

International
Business News

Japan eyes \$15b jobs plan

AFP, Tokyo

Japan may spend more than 15 billion dollars to protect jobs and help the unemployed amid its steepest economic downturn in decades, Labour Minister Yoichi Masuzoe said Thursday.

The plan could cover vocational training for job-seekers, subsidies to help companies save jobs, and payments to help laid-off migrant workers or help them return to their home countries, said reports quoting unnamed officials.

"We need to map out employment measures aggressively to the scale of 1.5 trillion yen (15.6 billion dollars)," Masuzoe told reporters.

"People have concerns about what to live off while they are looking for the next job or while they are getting vocational training," he said. "We want to present drastic measures to address this kind of problem."

Asia's largest economy is heading for its worst recession since World War II, and major auto, electronics and other companies have slashed tens of thousands of jobs, hitting temporary contract workers the hardest.

Toyota Motor Corp. said Thursday it plans to halve recruitment of full-time workers in the next fiscal year starting in April to around 1,800 employees, while some other companies have cut or frozen new hiring.

Japan's jobless rate in January stood at 4.1 percent, still below its record of 5.5 percent in 2002, but is expected to rise as the global downturn bites deeper into Japan's export industries.

Toyota to halve recruitment
in 2009

AFP, Tokyo

Toyota Motor Corp. said Thursday it would almost halve its recruitment of full-time workers in Japan to the lowest level in about a decade as it braces for its first ever loss.

Toyota will take on about 1,400 full-time employees in the next fiscal year starting in April, down from a record 2,733 new recruits this year.

"In order for us to survive, we must put our resources into the development of next-generation environmental technologies," said a company spokeswoman, who asked not to be named.

"The auto industry is in an extremely dire situation," she said.

Toyota's plans will take recruitment levels back down to roughly the same level as nine years ago when Japan was slowly emerging from a decade of recession and economic stagnation.

Toyota ended General Motors' 77-year reign as the world's top-selling carmaker in 2008 following several years of strong growth thanks to brisk demand overseas, particularly in the United States.

But it has been hit hard by a slump in exports and has slashed thousands of temporary jobs as it braces for an operating loss of 450 billion yen (4.7 billion dollars) in the financial year ending this month.



AFP

People protest during a demonstration against the closure of German firm Continental plant in Clairoux, which employs 1,100 workers, yesterday in Compiègne, northern France, on a nationwide day of strikes and protests to demand more state protection from the economic crisis.

IATA says 2009 losses will be
greater than expected

AFP, Kuala Lumpur

Airlines face a "very difficult" year ahead and their losses during 2009 will be greater than the 2.5 billion dollars forecast just three months ago, industry association IATA said Thursday.

Giovanni Bisignani, the director general of the International Air Transport Association (IATA), said a recovery would only likely begin in 2010.

"Our last industry forecast made in December was for a 2.5 billion US dollar loss in 2009, based on a 3.0 percent fall in passenger demand and a 5.0 percent drop in cargo," he said in a speech.

"This is now looking very optimistic and next week we will issue a revised forecast," he said.

Bisignani said the situation was much worse than after the September 11, 2001 attacks on the United States, when it took the industry three years to recover.

"Here we have the entire system in crisis, and it will take a long time to recover," he told reporters later. "Premium traffic has gone down, business class is empty."

FedEx Q3 earnings tumble
on weak global economy

AP, New York

FedEx said Thursday its fiscal third-quarter profit tumbled 75 percent as severe weakness in the global economy offset the benefit of lower fuel prices. The company said it will eliminate more jobs and make other cutbacks to deal with the ongoing economic slowdown.

The Memphis, Tenn.-based company, often seen as a bellwether for the U.S. economy, said it earned \$97 million, or 31 cents per share, compared with \$393 million, or \$1.26 a year earlier.

Revenue fell 14 percent to \$8.14 billion, from \$9.44 billion.

Analysts polled by Thomson Reuters expected profit of 46 cents per share on revenue of \$8.65 billion.

"Our financial performance was sharply lower during the quarter due to the global recession," Chairman, President and Chief Executive Frederick W. Smith said in a statement. "While we are gaining market share in all of our transportation segments, the downturn in our industry and the severity and expected duration of the recession require that we take additional actions."

POWER SUPPLY

Lights on for some Kabul residents

AFP, Kabul

For the first time in perhaps 20 years, Kabul resident Abdul Karim can turn his lights on every single night.

