

International Business News

Ford announces production halt at Russian plant

AFP, Saint Petersburg

US automotive giant Ford on Monday said it had halted production at its Russian plant until June 5 in response to a slump in demand, a spokeswoman for the company said.

"We have suspended production at the Vsevolozhsk factory because of the market situation and forecasts for falling sales in the automobile industry," spokeswoman Yekaterina Kulinenko told AFP.

Ford had already halted production for one month this winter from December 24 to January 21.

Employees at the plant, located near Saint Petersburg, are to be paid one-third of their normal wages during the shut-down.

When production resumes in June the plant will continue with four-day work weeks until October 5, Kulinenko said.

Ford's assembly line in Vsevolozhsk, near Russia's second city, has produced the Focus and Mondeo models for sale on the Russian market since 2002 and employs about 200,000 people.

Although the Focus is the highest selling foreign model in Russia, Ford has said it plans to cut its annual output as Russia's total car sales are expected to drop to 1.5 million vehicles in 2009 compared with 3.0 million last year.

Foreign manufacturers rushed to set up production bases in Russia in recent years hoping to capitalize on what was formerly Europe's fastest growing automotive market.

European exchanges slide as London, Wall Street closed

AFP, Paris

Share prices fell in Frankfurt and Paris Monday, dragged down by a mixed assessment from German businesses and auto sector weakness and in the absence of direction from London and Wall Street.

Markets were closed in Britain and the United States for public holidays.

Most Asian exchanges closed higher earlier in the day, shrugging off concerns prompted by an announcement from North Korea that it had carried out a nuclear test.

In Europe the Frankfurt Dax was down 1.62 percent at 4,838.88 in mid-session trade while in Paris the CAC 40 had fallen 0.58 percent to 3,209.37 points.

A key business sentiment index in Germany, the Ifo indicator, was reported to have risen to a six-month high of 84.2 in May, suggesting that Europe's top economy might be pulling out of its worst slump in over 60 years.

But tempering the optimism, and affecting trade on the Frankfurt exchange, was a sub-index revealing that an assessment by businesses of the current economic situation in Germany had fallen in May to 82.5, its lowest level ever.



Pakistanis travel on a passenger minibus during a strike in Karachi yesterday. Shops in Pakistan's volatile financial hub Karachi closed after nationalists called a strike to protest the arrival of refugees from the conflict-hit northwest.

Italy, Japan sign nuclear cooperation accord

AFP, Rome

Italy and Japan have signed a nuclear cooperation accord as Rome prepares to revive its atomic energy programme mothballed more than 20 years ago, the Italian economic development ministry said Monday.

The agreement, described as "very general," covers human resources and information exchange but does not involve building nuclear plants in Italy, a ministry spokesman told AFP.

Italian Economic Development Minister Claudio Scajola and Japanese Trade, Economy and Industry Minister Toshihiro Nikai signed the accord late Sunday on the sidelines of a meeting of the Group of Eight energy ministers in Rome.

Twenty-one years after shutting down its nuclear energy programme after the Chernobyl disaster, Italy in late February reached a cooperation accord with France covering all aspects of nuclear power from research to waste management.

The Italian and French energy firms ENEL and EDF signed an accord for the construction in Italy of at least four state-of-the-art reactors in February, with a first nuclear plant to be operational by 2020.

OECD says record 2.1pc contraction in first quarter

AFP, Paris

The sharpest economic contraction on record for the OECD grouping of rich countries struck in the first quarter of this year, the body said on Monday, in its latest gauge of the worldwide downturn.

Economic growth was minus 2.1 percent compared to the previous quarter across the 30 member states of the Organisation for Economic Cooperation and Development, the sharpest contraction since its records began in 1960, it said.

The figure was based on preliminary estimates for gross domestic product (GDP) and compared with a contraction of two percent in the previous quarter, it said in a statement.

The United States saw a 1.6-percent fall in GDP, the same rate as in the previous quarter, while the quarterly fall accelerated across the 16 countries sharing the euro, to 2.5 percent.

