

International Business News

China outlines loose monetary policy to tackle financial crisis

AFP, Beijing

China announced Sunday new measures to tackle the global economic crisis including increasing next year's money supply by 17 percent and upping bank loans by more than 100 billion dollars over 2008.

"In order to face the attacks of the global financial crisis... we must expand the scope of financial supports to advance the stable and fast-paced development of the economy," the State Council, or cabinet, said in a policy statement.

Besides calling for a 17 percent increase in the 2009 M2 money supply -- the broadest measure of the nation's money supply that includes cash in circulation plus all deposits -- the cabinet also said it would increase funding to policy banks by 100 billion yuan (14.6 billion dollars) over 2008 levels.

China's M2 money supply growth target for 2008 was 16 percent.

Commercial financial institutions would also be urged to extend loans beyond the four trillion yuan in borrowing expected to be issued in 2008, the cabinet said in the policy statement on its website.

On Friday, the official Shanghai Securities News said China's commercial banks would seek to issue 4.6 trillion yuan in new bank loans in 2009, up by around 15 percent or about 87 billion dollars over 2008.

Fortis bank again on shaky ground

AFP, Brussels

Belgian-Dutch bank Fortis, saved from collapse by government rescue plans, is again teetering on shaky ground after small shareholders won a court case which freezes a buyout by BNP Paribas.

Hard hit by the global financial crisis, Fortis was dismantled in October, with its Dutch assets nationalised by the Netherlands for 16.8 billion euros (22 billion dollars) and its Belgian and Luxembourg activities sold to France-based BNP Paribas.

But now there is a stop on the Fortis transactions in Belgium, including a 65-day freeze on government involvement in the bank and insurance group, while an expert panel reviews the deal, a Belgian court of appeal ruled late Friday.

The court agreed that the decisions taken by Fortis -- ranked by Fortune magazine in 2007 as the world's 20th biggest company in terms of revenue -- in early October had to be approved by shareholders.

Belgium's premier Yves Leterme and finance minister Didier Reynders huddled Saturday to talk about finding a way out of the latest twist in the crisis that nearly toppled Fortis.

The "surprised" Belgian government admitted that one option would be to file its own appeal of the court's decision, Leterme indicated after the talks.



Shoppers visit the "Ernst-August-Galerie" shopping mall in the northern German city of Hanover on Saturday. With Germany in recession, a growing chorus is ditching the Christmas carols, raising their voices instead for free shopping vouchers to spread a little festive cheer in Europe's biggest economy.

Queen Elizabeth II reins in extravagance

AFP, London

Always concerned about staying in touch with her subjects, Queen Elizabeth II has invited Britain's royal family to follow her example and tighten the purse strings during the financial downturn.

The 82-year-old monarch has warned her grandsons Princes William, 26, and Harry, 24 -- third and fourth in line to the throne -- that all ostentatious signs of living it up would be inappropriate, according to newspapers.

British subjects are apparently in no mood to see the young royals partying in exclusive London nightclubs while the kingdom sinks into recession, the cost of living rockets and jobs are lost.

"Whatever is the mood of the nation, she (Queen Elizabeth) tries to go along with that mood," Nicholas Davies, an author of several books on the monarchy, told AFP.

The sovereign has a personal fortune of 320 million pounds (475 million dollars, 355 million euros), according to The Sunday Times newspaper's 2008 Rich List, but is not a spendthrift.

Thousands of Russian car lovers protest higher tariffs

AFP, Vladivostok

Thousands of car lovers rallied on Sunday in Russia's far eastern city of Vladivostok to protest a government decision to raise tariffs on imported foreign automobiles.

About 3,000 people gathered in the city centre to hold signs with slogans like "Against Tariffs" as passing drivers honked their horns in solidarity.

Meanwhile at the Vladivostok airport more than 3,000 people gathered for an unexpectedly large protest, forcing airport authorities to summon police to maintain order.

The demonstrations were held to protest a decree signed Wednesday by Prime Minister Vladimir Putin that will temporarily raise import tariffs on foreign cars in a bid to help Russian automakers.

