

International Business News

Japan's listed firms hit by 71pc profit slump

AFP, Tokyo
Japanese listed companies suffered a 71 percent fall in pre-tax profit in the three months to December due to shrinking demand and the yen's surge against the dollar, a newspaper survey showed Sunday.
The Nikkei survey of earnings reports from non-financial companies said export-dependent manufacturers such as autos and electricals were hardest hit.
Of the 453 companies surveyed, 352 reported profit declines or losses in the quarter, the business daily said.
For the full business year to March, their combined pre-tax profit is estimated to decline 51 percent, in what would be the first drop in seven years.
One in four firms, however, projected growth for the year, Nikkei said.
"Companies are adjusting inventories at a rapid pace through decreases in production and are rapidly cutting costs," the daily said.
"There is the possibility of their competitiveness strengthening in the future if they go ahead with reforming their profit structure in the midst of the recession."
The combined pre-tax profit fell for the fourth straight quarter. The decline was far sharper than the 14-percent slide in the April-June period and the 31-percent fall in July-September.
Manufacturers suffered big losses in the October-December term, with sales falling 14 percent, compared with an eight-percent drop for all surveyed companies.

Europe struggles for unity in face of recession

AFP, Brussels
Despite promises to tackle recession together, EU governments are scrambling each in their own corner to come up with new measures to revive their economies, threatening the bloc's unity.
Since the start of the year, Germany has launched a new economic recovery plan, Britain unveiled a fresh rescue package for its banking sector and a number of countries are putting together plans to help their carmakers.
The hodge-podge of various measures contrasts with the spirit of unity that led EU leaders as recently as December to agree on a 200-billion-euro stimulus plan to snap the European economy out of recession.
Although most of the package is made up of national measures, leaders made much of the fact that Europe's efforts to beat recession would be closely coordinated in order to reduce waste and avoid distortions to markets.
However, the new wave of government actions since then has left some worried that EU states risk causing more harm than good by failing to coordinate.
"I think we should improve the way we monitor the implementation of the recovery plan and the financial packages for the support of the financial sector," EU Economic and Monetary Affairs Commissioner Joaquin Almunia said.



A trader knits at her shop in Yiwu, the world's largest wholesale market for small consumer goods. The financial crisis has started to weave its way into Yiwu in China, whose business revolves around a building of 62,000 stalls containing umbrellas, socks, toys, electronics, zips and other goods.

US banks sought foreign workers

AP, Santa Clara, Calif
Banks collecting billions of dollars in federal bailout money sought government permission to bring thousands of foreign workers to the U.S. for high-paying jobs, according to an Associated Press review of visa applications.
The dozen banks receiving the biggest rescue packages, totalling more than \$150 billion, requested visas for more than 21,800 foreign workers over the past six years for positions that included senior vice presidents, corporate lawyers, junior investment analysts and human resources specialists. The average annual salary for those jobs was \$90,721, nearly twice the median income for all American households.
The figures are significant because they show that the bailed-out banks, being kept afloat with U.S. taxpayer money, actively sought to hire foreign workers instead of American workers. As the economic collapse worsened last year - with huge numbers of bank employees laid off - the numbers of visas sought by the dozen banks in AP's analysis increased by nearly one-third, from 3,258 in fiscal 2007 to 4,163 in fiscal 2008.

'Superman' Brown falls to earth as recession hits Britain

AFP, London
A blizzard of bankruptcies and job cuts has brought British Prime Minister Gordon Brown crashing back down in the opinion polls, after an initial ratings boost from his handling of the credit crunch.
As the crisis moves from headlines to the high street, wintry Britain is getting rapidly used to daily company closures and staff cuts, while long booming house prices have plummeted even faster than the country's currency.
Brown claimed to have "saved the world" from economic meltdown in a slip of the tongue last month, while Harriet Harman, the deputy leader of his governing Labour Party, delightedly described him as "Superman".
This was at the height of the "Brown bounce", when Labour slashed the main opposition Conservatives' opinion poll lead thanks to the former finance minister's decisive leadership on the economic crisis.

