International Business News

Toshiba to raise $5b

AFP, *Tokyo*

Japan's electronics giant Toshiba Corporation plans to raise around 500 billion yen (five billion dollars) in a bid to reverse its worsening financial situation, news reports said Saturday.

Toshiba is considering procuring 300 billion yen in capital through a public stock offering, the Nikkei business daily and Kyodo News reported, quoting industry sources.

The company will also ask banks and other financial institutions to buy subordinated bonds worth 200 billion yen by September, the sources were quoted as saying.

The new capital will be used to improve its semiconductor and nuclear power operations as the company is expected to incur huge losses amid the global economic slump, they said.

On Friday, Toshiba announced 3,900 job cuts and predicted a record annual loss of 350 billion yen in the financial year that ended last month, exceeding the 280-billion-yen shortfall it predicted in January.

Toshiba, which owns US nuclear-plant maker Westinghouse and is increasingly focused on the energy industry, has said it will cut capital investment to 250 billion yen in the current fiscal year, down 42 percent from the previous year.

Crisis could hit remittances to Philippines: WB

AFP, *Manila*

The global financial crisis could have a major effect on the remittances of overseas workers that have long kept the Philippine economy afloat, the World Bank country director said Friday.

Bert Hofman also warned that the World Bank was "far more pessimistic" about the country's economic growth prospects than the government was, amid signs that the global crisis would be longer than initially expected.

He told a forum of local businesspeople that there was the danger that many of the millions of Filipinos who have found work overseas might lose their jobs and be forced to return home.

"Migrants and remittances could be an added complication for the Philippines," he warned.

"The longer the global recession lasts, the more the risks of large-scale return of migrants," Hofman said.

The Philippines is one of the world's leading sources of skilled and unskilled labour with up to nine million people, or about 10 percent of the population, living and working abroad.

AFP

An unemployed military veteran holds up a sign saying "No work! Vet with kids! Help please" as he begs for money from passing motorists in Los Angeles on Friday. California's unemployment rate soared to its highest level in more than 30 years in March, climbing to 11.2 percent as 62,100 jobs vanished.

IMF approves $47b credit line for Mexico

AFP, *Washington*

The International Monetary Fund approved a 47-billion-dollar credit line for Mexico Friday under a new scheme designed to throw a cash lifeline to countries hit by the global economic crisis.

"The Mexican authorities have stated they intend to treat the arrangement as precautionary and do not intend to draw on the line," the IMF said.

It was the first line of credit approved under a new IMF program aimed at giving countries the flexibility to draw on credit at any time to prevent financial crisis.

"Today is a historic occasion. The IMF Executive Board has approved the first Flexible Credit Line (FCL) arrangement and, at the same time, the largest financial arrangement in the Fund's history," said John Lipsky, acting chairman of the IMF board.

He said the credit line was justified by Mexico's strong track record of solid growth with low inflation, steady reductions in public spending, a contained deficit, strong corporate earnings and a well capitalized banking system.

Mexico has not had to tap the IMF for credit in a decade.

As revenue drops, Cathay asks staff to take leave

AFP, *Hong Kong*

Cathay Pacific said Friday it will slash flights and ask staff to take unpaid leave as the Hong Kong airline reels from a crisis it says has hit harder than the SARS outbreak and the September 11 attacks.

The carrier announced a 22 percent drop in first-quarter revenue, just weeks after it said it had lost more than a billion US dollars in 2008, the company's first full-year loss in a decade.

It blamed the losses on a demand slump triggered by the global slowdown as well as soured fuel hedging bets devised when prices were high before the slowdown kicked in.

"SARS was more dramatic in terms of revenue but it had a finite end and when it did we recovered quickly because the economy was quite strong -- 9/11 was a similar thing," chief executive Tony Tyler told a press conference.

"The problem with this one is there is no visibility on how long this will last and that makes it more challenging than anything I have experienced."

FINANCIAL CRISIS

The worst is over, perhaps

Says Sir David Bell, chairman of The Financial Times Group

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Fast forward to the seventeenth century. In the Dutch Golden Age, contract prices for bulbs of the tulip peaked to an extraordinary high only to collapse. The phenomenon came to be known as tulip mania dating back to 1637. By one estimate, tulip contracts sold for more than 10 times the annual income of a skilled craftsman. It is generally considered the first recorded speculative bubble. It is also a byname for any large economic bubble.

The bubble bursts. So it did in Holland.

Sir David Bell, chairman of The Financial Times Group, says the current economic crisis is in essence no different from the tulip crisis.

"At the time, tulips were so revered that they became a wonder currency. In Amsterdam, you could literally buy a house for a tulip," he says. The prices of tulip bucked the trend, as the confidence dipped.

"That's what happens when the cycles go bad."

Bell was invited by The Daily Star to speak to an audience at the Bangladesh Business Awards ceremony in Dhaka on Friday. Bell is also the chairman of Pearson, an international media and education company that owns the Financial Times Group. Pearson is also the owning company of Penguin and Longman.

Explaining the forces at play in the financial crisis, Bell says there are economic cycles and their shapes are massively influenced by two powerful words: greed and fear.

Bell holds "almost everyone" responsible for the crisis. "Almost everyone is to blame for the present economic crisis -- politicians, regulators, banks, insurance companies, traders, investors, journalists, rating agencies."

"It's a long list and it's the first world list if you like," he says.

"In every cycle, greed gives way to fear, and fear eats confidence." Following the collapse of Lehman Brothers in the US in September last year, "fear very nearly gave way to panic", according to Bell.

