

International Business News

China runs ahead with spending torch

AFP, Beijing

China took over the lead in the race to beat the global economic crisis on Thursday, promising eight-percent growth and heavy social spending as US, European and Japanese data flagged.

Japanese stocks closed with a gain of three percent after a 2.23-percent surge on Wall Street in anticipation of a boost to the global economy from China.

But in Europe, stocks retreated as the Chinese strategy unfolded.

China faces "unprecedented difficulties and challenges," over the crisis, Premier Wen Jiabao told the annual session of parliament.

He gave some details of stimulus spending to total four trillion yuan (585 billion dollars), promising to boost social programmes massively, but did not roll out a detailed blockbuster spending splurge as some observers had expected.

The country would overcome the crisis, he assured, forecasting that it could still achieve growth of eight percent this year and that this was essential for "ensuring social stability."

Meanwhile, low inflation and recessionary pressures in Europe were expected to push the European Central Bank into a half-point rate cut to a record low point of 1.50 percent on Thursday.

Ford to cut \$10b in debt with cash, equity offer

AP, Dearborn, Michigan

Ford Motor Co took another step to stay cost-competitive with government-financed automakers General Motors and Chrysler when it offered to exchange up to 40 percent of its debt for cash and stock.

The company and its financial arm are putting up \$2.2 billion in cash to entice holders of \$10.4 billion in convertible notes, other unsecured debt and secured term debt to take the offer. The company said Wednesday that reducing the debt will cut the amount it pays in interest and put it in better position to compete with General Motors Corp and Chrysler LLC.

"This is all part of a restructuring plan to make the company healthier in the end," said Ford spokesman Mark Truby.

GM and Chrysler also are trying to swap debt for equity as a requirement of the \$17.4 billion in government loans they have received.

Ford, which also is trying to restructure amid a severe automotive sales downturn, said Wednesday that it still does not intend to seek federal aid.

The company said it will offer a cash premium to get debtholders to exchange up to \$4.9 billion in convertible notes issued in 2006. Every \$1,000 in notes is already convertible into about 108.7 shares of common stock, but Ford will offer an additional \$80 in cash to sweeten the deal.



Indian film actress and brand ambassador for Tissot Swiss Watches Deepika Padukone poses at the launch of the T-Touche Expert watch in Mumbai yesterday. Swiss watchmaker Tissot launched the T-Touch Expert, a tactile sports watch that is equipped for adventures and outdoors and priced from \$715.

Brussels proposes mini-summit over ailing Opel

AFP, Brussels

EU Industry Commissioner Guenter Verheugen proposed on Thursday a meeting of all European nations hosting GM plants, particularly the ailing Opel brand, to coordinate their response to the auto crisis.

"I will propose that member states where we have GM sites in Europe should hold an extraordinary meeting," Verheugen said as he arrived for a meeting of EU ministers in charge of competitiveness issues.

That meeting should reflect on "the way we want to react," he added.

GM's difficulties in the United States have had a big impact on its European affiliate Opel which is mainly active in Germany, where it has four factories, but also Belgium, Britain, Poland and Spain.

General Motors also owns Saab, but plans to pull out of the Swedish carmaker.

The auto industry is one of the largest and worst-hit industrial sectors in Europe, where the recession resulted in the weakest sales in 15 years in 2008, with new car registrations plunging eight percent.

Japan PM sees 'no bottom in sight' for sinking economy

AFP, Tokyo

Japan said Thursday there was no bottom in sight for Asia's biggest economy as a record slump in business investment raised fears that its recession is the deepest since World War II.

Japanese companies slashed their investment in plants and equipment by 17.3 percent in the last quarter of 2008 from a year earlier, the biggest fall since comparable records began in 2002, the finance ministry said.

"It's clear that the economy is in a severe state," Prime Minister Taro Aso said in parliament. "We have no bottom in sight."

There are fears that the government will report next week that the Japanese economy shrank even more in the fourth quarter of 2008 than an initial estimate of a 12.7 percent annualised drop.

The contraction could be as large as 14.8 percent, which would be the worst since World War II, surpassing a 13.1 percent decline in early 1974 after the first oil shock, UBS economist Akira Maekawa said.

VIETNAM ECONOMY

Workers head home in recession

AFP, Quang Ngai, Vietnam

Nguyen Van Ha's temporary lodgings are no bigger than a prison cell, his bed consists of wooden planks balanced on a few broken bricks and there is no electricity or running water.