It makes getting up to pray before dawn so much easier, said the 67-year-old, standing outside his small house on a dirt street in the centre of the Afghan capital.

"This power is like eyes. If you don't have eyes, you can't walk," he said.

Karim is one of the lucky Kabul residents to benefit from a 40-megawatt (MW) boost in power supply to the capital of roughly four million since mid-January.

For up to 40,000 households, power supply has been boosted to 18 hours a day -- up from four hours every third day -- according to USAID, Washington's overseas aid arm, which helped put the project in place.

Seven years after the US military helped end the repressive rule of the Islamist Taliban, many Kabul residents are finally beginning to feel that one of their most pressing complaints is being dealt with.

Karim's 21-year-old son, Haroon, is thrilled -- mainly because it means he can watch a lot more television.

"There is no night that I have gone to bed before 12. This power is an amazing thing because we do not have places for entertainment," he said.

The wattage in their home is enough for the lights and a few appliances -- though like most Afghans, they still use traditional wood-fired heaters and gas for cooking.

Kabul is one of the few bright spots in the impoverished country when it comes to electricity supply.

Only about 10 percent of the Afghan population, estimated at between 26 and 30 million, has access to power, the government says, not much different to the early 1980s when the Soviet Union was in charge and before the conflicts that destroyed the country and its infrastructure.

The scarcity of power in the capital is often cited by people who grumble that the roughly 15 billion dollars in aid that arrived after the Taliban's removal has made little real difference to their lives.

The substantial international military and aid communities based in the city cope with large and costly generators while most Afghans rely on wood and gas.

If and when power does arrive, the locals rush to switch on geysers, fill buckets with water, do the ironing -- no matter what time of day or night.

The recent surge to Kabul is temporary -- the power was diverted from the northern town of Mazar-i-Sharif near the Uzbek border and is to be returned when Kabul's situation improves.

Nevertheless, hopes are high that a more regular supply may not be far off.

Electronics salesman Amir Mohammad has seen a jump in television sales.



AFP

Afghan women walk past electric meter boxes in a residential neighborhood in Kabul. For the first time in perhaps 20 years, some Kabul residents can turn their lights on every single night.

"In 15 days I sold 100 TV sets. Before I could sell 20 in whole month," he says. He also sold 30 washing machines in two weeks.

Abdul Halim is on the downside of the power surge, thinking about closing his business selling one-kilowatt Chinese-made generators that can run 10 light bulbs.

"Before I was selling around 20 units a day," he said, adding that he has cut the price but these days no one is buying.

Various projects are under way to boost power to the city while also improving a poor billing system to cover costs.

About 300 MW is expected from Uzbekistan and Tajikistan soon, deputy power minister Ahmad Wali Shirzai told

AFP. USAID is meanwhile funding the construction of a 100-MW power plant for Kabul.

"Within a year, Kabul's distribution network will be upgraded to manage up to 400 MW, increasing its capacity and reliability before the additional power comes on line," said a USAID official who asked not to be named.

"This will serve about 1.2 million individuals -- around one-fourth of Kabul residents," the official said. "However, change takes time -- it could be years before all of Kabul receives 24-hour electricity in a sustainable manner."

The government goal is for power to reach 65 percent of urban households and a

quarter of households in rural areas by the end of 2010.

Regular electricity supply is a dream for 23-year-old Nargis and her 10-member family who live in a small house in a part of the city badly hit by the 1990s civil war.

There was panic about a month ago when an earthquake shook Kabul and the family scrambled, in the dark, to flee the house. "We hardly found the doors," says Nargis, who is still in school.

"If there was electricity, I could study in a separate room," she adds.

For now, however, with an income of 100 dollars a month, they can only afford a gas lamp in one room -- and it can get pretty noisy and crowded, she said.

COLUMN

MAMUN RASHID

Global meltdown and risk management

As the whole world is experiencing an extraordinary time, many words are flying in the air. Be it 'financial turmoil', 'financial tsunami', 'credit crisis' or 'liquidity crunch', impacts of this crisis are intensifying rapidly and apparently, no concrete solution is in sight.

There are two reasons that are primarily responsible for the acceleration in the financial meltdown -- connectivity and speed. In the present era, financial markets no longer operate in isolation and rather they are intricately connected. Financial data travels around the world at lightning speed and the consequences of economic events are no longer confined to one region, industry or nation. Hence, tomorrow's leaders must be well aware of what may come in their path.