"That is exactly what happened in the 1930s when the treasury secretary then allowed a bank (in US) to fail. What didn't happen then was the way the enormous power unleashed by digital revolution magnified everything," Bell says.

"We broke our rules and we in the west got very used to living beyond our means. And I think this has never been true here in Bangladesh."

The financial crisis gave way to a wider crisis of confidence -- first in the banks and then among consumers, leading to an output crisis. "And quite unusually, it has affected most of the world simultaneously," he says.

"People refer to it as a synchronised crisis."

The global financial system that went out of control made it possible for people to trade extensively. It built a big pyramid of trades of loans -- one on top of the other so high that people were not quite sure where the bottom was.

Bell likens the collapse of the financial system with the failure of Concorde supersonic airplanes that flew around the world charging travellers a lot of money.

"One day a Concorde crashed in Paris and the Concorde was effectively finished," he says.

Sir David Bell

"Fortunately, we at the Financial Times believe that the financial panic has now been averted. It's being averted by the most massive financial stimulus anyone of us has ever seen -- ever," Bell says.

"You could argue that the world's financial system has come off life support but is still in intensive care."

Perhaps the worst is over.

"The US housing market which drives huge activity is doing a little better. Lower energy prices have helped stimulate the world. Credit conditions stopped tightening and companies are going to rebuild their stocks," he says.

"We think the banks are regaining confidence in each other. Their fear is receding. They are beginning to lend each other money."

Bell says confidence is crucial, without which "our world will not work".

"We still face a huge crisis of output. In the Eurozone last year, industrial output fell at an annual rate of 20 percent. In Eastern Europe, it was worse." Japanese manufacturing exports have been down by nearly 40 percent.

But things are not all gloomy. Bell cites an example. By next year, there will be 35 million American cars that are more than 10 years old. At some point, people will begin to replace these cars and demand will rise again.

Part of Bell's speech focused on the G20 summit in London that injected a huge boost into the International Monetary Fund. IMF's resources will triple to $750 billion.

Oil and commodity prices are just beginning to edge up. "And in many parts of the world, people are still spending. But they are buying slightly cheaper clothes. They are not buying Gucci shirts. They are buying them from Marks & Spencer," he says.

"That's perhaps good news for the textile industry here."

The IMF analysed that there were 120 recessions in rich countries in the last 50 years. "What it showed was, even if we had touched the bottom, in those recessions, it took much longer to come out of them. And therefore, even if the worst is over, the way out is a long, slow increase, not a dramatic one."

In Bangladesh, Bell says, the crisis is now beginning to hit some areas, particularly remittances. The number of overseas jobs is declining sharply.

"I'm sure it will pick up again, but it will take quite a while. This is obviously reducing the rate of exports, which has been tremendous here," he says.

"But if you look at the figures here in Bangladesh, compared to the rest of the world, they are very encouraging."

China looks to farmers to boost economy

AFP, *Beijing*

With his sun-baked face and rough peasant hands, 47-year-old Chen Meiji does not look like the saviour of the Chinese economy, but that is the role his government wants people like him to fill.

Like hundreds of millions of other farmers, Chen is being offered government subsidies to buy household goods, which is meant to boost rural consumption, and in turn reignite the world's third-largest economy.

"I want to buy a fridge," said Chen, walking down the aisles of a white goods store inside a shopping centre in a Beijing suburb, as he carefully examined the products on display.

Signs plastered all over the refrigerators advertising 13-percent government subsidies immediately had Chen carry out fast math.

"Thirteen percent is pretty good. That's a 325-yuan (47-dollar) discount on a 2,500-yuan refrigerator," he said.

China officially launched the subsidy programme at the beginning of 2009, giving out discounts on household appliances to rural residents in an attempt to increase their purchasing power.

As the financial crisis continues to bite and exports drop, boosting domestic demand in China -- which only makes up 35 percent of the GDP -- has become a top priority for the government.

The subsidy campaign started as an experiment in just a few provinces at the end of 2007, but since February this year all 727.5 million rural residents in China -- or 55 percent of the population -- are involved.

Those that have a rural "hukou", or resident permit, and live in big municipalities like Beijing, are also included.

Eight types of household appliances are included in the subsidy plan, and all have a price limit -- 1,000 yuan for a mobile phone, 2,000 for a washing machine.

Chen however is the only shopper that afternoon, and in a nearby store belonging to the big chain Dazhong, no rural residents are in sight.

A shop assistant at the refrigerator section of the store advised to come back after May 1 as China's summer kicks in.

"It's still the low season for these types of appliances," she said.

But despite a slow start in Daxing, the government has said the subsidy programme, which is expected to last four years, is already a success.

Li Xiaochao, spokesman for the National Bureau of Statistics, said this week there had been a faster growth in sales in rural markets than in urban areas in the first quarter of the year.

"This shows that the policy of bringing home appliances to the countryside has played a positive and important role in promoting consumption," he said.

According to the Ministry of Commerce, sales of subsidised appliances have totalled four billion yuan since January, including 2.2 billion in March alone -- a 72 percent rise from February.

The official Xinhua news agency said that in 2009, the government had planned to make 20 billion yuan available in subsidies, which would equate to around 150 billion yuan in rural consumption of household appliances.

But investment bank Merrill Lynch said the measures to promote consumption in China "will not be enough to make a big difference" to boosting the nation's economic growth numbers.

The difference, however, might be felt among the rural residents themselves, whose average income was 4,140 yuan in 2007, compared with 24,932 yuan in cities.

And with at least 20 million migrant workers out of work due to the crisis and are no longer able to send money back to their families, the subsidies might be all the more welcome.

AFP

A farmer rides a tractor through farmland on the outskirts of Cangzhou in China.