has been a continuing attempt to undermine India's economy over the past four or five years and this (attack) is part of it," said Ajai Sahni, head of the New Delhi-based Institute for Conflict Management.

The images of gunbattles between militants and commandos "flashed around the world are not going to be helpful," said a Singapore banker on condition of anonymity.

"The effect on investor sentiment and tourism will be pronounced."

Finance Minister Palaniappan Chidambaram conceded the attacks could have a "negative" short-term impact but insisted the economy will "overcome" it.

"Investor sentiment will be affected. But within a few weeks or

months it will recover," he said. India remains "an attractive investment destination."

He expects growth of at least seven percent for this year to March after three years of at least nine percent expansion. However, economists forecast growth as low as six percent this year and four percent for next year.

In the immediate aftermath, the attacks will scare away tourists and business travellers, analysts say.

"The singling out of American, British and Israelis as hostages indicates a new and worrying action by terrorists as this indicates an international agenda being fought on Indian soil," Lalwani said.

"The impact on tourism will be horrible. People will be scared, worried," said Vijay Prakash, manager of a posh Mumbai restaurant.

Foreign investors will "likely be worried about the safety of their employees and establishments," said Rajeev Malik, economist at Australia's Macquarie Research.

But in the longer-term, as long as there are no major follow-up attacks, the impact should recede, analysts said.

The "negative effects of the current attacks on tourism, investor confidence, rupee and equities will probably turn out to be temporary," Malik said.

Also "what the Islamist terrorist movement has been able to demonstrate in the past few years there is no place you can that is completely safe," said security expert Robert Ayers at London's Chatham House, an international affairs think-tank.

"If people made inward investments based on the fear of terrorist attacks, there would be no investments... in all sorts of the places," he said.

However, cautioned Sahni of the Institute for Conflict Management, "if we keep seeing attacks of this magnitude, perceptions of India's security are going to shift and it will impact directly on investment decisions."

Global credit ratings agency Standard and Poor's said Friday it had no plans to downgrade India's rating as long as the attack was "an isolated case."



Smoke and flames billow out of the Taj Mahal hotel during its rescue operation in Mumbai on Saturday. The deadly Islamist militant strike on India's financial nerve centre clouds the future of Asia's third-largest economy.