

International Business News

India's scandal-hit Satyam to pick winning bid April 13

AFP, New Delhi

India's scandal-tainted Satyam said Saturday it expected to announce the winner of bids for a majority stake in the struggling outsourcing giant on April 13.

Satyam's government-appointed board has been looking for a buyer to take a 51-percent stake to inject much-needed funds into the company, whose finances were left in shambles by India's biggest corporate fraud.

The company said it would open the bids on April 13 and announce the winner the same day.

The board met with potential bidders Friday in Mumbai along with investment bankers Goldman Sachs and Avendus and senior Satyam executives.

Indian engineering giant Larsen & Toubro and software services firm Tech Mahindra Ltd, which is partly owned by BT Group Plc, are two confirmed bidders.

But local media reports have said there are up to eight, including a US private equity firm headed by billionaire investor Wilbur Ross, Cognizant Technology Solutions, IBM and buyout company KKR Financial Holdings.

Satyam has declined comment on which companies are in the race.

Larsen & Toubro, which has built up a 12.04 percent stake in Satyam, is considered a front-runner.

Satyam, once India's fourth-biggest software services exporter by sales, has been struggling to pay wages and meet other expenses after founder B. Ramalinga Raju admitted in January he inflated the company's balance sheet by over a billion dollars and exaggerated profits.

Asean summit to discuss G20 plans: Thai PM

AFP, Bangkok

Southeast Asian nations and key regional partners will use a summit next week to discuss their follow-up to a G20 plan to lift the world out of recession, Thailand's premier said Sunday.

The summit of the 10-member Association of Southeast Asian Nation (Asean) and dialogue partners China, Japan, South Korea, India, Australia and New Zealand takes place in the Thai resort of Pattaya from 10-12 April.

It comes just over a week after the Group of 20 developed and emerging economies agreed at a key meeting in London to commit one trillion dollars to the International Monetary Fund (IMF) and other global bodies.

"We will discuss what we can achieve from the G20 Summit," said Thai Prime Minister Abhisit Vejjajiva, who attended the London conference as an observer because his country holds the rotating chairmanship of Asean.

The Pattaya summit will be followed by a so-called Global Dialogue in the Thai capital, Bangkok, Sunday featuring United Nations Secretary General Ban Ki-Moon and the chiefs of the IMF, World Bank and World Trade Organisation.



Demetri Wolfe-Maris records his work times counting coins on Friday in Washington DC. Ten-year old Wolfe-Maris is a proud young man, in the grimmest economy in three generations, as he has clinched a job. "He makes five dollars an hour and feels proud because he doesn't have to ask me for money," his mother, Abebi Wolfe, 34, and out of work for a year, says.

Taiwan slashes jobs for foreign workers

AFP, Taipei

Taiwan has cut the number of foreign workers and maids working on the island by 24,000 since November, as a result of the global economic slowdown, it was reported Sunday.

As of February, there were 349,000 foreign workers and maids in Taiwan, largely from Southeast Asia, compared with 373,000 in November, the Economic Daily News reported, citing the Council of Labour Affairs.

The number of foreign labourers is expected to drop further in the coming months, with 30,000 to be sent home this year, the council has announced.

The move comes as Taiwan's unemployment rate rose to a record high of 5.75 percent in February on business downsizing and closures amid a recession, the government said.

But the council expected the cut in foreign workers would be slowed, after the manufacturing sector showed signs of improvement with many high-tech firms receiving large orders from China.

Britain's recession worse than thought: Minister

AFP, London

Britain's recession is worse than the government expected and the economy is unlikely to return to growth at least until the end of the year, finance minister Alistair Darling said Sunday.

Darling will revise his economic forecasts lower when he presents Britain's annual budget on April 22, the Sunday Times reported.

He is expected to say the economy will contract by three percent this year -- its worst performance in a single year since World War II and three times the rate of decline forecast in the government's pre-budget report in November.

"It's worse than we thought," Darling told the newspaper in an interview.