Yet he and perhaps millions of others, experts say, have returned to this style of living in rural Vietnam rather than stay in urban centres Ho Chi Minh City or Hanoi, because the cities are too expensive and jobs are disappearing.

The economic difficulties in the world have affected Vietnam, said the gruff Ha, 28, as he smokes a cigarette on his day off from a wood-processing factory where he ekes out a living for his young family.

"Many of my friends lost jobs in Ho Chi Minh City. They came back home and are still looking for proper jobs here," the father of a five-month-old baby told AFP in central Quang Ngai province, one of the poorest regions in Vietnam.

"I think life will become more difficult this year. The price of everything has gone up so high, while jobs are more difficult to find," he said, adding he left Ho Chi Minh City, formerly Saigon, because of the increased costs.

While inflation has settled down after rampant consumer price rises last year, food costs were still up 22.16 percent year-on-year in February, latest figures from Vietnam's General Statistics Office show.

Ha said he and his wife now earn a total of three million dong (170 dollars) a month, just enough to live on and slightly more than the average monthly pay for workers at state-owned enterprises.

He and a dozen others living in sparse rented shacks say that while the pay is more in Ho Chi Minh City, Vietnam's financial centre 850 kilometres (500 miles) to the south, they have less disposable income there.

In the southern metropolis, a Louis Vuitton boutique sits close to the city's opera house, where foreign bankers sip cocktails on an outdoor patio, and Vietnam's first Porsche showroom recently opened for business.

But for many in communist Vietnam, all that is a world away.

Nguyen Van Minh, 47, who lets the shacks for 200,000 dong a month for two people, said there was an influx of workers coming

back to the central province before Tet, or lunar new year, in late January.

"Earning two million dong a month in Ho Chi Minh City is the same as earning a bit more than one million here because the living costs here are lower," he said, proudly surveying his moderate domain.

"I have been in this business for about six or seven years but had never seen that many workers returning to Quang Ngai as before this Tet."

"They came back because they were sacked in Ho Chi Minh City as companies went bankrupt, or they could not stand the high living costs there."

No official figures are available for how many workers have returned to their home provinces, but it is a trend which has been noted by the business community in Ho Chi Minh City and the capital Hanoi.

It also echoes the situation, albeit on a smaller scale, in neighbouring China where migrant workers have been returning to the countryside in droves.

"We did a survey and there were some who went back to their home provinces, but the ratio was not that big," said Lam Van Tiep, deputy head of Ho Chi Minh City's export processing zone authority, without providing figures.

Tiep said a total of 240,000 workers were currently employed in the industrial zones dotted around the city, meaning 8,000 had lost their jobs since December, mainly at Japanese and South Korean firms.

The global economic crisis was to blame, Tiep added, with Vietnam's economy cooling to 6.2 percent in 2008 after almost a decade of blistering growth that saw the country rapidly develop, dragging millions out of poverty.

Jonathan Pincus, of the Fulbright Economics Teaching Programme in Vietnam, said it was impossible to pinpoint how many workers returned to the countryside because "the numbers range from a few thousand to millions depending on who you ask".

"The loss of jobs in shoes and garments is certainly serious already," he added.

"We have heard that some big shoe companies have cut employment in half. Whether these people have gone home or are searching for work in Ho Chi Minh City and its suburbs is not clear to us yet."



A migrant worker works at a construction site in the suburbs of Ho Chi Minh City yesterday. With Vietnam's economy cooling down to 6.2 percent in 2008 in the global economic crisis, many migrant workers lost their jobs in big cities and had to return home.

COLUMN

MAMUN RASHID

Bangladesh in the Middle East

"Middle East" -- the two most favourite words to thousands of young men in Bangladesh. About fifteen years back, a television drama showed a young man, who always kept saying -- "Taka Den, Dubai Jamu" (Give me money, I will go to Dubai). Like that young fellow, each year thousands of young men from rural Bangladesh want to go to their dream destination.

Young men from Bangladesh go to the Middle East for economic reliance. Over the years, they send money back home to their families and our country reaps the benefits of these hard earned foreign currencies.

In fiscal year (FY) 2007-08 we received \$4.97 billion from the Middle East as inward remittances, which is around 6.3 percent of our country's GDP.

My question is, when those young men contribute to the country's foreign exchange earnings, what do we do to facilitate them? What have we done to uphold Bangladesh's name in the Middle East? Why is Bangladesh unheard of in the Middle East?

