

International Business News

Citigroup, Morgan Stanley talk about merging units

Officials at the embattled banks Citigroup and Morgan Stanley will negotiate over the weekend about possibly combining their wealth management businesses, a deal mostly aimed at bolstering Citi with much-needed cash.

The deal to merge Citi's Smith Barney with Morgan Stanley's comparable division was confirmed late Friday by a person familiar with the talks, who spoke on condition of anonymity because he was not authorized to discuss the matter.

The negotiations come as investors digested news that Robert Rubin, a senior adviser to Citi who has drawn heavy criticism, would resign from the bank. The person said it was Rubin's decision to leave Citigroup and that "there was no inside pressure," or government pressure.

Citi's shares sank nearly 6 percent on Friday.

Even before the economy started tanking, many shareholders had complained that Citigroup was too huge, and lagging its peers. Calls for a breakup have been going on for years, and have grown louder since the federal government has had to pump billions into the ailing company.

The New York-based bank late last year signed an agreement with the federal government to receive an additional \$20 billion on top of the initial \$25 billion it received.

Croatia cuts gas to major consumers amid crisis

Croatia on Saturday cut gas to major consumers in Zagreb as the supply crisis provoked by a dispute between Russia and Ukraine bit harder and below-freezing temperatures pushed up consumption.

The authorities cut supplies to industry and large shopping complexes at 8:00 am (0700 GMT), after having already cut back supplies to them on Wednesday, national radio reported.

The new government measures affected about 900 clients, said Zagreb's gas distribution company.

While hospitals, creches, schools and other protected clients would be exempt, gas deliveries would be restricted to maintenance-level supplies only for other major consumers.

The government decided to step up its measures, undertaken as part of a state of emergency declared on Wednesday, because of increased fuel consumption, said the economy ministry.

"The measures taken so far had assured the stability of the system, but the extremely cold temperatures and the non-respect of the state of emergency by certain consumers did not give us the expected results," said a ministry statement.



Workers push carts at the entrance of supermarket in Beijing yesterday. China's consumers are likely to hold out for longer than their western peers before surrendering to the crisis, because they finance their spending with savings rather than credit, economists said.

Boeing to shed 4,500 jobs

US aerospace giant Boeing said Friday it would cut about 4,500 jobs beginning next month amid a weakening global economy.

"We are taking prudent actions to make sure Boeing remains well-positioned in today's difficult economic environment," said Scott Carson, chief executive of Boeing's Seattle-based Commercial Airplanes business unit.

Employment at Commercial Airplanes was "expected to decline by approximately 4,500 positions in 2009 as part of an effort to ensure competitiveness and control costs in the face of a weakening global economy," the company said in a statement.

The job cuts will bring the unit's workforce to about 63,500, similar to the level it was at the start of 2008, the company said.

"We regret the disruption to those affected by this decision," Carson said, adding that the move would enable it to adapt to market uncertainties, meet customer commitments, continue investments and protect competitiveness.

Boeing also said the Commercial Airplanes unit had begun a program to reduce overhead costs and discretionary spending.

Lloyds to pay US fine of 350m in sanctions probe

British-based Lloyds TSB Bank agreed Friday to pay a 350 million dollar penalty to settle a probe that it illegally handled financial transfers for Iran and Sudan in violation of US sanctions.

A Justice Department statement said Lloyds "has accepted and acknowledged responsibility for its criminal conduct" in a criminal complaint filed in US District Court in New York.

"Lloyds agreed to forfeit the funds as part of deferred prosecution agreements with the Department of Justice and the New York County District Attorney's Office," the statement said.

Prosecutors alleged that from 1995 until 2007, Lloyds agents in Britain and Dubai "falsified outgoing US wire transfers that involved countries or persons on US sanctions lists."

According to court documents, "Lloyds deliberately removed material information -- such as customer names, bank names and addresses -- from payment messages so that the wire transfers would pass undetected through filters at US financial institutions."

US ECONOMY

Losing jobs in painful truth

Behind the latest unemployment figures showing another 500,000-plus Americans lost their jobs is a sad truth: The deeper the recession becomes, the more it touches people whose livelihoods have never been threatened by dark financial times.