About 200,000 people work in the import, sales and servicing of foreign cars in the Vladivostok region and will suffer as demand drops, said Anastasia Zagoruiko, one of the protest organisers.

FISHERY

A success story from backwater

GOLAM MOSTAFA JIBON, Sirajganj

Fish-cultivator Saiful Islam surprises all by making the impossible possible. He farms lobsters for commercial use and stuns other fish-farmers and fishery offices in the region. Lobsters are cultivated in the sweet waters of the Chalan Beel area of Sirajganj district.

Saiful paves the way for other people in the locality to be able to make a living out of this trade. By changing their economic destiny, people now efficiently utilise their sweet-water ponds.

Fishery officials see light at the end of the tunnel for many poverty-stricken people, if they can master the tricks of the trade and cultivate shrimps in ponds. The industry has the potential to earn millions in return.

Witnessing Saiful's achievements, many fish cultivators are now interested in lobster rearing.

Fishery officials predict this sector will make a phenomenal contribution to economic development. Cumulative contribution from the hundreds of sweet-water ponds in the greater Chalan Beel region and adjoining areas can make this happen.

Meanwhile, the fishery department awarded Islam as the first to successfully farm lobsters in his seven-bigha pond, without financial or technical support.

Saiful's success story is bland and common: a trying past, limited education, counting pennies



Saiful Islam, a resident of Sirajganj district, displays lobsters farmed for sale.

GOLAM MOSTAFA JIBON

to make ends meet. Fishery was an option, but he was not so keen due to a lack of start-up funds. He approached many relatives to help in his efforts -- but to no avail.

His last resort was to sell some of his wife's gold ornaments. In 2005, he started 'Thai pangash' cultivation in a pond near his house. Local traders helped him

solicit necessary feed for the fish. He bagged hefty profits that year.

Tasting sweet success, his brother Khandakar Selim Jahangir, former director of GKS, a local NGO, lent him his helping hand and gave a good sum of money to extend his operations.

Consecutively, Saiful invested about Tk 7 lakh in the sector.

Within a few months, he got returns amounting to Tk 12 lakh. Of which, profits were Tk 5 lakh.

He did not look back since then. He hunts down new schemes and invests heavily in promising ventures.

Seeing Saiful's drive, Jahangir Alam, a fish farmer and trader of Barisal, advised him to undertake

lobster cultivation. With his technical assistance, Saiful cultivates lobsters in late July.

He released about 30,000 shrimp fries in the pond, and now the four-month-old lobsters weigh around 100 grams.

Local fishery offices acknowledge Saiful's efforts as the best fish cultivator in the region.

Saiful tells The Daily Star that he invested about Tk 5 lakh in his latest venture. He expects to earn about Tk 15 lakh in December. He expects profits to account for about Tk 10 lakh, he says.

Saiful says he uses medicines, as per the instruction of the fishery officers, to increase yield. Additionally, he uses bamboo sticks, branches of coconut trees and date trees to shelter the pond. He also establishes a little fish feed industry near his farm, to feed his produce.

Many people, especially fish cultivators, come to visit his farm every day and express interests in establishing such farms, Saiful says.

At present, he tries to expand his efforts. He has taken lease of a total of 23 ponds in the Chalan Beel area and invests about Tk 50 lakh to cultivate a variety of fish. However, he faces a dearth of financial support.

He complains the local banks extend no support, despite repeated appeals. He says fish cultivation will flourish if farmers have access to easy loans.

FINANCIAL TURMOIL

Bloodied banks stare into bleak days

AFP, Washington

Banks floundered, grabbed government lifelines and failed in 2008 as the global financial crisis shredded their own vaunted reputations for security.

After an "annus horribilis" that many would sooner forget, banks are set to enter 2009 damaged and more dependent on governments that have taken unprecedented steps to prop up the imploding financial system.

That reliance on public money -- often in exchange for equity stakes and sometimes as full nationalizations -- is sounding alarms over what some have called a new wave of socialism that threatens the nature of freewheeling US-style capitalism.

As a practical matter, the bailouts are no guarantee of success despite hundreds of billions of dollars injected into the financial system.