"I thought we would see growth in the second part of the year... I think it will be the back end, turn of the year time, before we start seeing growth here."

INVESTMENT BANKING

A glimpse into the complex world

ARUN DEVNATH

Secular forces are at play in the world of finance. They are putting pressure on financial executives. Globalisation, greater availability of financial information, fierce competition and consumer sophistication have diminished the scope for balance-sheet arbitrage. The same factors have compressed fees associated with basic financial services.

These are all part of learning experiences the global financial crisis has opened up about the inner workings of the new world of finance. The economic crisis provides evidence of the profound evolutionary changes that have played out over the decades.

The growth of fee-based business that includes asset management and "originate-, securitise- and sell-models" became an important part of investment banking.

With time, investment banking has become complex.

"That's why it's an interesting industry," says Daniel McNamara, co-head of Citi's Global Investment Banking (Asia-Pacific), in a recent interview with The Daily Star.

McNamara, based in Hong Kong, says the definition of investment banking has expanded over the years. Take Bangladesh as an example. Citi provides services tied to corporate strategy in Bangladesh as in other countries. "We deal with corporate clients and try to help them with strategic plans and visions," McNamara says.

Investment banking depends on specific marketplaces, which means a certain market needs certain products.

"And in many marketplaces we need to provide investment banking services and to build investment banking capabilities in places like India and Bangladesh," he says.

The fundamental difference between a traditional bank and an investment bank is, the first is the lending-based and the second is "very strategy- and capital market-focused".

McNamara who has experiences of working in China says: "In China, capital raising and privatisation had been a significant investment banking revenue stream until the market became challenged over the past



Daniel McNamara

several years."

"The Chinese are beginning to look outside of China to make some investments. And we are trying to help Chinese companies come up with ideas," he says.

The market has become "geographically expansive". Financial institutions -- unwilling to accept lower returns and earnings -- turned to greater risk-taking in their evolutionary march towards a new world.

"I think much of the traditional banking system to manage risks is being re-evaluated," McNamara says.

The system failed -- to a

great extent.

Much of the investment banking has been focused on "structured products" -- an area weakened by the financial crisis. People misread the risk factors -- the reason why financial institutions are in a mess.

What's the way out of it? "There's no silver bullet. The banking system needs to re-evaluate capital levels, honestly. We feel the way out of it is, more capital needs to be put into the banking system," McNamara says.

ASIA AND ITS RECOVERY

The Citi official hopes Asia will come out of the crisis the "soonest

and the quickest".

"Because Asia doesn't have the leverage issues. The issue in Asia is, many economies are export-based," he says.

A huge question mark hangs over globalisation, but McNamara is cautiously optimistic about the future of globalisation.

"The world is very connected now. I'm not sure anybody can take some measures without consideration of where we are now globally," he says.

McNamara points to the global links to the US economy. The US economy takes up 25-30 percent of the global economy. "And the US economy needs to fix itself," he

says.

In a country like Bangladesh, the underlying issues are "fairly very strong". "It (Bangladesh) has not been exposed to global toxic assets we have talked about for months."

"The underlying growth is significant. The young population is significant. In emerging countries, tremendous growth will continue."

The economic crisis showed the downside of export-led prosperity. "A good part of the economy is export-based. That is what it is. I don't know how you can change this," McNamara says.

He does not rule out the risks to the Bangladesh economy.

"I think everybody will be impacted. It's a matter of degrees. But Bangladesh should be less impacted than most other countries."

"Everybody wants to get out of this crisis. But the challenge is, it won't be as easy as many people had thought." The year 2009 will be as challenging as 2008 -- globally.

"(But) I think Asia should come out of this global crisis perhaps sooner than that," McNamara says.

More capital will flow into Asia and the banking systems in Asia will not be as distressed and damaged (as in other parts of the world), he says.

"You can't have robust economic growth unless you have a strong financial system."

McNamara is candid about the mistakes in the financial system and expects further regulation of the banking system.

