

International Business News

Toyota financial unit seeks public funds

AFP, Tokyo
Crisis-hit Japanese auto giant Toyota Motor has asked for a government loan to help its financial unit ride out the credit crunch, an official said Tuesday.
Toyota Financial Services, which provides loans to car buyers, is in consultations with the Japan Bank for International Cooperation (JBIC) but the size of the loan has not been decided, company official Mio Sugito told AFP.
"The move is aimed at diversifying our financial resources as the international financial market is getting tighter, especially in the United States," Sugito said.
The Nikkei business daily and other media reported that Toyota's wholly-owned financial subsidiary is asking for about 200 billion yen (two billion dollars).
They said the money would be used to support its operations in the United States.
The move comes amid concerns that firms are finding it increasingly hard to raise funds from distressed markets and cash-strapped banks.
Analysts, however, said Toyota does not face an immediate cash crunch like its US rivals such as General Motors.
"This not like the case of GM," said Yasuaki Iwamoto, auto analyst at Okasan Securities.

EU won't rule out downgrading economic forecasts

AFP, Brussels
EU Monetary Affairs Commissioner Joaquin Almunia refused to rule out Tuesday further downgrades to the European economic outlook due to the impact of the economic crisis.
On January 19, the European Commission estimated that the eurozone economy would shrink by 1.9 percent this year while the 27-nation European Union would see a contraction in the order of 1.8 percent.
It forecast that Europe would return to growth in 2010 with economic expansion of 0.4 percent among the 16 countries using the euro single currency, and 0.5 percent in the EU.
"When we presented the forecasts on January 19, I said the risks are broadly balanced," Almunia said at the European Policy Centre think-tank.
"Now I can say downside risks are bigger," he said.
Almunia also did not rule out the possibility that EU governments may have to ramp up their economic stimulus plans if existing packages fail to snap Europe out of an increasingly dire recession.
European governments are ploughing hundreds of billions of euros into their economies in hope of reviving activity, but economic data keep going from bad to worse while their budget deficits balloon in the meantime.



AFP
Flowers are offered for sale in central Sydney yesterday. Australia posted stronger-than-expected international trade and retail figures, sparking hopes the economy may have grown modestly despite the global economic downturn, analysts said. Australia's current account deficit narrowed 32 percent to a seasonally-adjusted 6.5 billion Australian dollars (4.2 billion USD) in the final quarter of 2008, the Australian Bureau of Statistics said.

HK tycoons back HSBC cash grab despite stock plunge

AFP, Hong Kong
HSBC shares plunged Tuesday after the banking giant asked shareholders for a 17.8 billion US dollar cash boost, but Hong Kong's powerful tycoons insisted the firm remained a good long-term bet.
The bank's share price slumped 18.8 percent to 46.25 Hong Kong dollars (5.93 US) in Tuesday trading in Hong Kong, after falling more than 18 percent in London overnight.
The collapse came after the bank on Monday reported a 70 percent tumble in annual net profit last year, mainly due to the dire performance of its US unit.
It also asked shareholders to back a huge rights issue, worth 17.8 billion US dollars, in an effort to shore up its balance sheet.
Despite its worse-than-expected results, many of Hong Kong's richest investors believed the rights issue, priced at 28 Hong Kong dollars, was a great bargain.
Allan Zeman, the developer behind Hong Kong's most famous nightlife district, said he interrupted a trip to Thailand to call his investment agent to subscribe to the offer.

Luxury piano firm turns to furniture in crisis

AFP, Hradec Kralove, Czech Republic
The global economic crisis has forced world-renowned Czech piano maker Petrof to hit the soft pedal and switch production from grands to lacquered kitchen furniture.
"At the time of a crisis, people think about other things than buying a new piano. That's normal," said Zuzana Ceralova-Petrofova, president of the piano manufacturer founded in 1864 by her ancestor Antonin Petrof (1839-1915).
By July, roughly 200 of Petrof's 390 employees will be forced to leave the plant situated on the outskirts of Hradec Kralove, a city about 100 kilometres (62 miles) east of Prague.
Famous for its strictly manual production which has pulled prices way above the average mark, Petrof has in recent years produced about 7,000 pianos annually, mostly for exports.
But orders from Europe, North America and Asia have gone decrescendo.