Now the employment line includes workers who've never lost a job before and always believed experience and hard work would protect them.

Many of them are shocked and depressed - or stuck in denial. And they must confront the worst job market since the end of World War II.

Some say they will take any kind of work, no matter what it pays or where it is. Others hope they can somehow squeak by on unemployment insurance. A despairing, middle-aged man in Pennsylvania toyed with the idea of killing himself in a way that would allow his wife and daughter to collect on his life insurance policy.

In interviews across the country, the newly jobless contemplated their futures in these uncertain times.

Julie Banner had parted ways with Avnet Electronics several times over the last two decades - always for a new experience or a better opportunity. But one December morning, after she had just printed a stack of orders at the North Carolina distributor of computer components, the tables turned for the first time in her working life.

Do you have a minute? asked her manager.

After all those years of coming and going on her own terms, Banner walked into an office and listened to a disembodied voice carried by speaker phone from regional headquarters. She was being let go, the personnel representative told her. Banner knew times were hard. Four others had been laid off in September. The 42-year-old saleswoman believed she might be spared.

"I was just hoping that I wasn't going to be one of the people affected," she said, bracing herself against a bitter wind outside a state unemployment office in Cary, a Raleigh suburb. Earlier this week, in her first foray into the world of joblessness, she arrived to find that a rush of unemployment applicants had crashed the state's computer system.

"It was a very interesting morning," she said. She came back a few days later for a training course on how to find jobs in the weak economy. It takes two paycheques to keep her daughter in preschool and pay the family's mortgage. And her husband works in the same industry that she did.

"I'm still in the crying stage," she said. "My sense of security is gone."

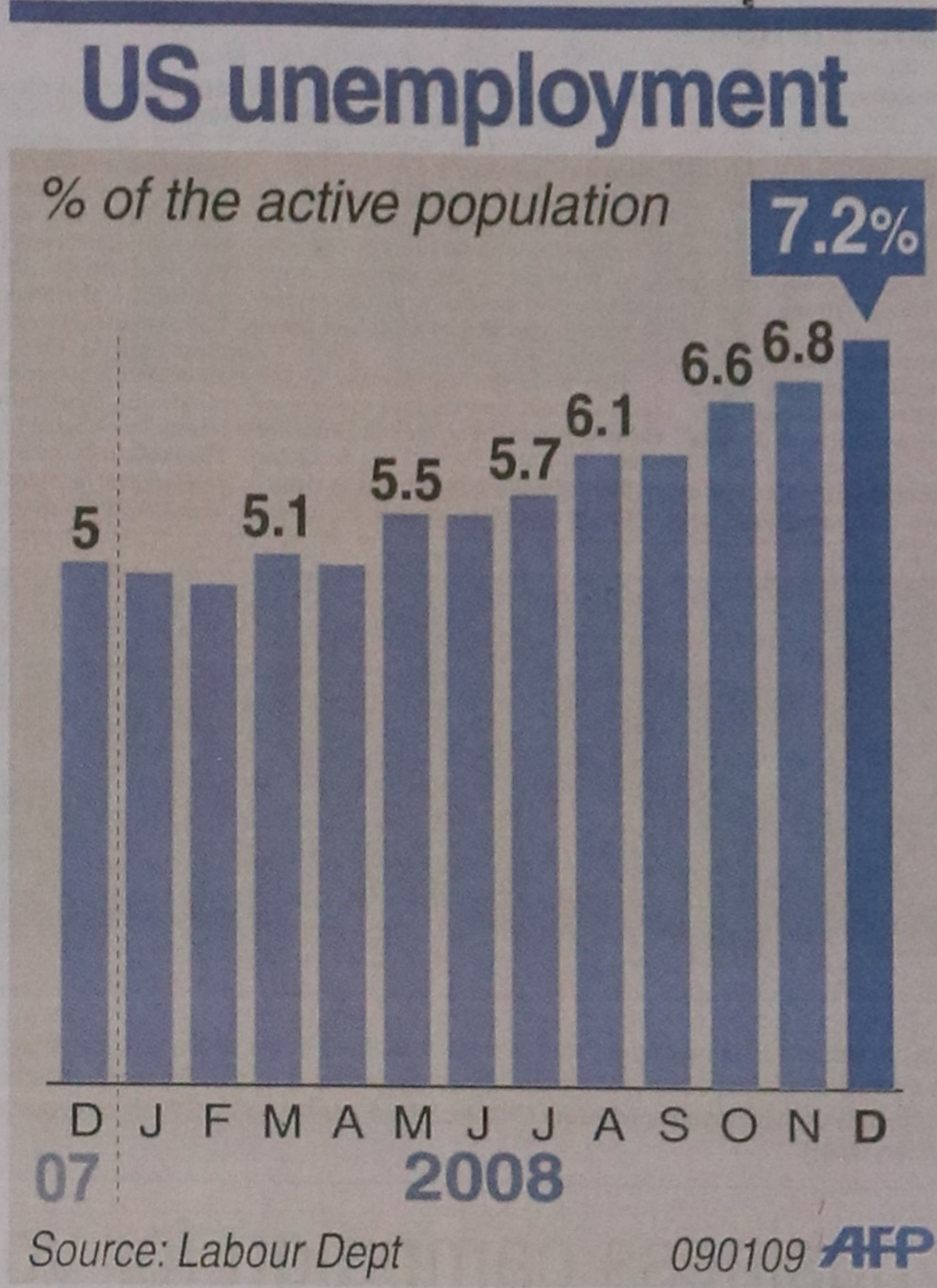
Josh Tanner studied for years, and worked for years, chasing his dream. He thought he was well on his way to managing a golf course, where he would be outdoors in fine weather, the place he liked best.