"Previously I would say more regulation is not necessarily good. Candidly, the industry was left to be self-regulated and didn't do the job it was supposed to do. So, we should expect more regulation," he says.

"The question whether we'll be more efficient and productive needs to be seen. There is no right model today. It depends on each country's situation and circumstances."

McNamara says Citi -- as an organisation -- is committed to be part of the solution, not part of the problem.

"We are changing our business model. We are trying to be more efficient. I think others are doing that too. We are trying to get to the right place."

COLUMN

HABIBULLAH N KARIM

Recession in G20 and Bangladesh

The G20 summit hogged the headlines all last week. It ended with the bang of a trillion dollar pledge by the G20 nations to save the world economy from tumbling into a recession.

Within the first month of taking office as the 44th US president, Obama pushed a seven hundred billion dollar package through the congress to shore up the US economy. Combined with funds already committed by his previous administration to stave off a wave of bankruptcies in the financial industry in the US, the total bailout package in the US, experts estimate, will reach or exceed \$2.5 trillion.

Never before in the history of the world such big numbers have been thrown around in such quick succession. A trillion is a 1 followed by twelve 0s. To put it in perspective, it will take 12-13 years for this nation to generate a trillion dollars in economic output. A trillion is so huge that we don't have a name in Bangla to denote such a number.

Despite all these big commitments by the top world leaders, the fact remains that almost all the top 20 economies of the world are headed for deflation (read negative growth) at levels that have not been seen in the last hundred years. Some economies are contracting by as much as 10 percent this year. In such dire times it's not at all a bad thing that the World Bank and Asian Development Bank has reassessed our economy to witness around 5 percent growth this year and next year. Of course, our own economists are more bullish on the economy and that is even more good news.

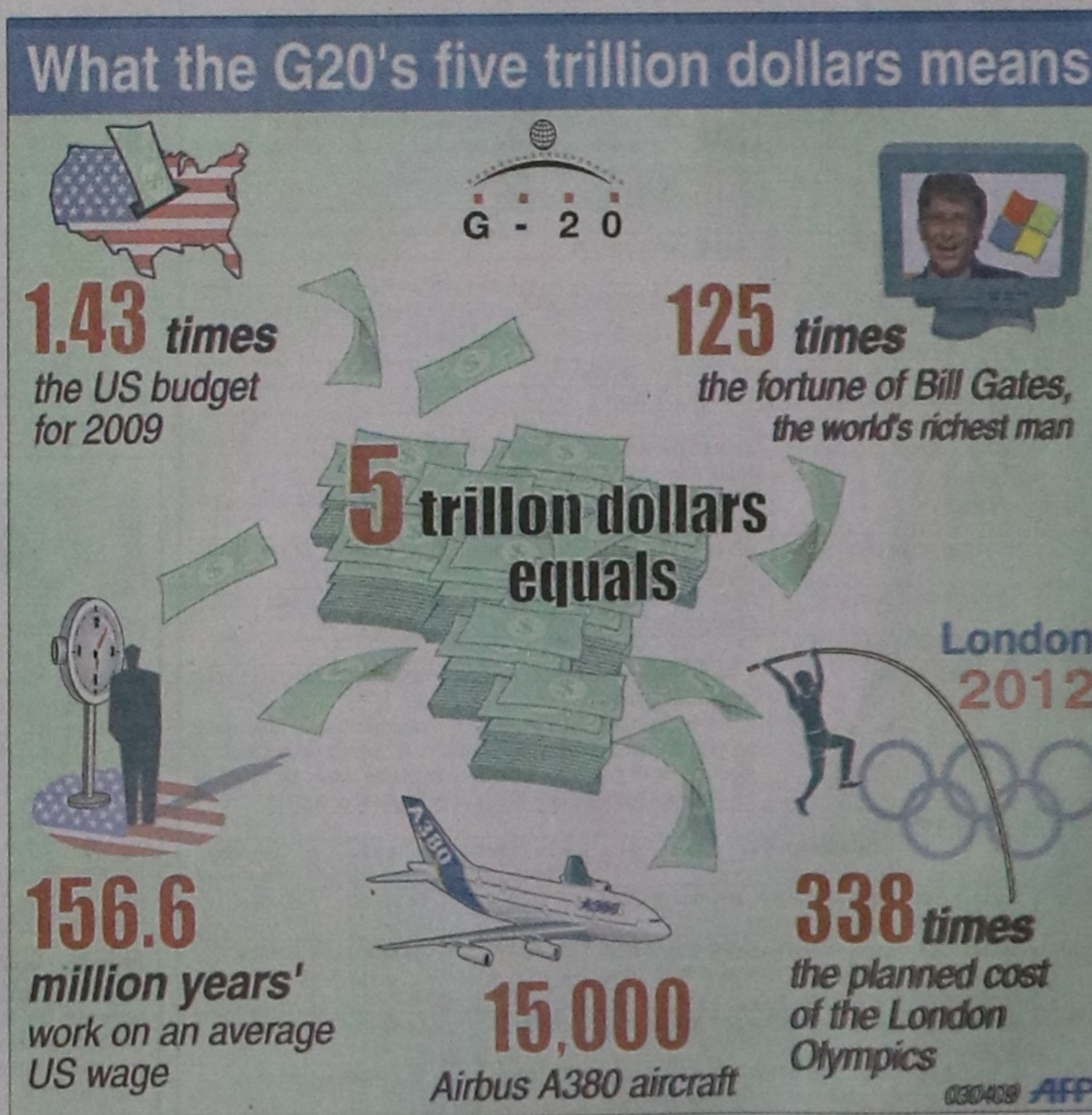
The recession in the top economies of the world means that consumption in those economies will slow down causing a downward pressure on our exports to those countries. As such, the robust export growth of nearly 20