INTERVIEW

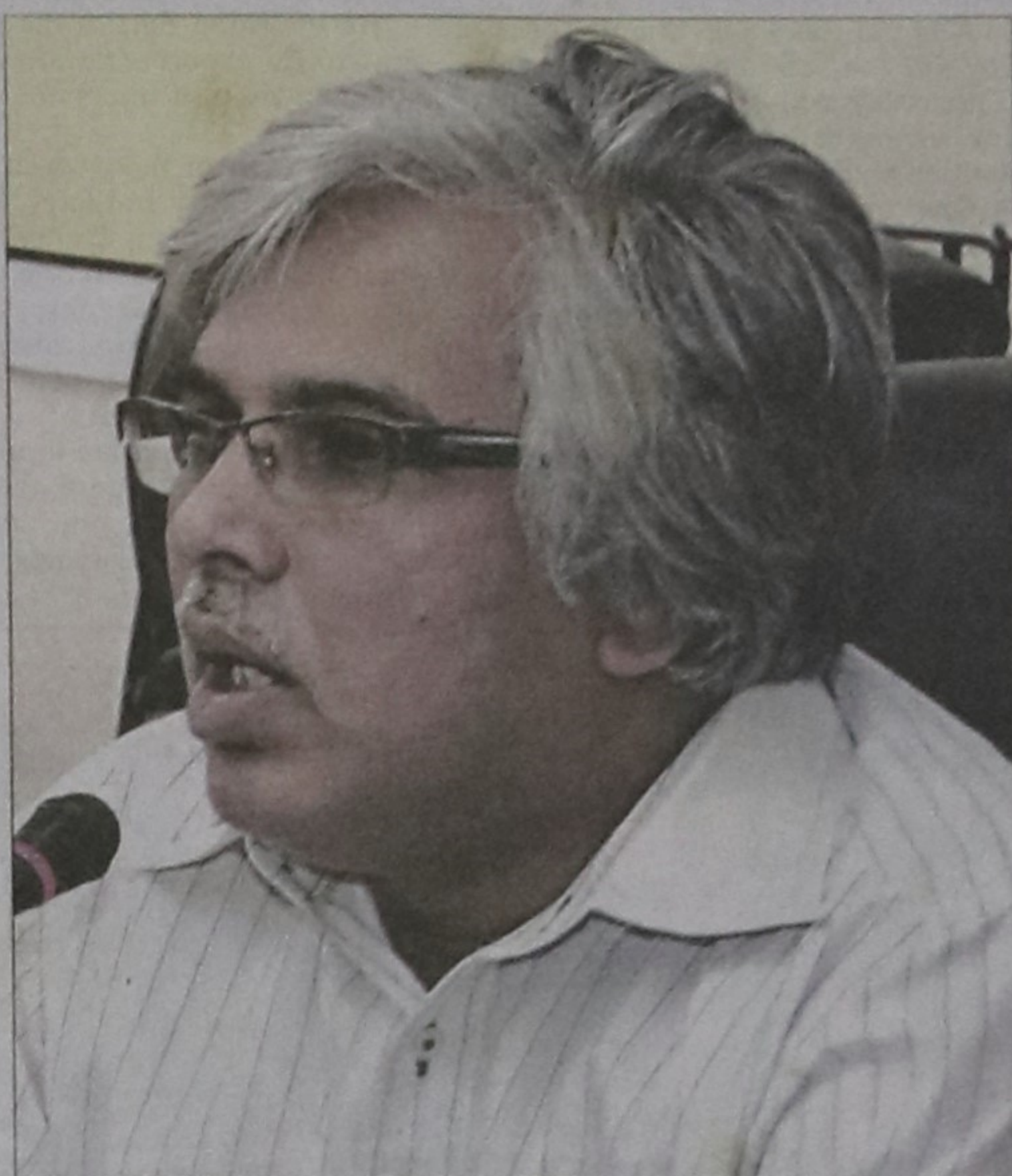
RMG holds out bright hope

Outgoing BGMEA president speaks to The Daily Star

REFAYET ULLAH MIRDHA
A strong chance stays yet to materialise the dream of exporting readymade garment (RMG) worth \$25 billion within 2013 from the existing \$11.70 billion if the sector is given proper and timely policy support and financial aid from the government side.
It may sound ambitious to many in the time of tumultuous global economy that has already affected many of the export destinations of Bangladeshi products.
But Anwar-Ul-Alam Chowdhury Parvez, the outgoing president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), holds out the hope deep in heart.
He describes the ways and means how the dream can come true.