No crisis is created from vacuum. There are always market indications and advance warning signs and it is up to risk managers, traders and market analysts to interpret them correctly. After 2003, home prices in the US began to deviate from historical relationships with inflation, income and productivity. Low interest rates and policies promoting home ownership resulted in a booming demand for housing.

What originated as a simple softening of the US housing market, quickly evolved into a full-blown global credit crisis. There were signs that something was perilously wrong in the US housing market at least six months prior to the eventual market freeze in August 2007. However, several firms did not stop activities until the day the market collapsed. They were of the opinion that bad news was an ephemeral jinx and that things would soon turn around.

Mortgage-backed Securities (MBS), Asset-backed Securities (ABS) and their derivatives like Collateralised Debt Obligations (CDO) or CDO-squared, used to provide relief to institutions seeking higher interest income in the low interest rate environment. These debt securitisation products were perceived as a means to diluting toxic risk by mixing it with good, investment-grade debt. But instead, the bad risk polluted and ultimately froze the entire credit market.

Some of the securities were marketed as AAA-rated instruments when in reality



AFP

Suits are offered for sale at a Jos A Bank store in Chicago, Illinois on Wednesday. Jos A Bank Clothiers, Inc has launched a "Risk Free Suit" promotion that promises to refund the price of a suit if the purchaser loses his job, and also allow him to keep the suit.

these synthetic AAAs had higher probabilities of default and larger losses at default than true AAAs. Deficient risk management practices failed to assess the true credit quality of repackaged MBS or ABS and paved the way for an impending global crisis.

The crisis had its roots in the following three factors: lack of accountability, leverage and liquidity. In contrast to historical practice, mortgage institutions created mortgage and then sold it to other institutions, instead of holding it. Mortgage originators were compensated on the volume of mortgages created and were not impacted by the end outcome with regard to default.

As a result, on the supply side, decision-making was separated from accountability. The corporations focused more on the absolute return without assessing the inherent risk behind these high returns, particularly in the low-yield environment. The basic rule of finance was discarded in the most advanced markets.

On the demand side, the consumer

intent of buying a 'Mortgage' shifted from long-term occupancy to investment strategy. The end effect were 'walk-away' rules, as investors abandoned their interests and walked away when house prices started to plunge.

With regard to leverage, many of the institutions, which guaranteed mortgages, failed to evaluate the potential risk and hold reserves against any material differences from historical default rates. Hence, when there was a downturn in property values, default occurred at historically high rates. A liquidity crisis emerged when organisations that had cash held back their cash, while those without cash sold what they could or else borrowed at high cost.

The credit crisis also exposed the lack of enterprise-wide risk management systems and the failure of risk management techniques. The market worked with the truism -- "If it looks like a loan, acts like a loan, and performs like a loan, it is probably a loan."

The first lesson from the current debacle is that the risk inherent in a financial trans-

action cannot be bypassed by the simple act of repackaging. Prior to the crisis, it was assumed that rating agencies simply knew best and their overpowering brand image used to overrule judgments of the risk practitioners. The second lesson we learned is that rating agencies cannot be trusted all the time.

Amidst all the negatives, there is at least one positive outcome - now there is greater appreciation for risk management professionals. Yes, it is time to rethink risk. In an article titled 'Confessions of a Risk Manager' (The Economist, August 08), a risk manager of a large global bank confessed how the market risk team of his organisation never took ownership of the CDO tranches and other ABS/MBS since they believed them to be primarily credit-risk instruments, whereas the credit risk department thought of them as market-risk and disowned them, since those were booked in the bank's trading book.

To recognise the importance of managing their entire risk landscape, companies need to strengthen the role of the Chief Risk Officer and the entire risk team by having them in the management table and, taking proper cognisance of early warning signals. Risk oversight committees should be formed at the board level with broader scopes. Lastly, a defined risk culture should be established and assessed regularly. Because, at the end, good risk management results from the people doing the right things.

In business schools, we are all taught two things 'maximise shareholders' value' and 'the higher the risk, the greater should be the return'. But if we analyse carefully, the companies that appeared to have sustained the turmoil were the ones who were able to manage their strategic risks, hold sufficient capital and align interests of the shareholders and managers appropriately.

I want to conclude by saying that being business professionals, we are all risk takers. But we must remember that risk management is not only about eliminating or minimising risk, it is about avoiding uncompensated risk.

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