As per the latest Statistical Year Book and sources from the Bureau of Manpower, roughly 3.7 million Bangladeshi workers are currently working in the Saudi Arabia, Kuwait, Qatar, United Arab Emirates, Bahrain and Oman, which constitutes around 25.3 percent of the total labour force of those countries.

The remittances inflow from these countries doubled from \$2.4 billion in FY 2003-04 to \$4.97 billion in 2007-08. In the last fiscal year, Bangladesh received 63 percent of the total remittances inflow from the Middle East.

According to an Indian taxi driver in Jeddah, the crime list

Since 2004, remittance inflow from the above mentioned countries increased at an average rate of 20 percent. However, the number of new workers migrating to those countries has significantly declined over the years.

In 2007, about 0.2 million workers went to Saudi Arabia from Bangladesh, whereas in 2008, the number has dropped to 0.13 million. The number of new entrants also declined in Bahrain and Kuwait.

Bangladesh, being predominantly a Muslim country, should leverage its relationship with other Muslim countries. Despite what we have seen on the electronic media, about how Bangladeshi workers are being harassed by law enforcers in those countries, my UAE experience reveals that often Indian or Pakistani criminals are passed on as Bangladeshi.

Bangladesh, being the manpower agency. However, the prevalent malpractices and fraudulent activities of these agencies do not guarantee safe migration.

On 9/11, the movement of workers was affected all around the world. If foreign countries feel threatened, it will not bring any good for us. However to resolve these issues, we need to develop a trustworthy, stable, and long-term relationship with our partner countries, especially with their upper echelon in the Middle East.

There is also a need for efficient banking and investment services. The workers need secured and low cost fund-transfer services. In Bangladesh, a

paid regularly or arrested by law enforcing agencies all of a sudden. New visa issuances have almost stopped in all Gulf Cooperation Council (GCC) countries.

Our foreign missions should be responsible for ensuring safety, security, well-being and respect of our workers. They should play an active role to make sure that our workers are paid at par in the foreign market and are aware of their rights. Till now, our country depended on the success of the manpower agencies.

Bangladesh, being predominantly a Muslim country, should leverage its relationship with other Muslim countries. However, the prevalent malpractices and fraudulent activities of these agencies do not guarantee safe migration.

We still have a long way to go in terms of automation and building technological infrastructure. We may also facilitate alternate distribution channels by including the MFI's into the remittance grid. Added to these, come efficient and effective guidance at the departure counter (having a bank account number or at least 2 weeks of formal training, can also be included as mandatory documents by the immigration department) in the airports.

We need to remember that Bangladesh has mostly been a low skill manpower exporting country.

while our neighboring countries (India, Sri Lanka, and Pakistan) were able to send workers at mid to high skill levels.

Hence, it is time that we raise our level of expertise if we want to make our presence felt in the Middle Eastern and enter the next trajectory of employment.

Now let's get into the issue of Bangladesh not being heard off in the Middle East. In late January, a regional head of a large global bank told me, "Despite being a predominantly Muslim country, I wonder why Bangladesh is not even mapped in the Middle East or considered as a destination for Middle East investment." Similarly, a senior executive in a Saudi Bank explained why they bought a bank in Pakistan, and not in Bangladesh, or why their board feels that Pakistan will by all means come out of the mess.

Being a Muslim country, while Pakistan was able to attract the large sovereign funds of the Middle East based institutional investors; Bangladesh could not convey the message to those investors that it also has immense potential to be an Islamic financials destination.

Hence, we should develop country specific strategies and policies to promote Bangladesh in the Middle East. The government may appoint a special adviser, whose role will be to strengthen the relationship with the Middle East and capture the highest possible benefit from the GCC countries. The key to success is "Effective Relationship Management".

The writer is a banker and economic analyst. He can be reached at mamun1960@gmail.com.

Labour force	No. of Bangladeshis in labour force	% of Bangladeshis in total labour force	Remittance inflow to Bangladesh (2007-2008)	% of total remittance inflow
KSA	6.7	1.9	2,324.0	30%
Kuwait	2.2	0.3	863.7	11%
Qatar	1.1	0.1	289.7	4%
UAE	3.3	1.1	1,135.1	14%
Bahrain	0.5	0.1	138.2	2%
Oman	0.9	0.2	220.6	3%
	14.7	3.7	4,971.4	63%