In an interview with The Daily Star, Parvez, who completed his two-year tenure (2007-08) as the BGMEA skipper, says Bangladesh has a lot of opportunities in global apparel trade although major competitors like China, India and Pakistan are facing the recession ordeals.
"Every crisis is an opportunity. The risk of global recession has brought the opportunities for Bangladesh. All the stakeholders including manufacturers and exporters, the government, workers and trade unions should come forward to exploit the opportunities," Parvez says.
But, the sector needs government back-up for extracting the opportunities from the recession, otherwise there is a chance of losing the existing markets as the competing countries have already taken a lot of safeguard measures, he says.
Parvez, who is scheduled to hand over the BGMEA presidency

to Abdus Salam Murshedy on March 12, says the positive leadership both by the manufacturers and the government is very important during such a crucial moment.
"I hope the new BGMEA leadership in collaboration with the government would utilise the opportunity that has been created for Bangladesh stemming from the global recession," the outgoing leader says.
He says the government should move fast in giving the financial packages to the manufacturers and exporters, as any further delay may demoralise the businessmen.
Parvez also talked about infrastructure and skill development, labour issue, developing fashion and design, creating mid-level management, improving productivity, reducing bank interest rate and developing marketing strategies and negotiation skill in price fixation with the foreign buyers.
He particularly stresses infrastructure development to sustain the industrial and manufacturing growth of the country.
The government should ensure smooth supply of electricity and gas to the industrial plants and development of transportation especially the Dhaka-Chittagong highway, he suggests.
Increasing efficiency of the country's prime Chittagong Port is a major task for maintaining a higher export growth, he says, calling for developing new alternative ports.
Parvez says BGMEA has so far taken over the charge of 31 government-owned training centres across the country to train new workers for the garment sector, which has at least 25 percent shortage of skilled workers.
"I hope at least 17,000 trained workers would come out from



Anwar-Ul-Alam Chowdhury Parvez

such training centres every year to man the garment sector," he says.
Parvez, owner of Evince Group, says more than 300,000 new workers entered the garment sector last year and the total number of workers is now 2.8 million.
He says the training centres also organise seminars and workshops for the mid-level managers of different factories to enhance their negotiation capacity with workers, buyers and other managements.
Bangladesh needs not only skilled workers but skilled designers also, as the next business of

garment would be the business of fashion design and brands, he says.
"This is why the students' enrolment in BGMEA Institute of Fashion Technology should be increased to produce more skilled hands for fashion design," Parvez says.
He says since almost all the economies of the world are driving on a bumpy road, the new BGMEA management should tackle the issue of labour unrest very efficiently, otherwise the country may lose in competitiveness.
"The owners of the garment

units should work closely with the workers and trade unions so any kind of problem could be resolved immediately through negotiation."
He says buyers are now offering at least 17 percent reduced prices due to the recession.
"At this time improving productivity and looking for new export destinations is a must for the countries like Bangladesh," he says.
About the backward linkage industries, Parvez says the woven manufacturers need to buy fabrics from countries like China, Indonesia, Vietnam, Italy and other EU countries as the local backward industries can contribute only 30 percent.
But for the knitwear sub-sector the backward integration can contribute more than 80 percent now, he adds.
He calls upon the government to address the issue of reducing bank interest rate so the investors can set up new industrial plants with ease.
"The interest rate at 18 percent is really very high for establishing industrial plants in this competitive age," Parvez says.
He says the government must improve the activities of missions abroad as the international trade is largely dependent on effective economic diplomacy with the competing countries.
He urges the government to open permanent display centres of major Bangladeshi exportable products in the foreign missions so the buyers can easily choose the items and make business deals easily.
He says export of garment items would rise significantly from April as the buyers are placing orders for winter collection.

ANALYSIS

Is it time to use the dreaded D-word?

AP, Washington
A Depression doesn't have to be Great -- bread lines, rampant unemployment, a wipeout in the stock market. The economy can sink into a milder depression, the kind spelled with a lowercase "d."
And it may be happening now.
The trouble is, unlike recessions, which are easy to define, there are no firm rules for what makes a depression. Everyone at least seems to agree there hasn't been one since the epic hardship of the 1930s.

But with each new hard-times headline, most recently an alarming economic contraction of 6.2 percent in the fourth quarter, it seems more likely that the next depression is on its way.
"We're probably in a depression now. But it's not going to be acknowledged until years go by. Because you have to see it behind you," said Peter Morici, a business professor at the University of Maryland.

No one disputes that the current economic downturn qualifies as a recession. Recessions have two handy definitions, both in effect now -- two straight quarters of economic contraction, or when the National Bureau of Economic Research makes the call.
Declaring a depression is much trickier.
By one definition, it's a downturn of three years or more with a 10 percent drop in economic output and unemployment above 10 percent. The current downturn doesn't qualify yet: 15 months old and 7.6 percent unemployment. But both unemployment and the 6.2 percent contraction for late last year could easily worsen.
Another definition says a depression is a sustained recession during which the populace has to dispose of tangible assets to pay for everyday living. For some families, that's happening now.