Japan's GDP plunged by four percent, sharper than the 3.8 percent drop in the fourth quarter of 2008. Asia's biggest economy has been hit hard as its exports have flagged in the economic slowdown.

INTERVIEW

Western Union plans big

SAYEDA AKTER

Western Union, a US-based money courier, plans to reach out to all villages and unions of Bangladesh to better manage the country's increasing flow of remittances under its 'massive expansion plan', says the company's senior vice president.

"Remittance flow in Bangladesh increased dramatically in recent years. The country is now one of the top 10-remittance receiving markets in the world, which made us pay special attention to this market," Anil Kapur says.

"Bangladesh has become an emerging market for us. More people are migrating from the country every year. So if we can set up more outlets, we will have more business here," says the senior vice president of Western Union (South and South East Asia). "We are spreading our network across the country under our massive expansion plan."

Kapur says as many as 6.5 million Bangladeshi migrant workers, mainly from the Middle East, UAE, Malaysia, Italy and the UK, sent around \$9 billion to their families in 2008 alone, a rise from \$6.50 billion a year ago.

"The migrant population, who travel from remote regions of the country, usually find it difficult to send money through conventional ways. Bank transfers typically don't tend to be suitable for them, as they find the procedures difficult," he says, explaining why people choose informal money transfer services.

Kapur says non-resident Bangladeshis (NRBs) send money through informal channels because they are not aware about bank accounts, home and abroad.

Only 13 percent of the population has access to bank accounts in Bangladesh, which means the NRBs tend to rely more on unofficial channels, such as hundi, to receive money remitted by their relatives.

Kapur says more NRBs are now shifting to formal channels to avoid uncertainty and money laundering charges, as a result of Western Union's constant efforts.

"We see this as an immense opportunity to reach out to a large segment of the population that is still uncovered by banks and



Anil Kapur

other official channels," he says.

Refusing to disclose the exact target figures in Bangladesh, Kapur says his company plans to get in touch with all the villages and unions of the country, in the shortest possible time.

Kapur, who joined the company in 2000, has worked in the Gulf and South and Southeast Asian regions of Western Union. He says the company's aim is to become the largest money transfer service provider for Bangladesh.

"Western Union has been in this busi-

ness for 150 years in total and for 15 years in Bangladesh. Now our target is to be the safest and largest hand in transferring money here," the company senior vice president adds.

Under the expansion plan, Western Union signed a deal with the postal department last year, by which it would open its outlet in almost every union. There will also be more than one outlet in areas that receive greater volumes of remittance.

Currently, the company has 12 major partners, including banks, NGOs and the

postal department. Western Union is working with 18 banks, including BRAC Bank, AB Bank, Dutch Bangla, Prime, UCBL, Trust, Basic, Rupali, Pubali, Exim, Southeast and First Security, to disburse remittances among the families of migrant people, says Kapur.

The company also disburses money through NGOs, including Brac, ASA, and Jagorani Chakra Foundation (JCF).

"These banks and NGOs have hundreds of branches across the country," he says. "We also have an outlet at the airport, where our officials inform the outbound passengers as to how they could use our services from where they are headed."

Currently, the company covers 75 percent of the rural network of the country, the company senior vice president says.

"It is very important for us to prioritise on the rural network, as most families of migrant workers live in villages. So we are focusing to increase the number of outlets in the remote areas," Kapur says.

"Even three years back, we had only 500 outlets in Bangladesh. But now we have 3,900 outlets and the number is growing every week," he says.

"Our vast network allows clients to send and receive money to and from any part of the world," he says. "At the same time, our charges are also very reasonable. For instance, if someone sends 1,500 ringgit, we charge 15 ringgit for our services."

The company has also significantly reduced service cost in the recent years, he says.

Kapur, also a member of the American Chamber of Commerce and Indo-American Chamber of Commerce in India, says his company is working to create awareness to use formal channels to transfer funds to the country.