WORLD ECONOMY

Davos signals era of big govt

AFP, Davos, Switzerland
The world is entering an era of big government with only state muscle powerful enough to fight the economic crisis, top leaders signalled at the Davos summit.
News of mass job losses and fears of social unrest and protectionism reverberated around the gloomy halls of the World Economic Forum.
But the absence of any senior member of President Barack Obama's US administration in the Swiss resort and nationalist rumblings in Washington left doubts about how closely the major powers will take up the battle together.
The "go-go years" are over, admitted HSBC chairman Stephen Green talking for beleaguered bankers at the elite gathering. And Europe's main leaders made it clear that they want a greater grip on the international financial system.
German Chancellor Angela Merkel proposed a UN economy council on the lines of the Security Council that kept squabbling nations apart after World War II.
"Freedom is a necessary precondition for market forces to operate," she said in a speech which condemned "unfettered markets".
"Individual freedom needs to be limited if it takes freedom away from others."
Britain's Prime Minister Gordon Brown called for a "global regulatory system" with a toughened up International Monetary Fund and World Bank.
Governments have already spent one trillion dollars bailing out banks, he reasoned. The government does not want to be a shareholder in banks but "you cannot leave everything to the market," Brown declared.
Several ministers raised the spectre of dark days ahead.
Police fought anti-forum demonstrators



World Trade Organisation chief Pascal Lamy talks during a press conference on the fourth day of the World Economic Forum in Davos on Saturday. Leading trade ministers said there was a "sound basis" for agreeing a new global free trade pact this year amid growing fears about protectionism as the economic crisis bites.

in Geneva and Bern and kept other protesters at bay in Davos, as Brazil's Foreign Minister Celso Amorim warned: "For more vulnerable nations there is the threat of instability and social unrest with all its dire consequences."
French Finance Minister Christine Lagarde said "social unrest and protectionism are the two major risks of the world economic crisis. I think it's a risk in Europe, it's a risk elsewhere as well."
Nearly every prime minister and minis-

ter present vowed to fight protectionism.
But with alarm bells ringing over a US Congress measure proposing that only US steel be bought with US stimulus package money, World Trade Organisation director general Pascal Lamy said there are already protectionist "spots on the radar".
"The more governments get involved in the market, the more probable that protectionist measures will come about and that is vicious circle," said South Korea's Trade Minister Kim Jong-Hoon.
The world is now waiting for a Group of 20 summit in April and world trade talks to send important signals about the intent of governments to work together to ease the pain of the crisis.
The French finance minister said the world was "working against the clock" to get proposals ready for the G20 summit in London.
For most ministers the attitude of the United States will be crucial. China's Premier Wen Jiabao and Russian Prime Minister Vladimir Putin both took Davos pot shots at the US role in the causes of the crisis and the dominance of the dollar.
There was no high ranking American in Davos to reply and little is known about what Obama thinks about the global regulation advocates.
"I think the world is heading for an era of multi-lateral cooperation," said Howard Dean, until recently the chairman of Obama's Democratic Party who was in the Davos audience.
"There is going to be enormous pressure because of the direction of the economy, there are going to be politicians who appeal to nationalist interests which is always destructive."
"But I think we are so inter-related now that I don't think you can avoid the conclusion that we have to work together."
Robert Lawrence, professor of international trade at Harvard University, said the United States will be ready for more intense multi-lateral moves.
"But there is still going to be a very great reluctance to have those activities dominated by people whose votes don't reflect reality."
Merkel's proposal for a UN economic council would ring "negative bells" in the United States where the United Nations has a poor reputation, he said.

COLUMN

SAMANTHA MORSHED

Business to fight poverty

After 38 years of international donors working with NGOs in Bangladesh and millions of dollars spent to try to alleviate poverty, 40 percent of the population still live on less than \$1 per day with an annualised progress rate of about 1 percent. Surely after such a long experiment and such a slow progress, it is time to look for new methods to deal with this problem.
Microcredit has had limited successes where it has been implemented sensibly and prudently but it is now widely accepted that it is not a panacea and will not eradicate poverty alone. It relies on the assumption that everyone wants to be an entrepreneur and indeed has the skills to be an entrepreneur along with a feasible business idea. In the US about 11 percent of the adult population are entrepreneurs with a slightly smaller percentage in the UK and less again in Europe, so why would we assume that it would be a significantly higher percentage in Bangladesh?
Similarly, the interest payments on microcredit are so much higher than base rates in most cases that it is prohibitive to the start-up of business. In addition, microcredit has been used extensively for loans with no business base at all. There are many examples of very poor people borrowing very small amounts of money to buy a blanket in the winter for example, with no hope of ever repaying and ultimately sustaining by simply repackaging their loan into a new loan when they cannot make repayments.
An alternative social solution now very much in vogue is asset-giving where the ultra poor are given an asset, such as a cow or goats. They are given a weekly stipend to enable them to feed the animals and some training in animal husbandry. The jury is still out on the success of this method but at its root it is still an entry into entrepreneurship and leaves the recipient with all the vulnerability of very small-scale agriculture. Animals get sick and die, weather is unpredictable and market conditions change, all problems more easily managed with economies of scale. If you have fifty cows and one dies then you sustain but if you have one cow and it dies then you are out of business with no start-up capital to begin again.
It must therefore be time to turn problem of poverty on its head, look at it from another angle entirely.
What is needed to eradicate poverty in rural Bangladesh? Sustainable employment. The vast majority of people want a job. Jobs are what people want and jobs will eradicate poverty.
Bangladesh is not a 'charity case' full of people waiting for a hand out, rather it is a huge source of manpower waiting for the opportunity to work; a people with dignity. So now the problem we need to solve is not one of poverty eradication, but of employment creation.
Employment creation is a very different challenge from the problem of poverty eradication. We have turned a problem into a challenge and the challenge of employment creation quite clearly belongs in the sphere of business.
Readymade garments (RMG) have been the most successful industry in the history of Bangladesh employing around 5 million