Morici says a depression is a recession that "does not self-correct" because of fundamental structural problems in the economy, such as broken banks or a huge trade deficit.
Or maybe a depression is whatever corporate America says it is. Tony James, president of private equity firm Blackstone, called this downturn a depression during an earnings conference call last week.



History repeats? Job hunters mass for \$4 a day work in 1935 and the line unwinds outside a New York City job fair last week. Unlike recessions, there are no firm rules for what makes a depression.

The Great Depression retains the heavyweight crown. Unemployment peaked at more than 25 percent. From 1929 to 1933, the economy shrank 27 percent. The stock market lost 90 percent of its value from boom to bust.
And while last year in the stock market was the worst since 1931, the Dow Jones industrials would have to fall about 5,000 more points to approach what happened in the Depression.
Few economists expect this downturn will be the sequel. But nobody knows for sure, and nobody can say when or whether the downturn may deepen from a recession to a depression.
In his prime-time address to Congress last week, President Barack Obama acknowledged "difficult and trying times" but sought to rally the nation with an upbeat vow that "we will rebuild, we will recover."
The next day, Federal Reserve Chairman Ben Bernanke told the House Financial Services Committee that the "recession is serious, financial conditions remain difficult." He held out a best-case hope that it might end later this year, with "full recovery" in two to three years.
Despite the tempered optimism, the economic outlook remains grim. Consumer confidence has fallen off the table, stocks are at 12-year lows, layoffs come by the tens of thousands,

and credit remains tight.
The current downturn has many of the 1930s characteristics, including being primed by big stock market and real estate booms that turned to busts, said Allen Sinai, founder of Boston-area consulting firm Decision Economics.
Policymakers and economists note there are safeguards in place that weren't there in the 1930s: deposit insurance, unemployment insurance and an ability by the government to hurl trillions of dollars at the problem, even if it means printing money.
Before the 1930s, any serious economic downturn was called a depression. The term "recession" didn't come into common use until "depression" became burdened by memories of the 1930s, said Robert McElvaine, a history professor at Millsaps College in Jackson, Miss.
"When the economy collapsed again in 1937, they didn't want to call that a new depression, and that's when recession was first used," he said. "People also use 'downward blip.' Alan Greenspan once called it a 'sideways waffle.'"
Most postwar US recessions have come after the Fed has increased interest rates to cool down rapid economic growth and inflation. Later, the Fed lowers rates and helps restart the economy, with the housing and auto sectors -- both sensitive to interest rates -- leading the way.



This time is different: As Senate Banking Committee Chairman Chris Dodd, D-Conn., said, "Our housing and auto sectors are leading us not out of recession, but into it."
What's more, the Fed no longer has the ability to kick-start recovery by lowering interest rates. The central bank has already effectively lowered the short-term rates it controls to zero.
And there are no guarantees the massive economic stimulus package and series of bank bailouts will stave off a nightmare recession, or worse.
"It is certainly plausible that the kinds of policy measures that have been good enough to tame the business cycle are no longer adequate in a fast-moving, highly leveraged, highly networked economy," said Anirvan Banerji of the Economic Cycle Research Institute.
Today's economic indicators don't project a depression. But Banerji is cautious. Economic data in 1929 didn't show that the stock market crash was about to lead to years of economic misery, either.
"It did not look like the kind of plunge that would be a depression until after the recession began," Banerji said. "The Great Depression didn't start out as a depression. It started out as a recession."
The depression that consumed most of the 1870s and followed something called the Panic of 1873

makes a better comparison to what's happening now, said Scott Nelson, a history professor at the College of William and Mary.
Financial markets had become centrally located by the 1870s, notably in London. And nations had not yet enacted the protectionist trade policies that were in place by the 1930s.
The results were not exactly promising. Gangs of orphans roamed city streets as men moved west to pursue cattle industry jobs. Widows struggled to make money by serving unlicensed liquor. Thousands of workers, many Civil War veterans, became transients.
The downturn lasted more than five years, according to the economic research bureau -- four times as long as what the United States has endured so far in this downturn.
Today's recession is already longer than all but two of the downturns since World War II. But for now, public officials are being extremely cautious about the D-word. Alfred Kahn, a top economic adviser to President Carter, learned that lesson in 1978 when he warned that rampaging inflation might lead to a recession or even "deep depression."
When presidential aides asked him to use another term, Kahn promised he'd come up with something completely different.
"We're in danger," he said, "of having the worst banana in 45 years."