On Tuesday, the dream evaporated. He was let go as a groundskeeping supervisor at a Las Vegas golf course catering to tourists.

When he first got the news in December, he did not call his wife. He called his brother-in-law for advice on how to tell a woman just two months from delivering their third child that they were losing their health insurance and their only income.

"I didn't know where to start, or how to go," Tanner said. "He told me to be honest. He said try to be upbeat and positive about trying to find a job. She doesn't need the stress."

So the 27-year-old told his wife, KayCee,



Unemployment by the numbers

STAR BUSINESS DESK

7.2 percent.

The headline unemployment rate for December is the number every TV newscaster, economic blogger and talk radio host focused on Friday. That rate, the highest in 16 years, translates into 11.1 million Americans without jobs.

But 7.2 percent doesn't capture how many people are out of work. By another measure - from the same employment report - as much as 13.5 percent of the labor force is either unemployed or underemployed.

The 7.2 figure everyone knows measures something very specific: the portion of people in the work force who wanted to work, looked for a job last month, but weren't working during the first week in December.

It's a tricky definition. It includes the stay-at-home mom who started sending out resumes when her husband's company had its second round of layoffs, but it doesn't count the out-of-work auto worker in Michigan who's so frustrated, she's given up looking.

It doesn't include 1.9 million unemployed people who looked for work in the last year, but not the last month. It doesn't include 8 million people working part-time either because they couldn't find full-time work or because their hours had been cut.

Add them in and you're looking at 21 million unemployed or underemployed workers, representing 13.5 percent of the labor force.

Details taken from AP

that there was still hope.

But in these perilous times, how many can afford to play golf?

With no savings, KayCee persuaded him they needed to ask for help. Their church donated two weeks' worth of groceries and diapers. His family, his friends and his former boss are helping him look for work.

He spent years studying golf course management in college and moved to Las Vegas nearly four years ago.

Asking for help does not come easy. "I'm kind of prideful in that way," he said.

When his 3-year-old son, Daxton, offered help, it nearly broke his heart.

Daxton wanted a toy. Tanner had to say no. Toys cost money. Dad doesn't have money for toys.

A few minutes later, the toddler found some coins on the ground and handed them up to his father.

"I'm depressed," Tanner said. "I try and stay positive around my wife and stay upbeat and smile. But it's hard to put a smile on these days."

He now faces paying \$900 a month for health insurance, and he's not sure how he'll do it. Maybe he can find part-time work. Maybe between unemployment payments, and family help, he can squeak by as his wife waits to give birth and watches over Daxton and his 18-month-old brother, Gavin.

"Someway, somehow we're going to pay it," he said.