"We are organising road-shows, rallies and village meetings to make them understand the easy and risk-free money transfer service," he says.

Western Union's market share in the \$400 billion global remittance market stood at 17 percent last year, with its worldwide revenue growing by 10 percent a year.

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CHINA

Crisis ... What crisis?

AFP, Almaty

While the rest of the world reels from the global economic crisis, China is using its deep pockets to bolster its position in strategically vital Central Asia, analysts say.

In recent months Beijing has been on a spending spree among the Central Asian states to its west, handing over a 10 billion dollar (7.34 billion euro) loan to cash-strapped Kazakhstan in April and stepping up construction projects and investment from Ashgabat to Bishkek.

Although experts say the recent Chinese splurge is part of a long-term strategy for the region, few question the fact that Beijing's hand has never been stronger, something it is well aware of.

"It's one of the richest countries in the world, and of course in light of the crisis they're going to play the game," said Konstantin Syroezhkin, a senior research fellow at the Kazakhstan Institute for Strategic Studies.

"Everyone else is in such a sorry economic state and China has money to invest."

A China expert at Almaty's Institute for Economic Strategies, Adil Kaukenov, revealingly recalls a conversation with a Chinese counterpart who told him: "We're walking all over the world with suitcases stuffed full of money, because we have to spend it."

China's investment pattern in Central Asia fits with a broader strategy that has seen Beijing snap up assets across the world in a drive to convert its massive foreign currency reserves into concrete holdings.

But for nearly two decades since the 1991 Soviet collapse, Beijing has also shown special interest in using its pocketbook to secure stability along its Central Asian border, funding infrastructure projects and investing in key sectors.

Of primary concern for Beijing is the long, porous border between Kazakhstan and China's restive Xinjiang province, says Kaukenov.



A man delivers goods while riding a scooter past a neighbourhood promotional billboard showing landmark scenes of Beijing on Sunday. China is planning a stimulus package worth \$440 billion to expand its renewable energy use, state media said yesterday, as the country aims to rely more on cleaner ways to power its growth.

by the region's authorities. "China has always, since the collapse of the Soviet Union, been extremely worried that terrorists from Xinjiang would find support from the governments of Central Asia," Kaukenov said.

Now, with Russia and the United States struggling to compete in the face of domestic economic woes, China has a chance to secure the stability and assets it craves at bargain-bin prices.

Multi-million dollar infrastructure projects in Tajikistan and Kyrgyzstan -- both wracked by chaos and disorder since the fall of Soviet Communism -- are prime examples of China's strategy.

Electrification and road projects improving the quality of life in these impoverished regions make them less likely to spawn extremists, but also open up their markets to Chinese goods -- a win-win situation for Beijing.

Nargis Kassenova, a professor at the elite Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP), has researched Chinese investment and development in Kyrgyzstan and Tajikistan and detects impressive gains for Beijing.

"Tajikistan is so isolated, and to see all these Chinese companies there and the investment in Tajikistan I was pretty surprised," she said.

"In pretty much all spheres now you have Chinese goods, Chinese companies.... The level of penetration is quite impressive."

No single move is more emblematic than the ten billion dollar loan package secured by Kazakhstan, the region's beleaguered economic powerhouse.

Under the terms of the deal, the China National Petroleum Company (CNPC), will loan up to five billion dollars to Kazakh energy giant KazMunaiGas, with a further five billion going to the Development Bank of Kazakhstan.

Although Syroezhkin described the loan package as "friends helping each other out", China also received a 49 percent

stake in the country's fourth-largest oil producer, MangistauMunaiGaz, as part of the deal.

"This is something that is unconditionally in their interests," he said.

Others, however, are less sanguine about China's growing influence, even as they say they appreciate the assistance during a trying time for the region as a whole.

"I'm not sure about this ten billion loan, to be honest. It's big and now we sort of owe them. Before we could say no to something but I don't know how possible it will be to say no now," said Kassenova.