percent in recent years may not be seen for some time.

Different times call for different measures. Every crisis is an opportunity for doing things in a fresh light. We need to utilise the lull in export growth to increase spending in our domestic economy and overcome the bottlenecks in our economic growth engine. Impediments such as a lack of adequate transportation infrastructure (highways, railways, waterways, bridges), port/airport facilities, ready-to-occupy industrial complexes, and government service infrastructure (for taxation, starting a business, regulatory approvals) need to be methodically upended by thoughtful planning and resource allocation. This will provide the necessary dollop to a softening economy and at the same time create an enabling environment to launch the economy into a rapid growth cycle once the global economy turns around. China and India both appear to be committed to this path. In Asia one would be wise to follow in the footsteps of the two Goliaths.

The recent spate of mindless violence in the US committed by seemingly ordinary Joes who have lost their jobs, savings, or both, in the current economic doldrums point to a serious rupture in the social fabric. Economic hardships, in an age when life's amenities are considered a given, are especially painful without the modern trappings, to the point where living becomes unbearable.

We are lucky to be still in transition as a nation where the rustic values of a sedentary agricultural society have its roots firmly in the ground. What difference does it make? Well, look at all the billions and trillions being proffered by the rich nations to their businesses as demanded by their people's representatives, whereas in Bangladesh none of the people's representa-



tives are making any demands to offer largesse to keep the economy moving. Sure enough there has been demand from the business chambers but then again the chamber demands are much in keeping with their convention of seeking concessions in their favour.

While we lament our lack of proportional share of the world economic output, it is more

important to have social equity so that no one is left behind as we increasingly get caught up in the rat race to join the mid-income and then high-income countries in the next few decades.

Raising national wealth through increasing economic growth is our pre-eminent goal, which will surely benefit the people of the country, some more than others. While reducing absolute

poverty is surely welcome and undoubtedly a social good but keeping a sharp eye on relative poverty is even more important for social tranquility and cohesion.

The writer is the former CEO of Technohaven Company Ltd and president of the Bangladesh Association of Software and Information Services (BASIS). He welcomes feedback at hnkarim@gmail.com