Martin Feves lost his job just after Thanksgiving. The Portland, Ore., metal purchaser had already shelled out \$150 for tickets to AC/DC, the head-banging 1980s Australian band with a legion of middle-aged fans.

Feves proudly counts himself a true follower. So he drove three hours to the show outside Seattle with his 14-year-old son.

Even that didn't help.

"AC/DC was fantastic," he raved. "But I was just sitting there worrying."

For nearly 30 years, he manoeuvred through multiple downturns in the high-tech and aerospace industries, including working for airline manufacturer Boeing.

His luck ran out Nov. 30, when he and 19 others were let go from Davis Tool, where he worked as a buyer of airplane materials. He lost a job paying \$60,000 a year. His wife, who is on disability and suffers from bipolar disorder, said her monthly medication costs as much as \$1,000.

They survived December on his unemployment check, her disability payments and their savings account.

The 49-year-old Feves will consider anything to get another job - work for less, change careers, sell his house or move to another state. He sits at a table outside an Oregon unemployment office, where a line of some 20 people waits inside to fill out forms and file claims.

Losing his job for the first time in his life,

and through no fault of his own, leaves Feves feeling much the same as he did when his mother died in 1981.

"You know, in my mind, both times it was like, 'Crap. Now what?'" he said. "It sucks."

But this loss carries embarrassment. So much, he said, that hasn't yet told his friends. Most make good money.

Feves and his wife no longer eat at restaurants. They rent movies that cost no more than \$1. And they hope for better days.

"There's not much we can do now," he said. "I'm looking and waiting."

Steve Pashko had always made a good living. He had always been a good provider for his wife and twin daughters.

Now he feels like a failure - as a husband and a father.

"You start to feel desperate. Every time you hear a report that more people are getting laid off, you think, 'That's just more people you have to compete with,'" said the 51-year-old from Abington, Pa.

Now his wife - a physical therapist - provides the family's sole support.

Pashko blames himself. He spent his entire career as a purchasing manager. But as the economy began to falter last year, he took a job in sales, thinking he was staying one step ahead of troubling times.

Pashko had no sales experience, and companies became increasingly reluctant to purchase the expensive business reports his company sold.

FINANCIAL SCAM

Media dub Satyam scandal India's Enron

AFP, Mumbai

A billion-dollar false accounting scandal at one of India's biggest outsourcing firms dominated the country's media Thursday, with newspapers likening it to that at US energy giant Enron.

The Economic Times described Satyam Computer Services founder and chairman B. Ramalinga Raju's admission that accounts and assets had been falsified and profits inflated as "the biggest fraud in India's corporate history."

"The shame and scandal has stunned India Inc., and left lakhs (tens of thousands) of investors and 53,000 staffers out in the cold," it said.

The Hindu said the Satyam scandal was "shocking beyond belief"; The Asian Age called it "the Great Dot Con"; while the Times of India said it was ironic that the firm's name means "truth" in Sanskrit.

At the Business Standard, Raju's revelations of cooking the books to the tune of more than 50 billion rupees (one billion dollars) in its September-end balance sheet were described as "India's Enron."

"The scale of the fraud and manipulation in the financial statements of the company is

mind-boggling", one commentator wrote, calling it "reminiscent of the Enron-Andersen days".

Enron collapsed in 2001 after revelations that bosses hid company losses and hyped the stock's value while selling their own shares on the sly, leading to prosecutions.