Women make decorative pieces at Hathay Bunano.

people and responsible for more than 70 percent of GDP, but the benefit that RMG brings to the people is small by comparison. The biggest problem is one of location. Factories are located in areas convenient to factory owners or in specified export zones, and are staffed largely by economic migrants from the villages. A workforce located in their own villages, workers living in their own homes, would likely bring much greater benefit in poverty reduction to a larger number of people.
There are however, specific issues associated with getting rural Bangladesh to work. Firstly the population is largely illiterate or semi-literate, secondly there is seasonal work available mainly in the agricultural sector and thirdly, it is a population with little or no previous experience of the specific disciplines of paid employment. In addition, since we would all aim to find a utopian solution, we must therefore aspire to creating employment that is fairly paid, good quality, flexible and local.
Employment is therefore required that will enhance rural life and dissuade economic migrants from moving to the city.
Bangladesh is a small country, some 400 miles from North to South and the roads are functional and adequate making transportation of goods entirely feasible. So with no overwhelmingly negative reasons against relocation and the possibility of a more productive workforce, why is business not relocating in droves to the countryside?
Without a doubt, employment creation in rural Bangladesh is possible. SMEs would

likely lead the way, since they are the backbone of employment creation, but there is currently a lack of understanding of SME business and a lack of availability of business products for SMEs.
The handicraft sector has long been seen as an opportunity for rural employment for women but it is an opportunity that has not, anywhere near, reached its potential.
Similarly there is a need to make the handicraft sector in Bangladesh much more professional as an industry in order for it to achieve potential.
Increasingly there are compliance requirements imposed by those sourcing handmade products and a need to demonstrate basic health and safety measures for all workers -- requirements not even fully met by fair trade commitments. If these issues can be addressed by the handmade sector in Bangladesh then it will be ideally placed to monopolise on opportunities and maximise growth thereby achieving sustainable rural employment.
Work is required that is labour intensive, low-tech and not reliant on electricity and rural handmade is an ideal fit. However, I strongly believe that it is unreasonable to expect small cooperatives of artisans or small NGOs in rural Bangladesh will be able to penetrate export markets. Indeed finding a customer is only the first step.
Cooperatives and small NGOs with groups skilled in the craft but semi-literate and with no exposure to overseas trends are likely to find maintaining customers a challenge too far. The skills these cooperatives are missing are marketing, design, research and centralised finishing and packing, and these can all be more successfully supplied by SMEs. There is a clear need to combine the craft skills of the handicraft sector with the business skills of the SMEs in order to maximise opportunities in this field.
With a huge manpower source waiting for employment opportunities, labour-intensive work is the ideal. This is the basis of the business model of the sweater industry here today. The knitting machines used in the sweater industry are known in much of the rest of the world as 'handloom' knitting machines. Large fully automated knitting machines are available and used in parts of the world where the labour cost is much higher but do not make economic sense in Bangladesh where the labour cost is not prohibitive to labour-intensive work.
The basics of success are already with us. An acceptance that Bangladesh is a rich source of manpower, that a rural workforce is likely to be more productive than an urban one and that labour-intensive work makes economic sense in this country.
Since employment creation will ultimately lead to poverty eradication, and SMEs are likely to lead the field in rural employment creation maybe the donors could do worse than looking to partnerships with SMEs rather than NGOs to achieve the long sought-after aim of us all.

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