Officials widely admit they are struggling to contain the worst global financial crisis since the 1930s Great Depression.

The credit-fueled economic boom went bust last year amid rising defaults on US home loans as a housing bubble burst.

Banks have been on the frontlines of the credit squeeze that stemmed from the US subprime mortgage delinquencies and then spread around the globe.

A rash of central bank interest rate cuts had little effect on frozen credit and governments increasingly turned to fiscal measures, like the US 168 billion dollar stimulus package in February, to try to stimulate stalling economies.

Banks that had snapped up billions of dollars in mortgage-related and other high-risk assets have been forced to write off nearly a trillion dollars in losses since the crunch began in August 2007.

US banks lost 669.8 billion and European banks 287.8 billion, dwarfing Asian losses of 30.5 dollars.

The landscape of US banking, the epicenter of the crisis, has been turned upside-down, analysts say.

"We're going into the process of integrating businesses into other businesses -- the financial sector completely reshaping itself for a future that is still uncertain," analyst Gina Martin of Wachovia Securities told AFP.

The US banking sector capitulated into the hands of government within the course of months as one big bank after another tumbled.

The first domino to fall was Bear Stearns, the smallest of the

major Wall Street investment banks.

In what began a litany of the US government's "too big to fail" mantra, the Federal Reserve orchestrated the ailing Bear's sale to rival JPMorgan Chase in March.

After a few months' lull, the crisis beast roared back to life more ferocious than ever in a September double-whammy nightmare on Wall Street.

Lehman Brothers, the fifth-largest investment bank that could find neither buyer nor government bailout, filed for bankruptcy protection on September 15, shocking markets worldwide.

On the same day, troubled peer Merrill Lynch, whose iconic bull statue graces Wall Street, escaped the same fate by agreeing to be bought by Bank of America.

Goldman Sachs and Morgan Stanley, the two Street symbols left standing, morphed into banks on September 21 to benefit from government support.

Treasury Secretary Henry Paulson, trying to stem the blood-letting, finally won congressional approval of a massive 700 billion dollar financial bailout on October 3.

Across the pond, Europe was being dragged into the chaos.

British mortgage giant Northern Rock had to be nationalized in February.

Belgian-Dutch bank Fortis was saved by public funds on September 28, then chopped up and sold to BNP Paribas and ABN Amro. The next day Bradford & Bingley was nationalized and two days later, Dexia was saved by Belgium, France and Luxembourg.

British Prime Minister Gordon Brown's plan of using bank bailouts to avert financial Armageddon swiftly won followers around the world.

US Treasury chief Paulson switched tack on the 700 billion dollar Troubled Asset Relief Program approved to buy up toxic mortgage-related assets, and instead started pouring capital into banks.

The list of troubled banks swallowed up in takeovers was long and included Merrill Lynch (Bank of America) and Wachovia (Wells Fargo) in the US. In Europe, the list included Dresdner swallowed by Commerzbank, HBOS (Lloyds TSB) and Alliance & Leicester (Santander).

By the end of 2008, the lack of credit had strangled the major economies -- sending the United States, Canada, the eurozone and others into recession -- and was sharply slowing growth in developing countries.



People make their way past a Bank of America branch at New York's Time Square in New York. Bank of America says it expects to cut up to 35,000 jobs over the next three years amid a sharp economic slowdown stemming from financial turmoil and its acquisition of Merrill Lynch.

"At the moment the pressure is still on," said Hung Tran, head of the capital markets department at the Institute of International Finance, an association of global financial firms based in Washington, told AFP.

"What the crisis has shown is this level of leveraging is unsustainable."

Critics say there is a risk of too much government intervention that will kill the capitalist goose and its golden egg.

"This is the path the United States is heading towards as the recession takes its toll and government reaches further and further into the private sector to stabilize the economy," said Andrew Busch

BMO Capital Markets.

"Initially, the moves are welcomed as workers are looked after, jobs are created, and big business vilified. However, the government forcing banks to make loans to companies that can't make the payments perpetuates the weak credit problem and keeps the cycle going."