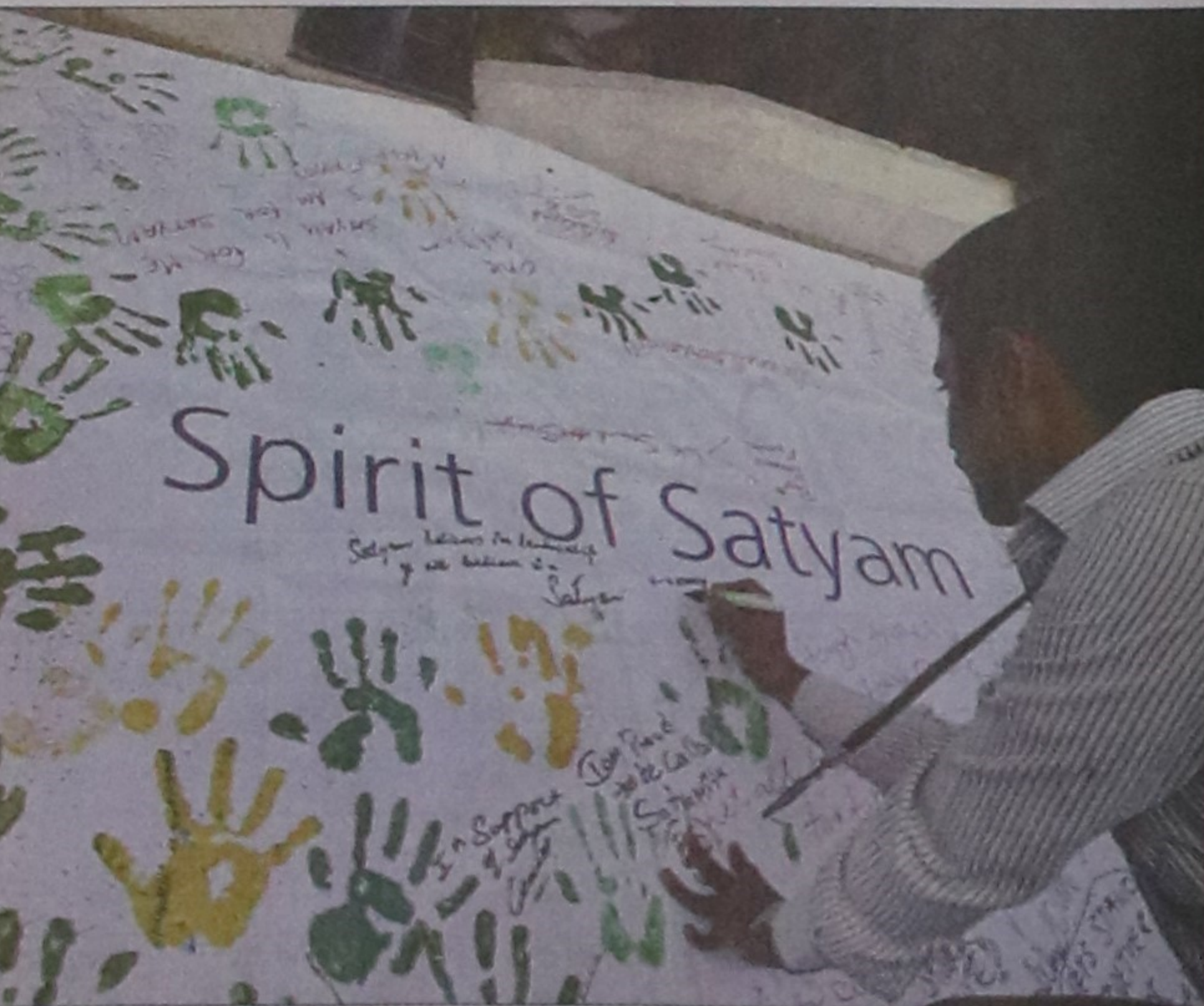
Auditors Arthur Andersen were also convicted after allegations that employees shredded documents to hide evidence relating to the scandal.

Raju said in his resignation statement that none of the other board members was aware of the firm's actual financial situation and that no-one had profited from the inflated results.

Questions were asked in the media about the role of Satyam auditors PriceWaterhouseCoopers as well as the robustness of corporate governance and financial regulation in India.

Others feared for the effect on foreign investment, which is already being squeezed by the global economic slowdown, and India's reputation as a place to do business.

The Indian Express said the timing "could not have been worse", with a weak stock market, a reluctance on the part of domestic investors to take risks and their foreign counterparts pulling out of



An employee of Indian software company Satyam signs a supportive banner in Hyderabad on Thursday. India reeled over a false accounting scandal at the outsourcing giant.

emerging markets.

"This will only exacerbate that problem, just when the Indian economy needs momentum to grow in the opposite direction," it said in an editorial.

The revelations were also "simply catastrophic" given the potential shift in attitudes towards outsourcing as US president-elect Barack Obama prepares to take office, it added.