International Business News

JAL mulls raising $2.8b

AFP, *Tokyo*

Japan Airlines Corp. (JAL) is considering plans to raise around 250 billion yen (2.8 billion dollars) by March next year to help finance its restructuring, a newspaper reported on Sunday.

Under the plan, Japan's cash-strapped carrier will request 100 billion yen in loans from financial institutions, the Nikkei business daily reported.

It will separately raise more than 100 billion yen by issuing new shares, while raising a further 50-60 billion yen by selling stocks in subsidiaries and other assets, the newspaper said.

JAL plans to ask aircraft makers, trading houses, investment funds and the government-run Development Bank of Japan to take stakes, it said.

US carrier Delta Air Lines has already told JAL of its interest in investing up to 50 billion yen, local media earlier reported.

Such an investment would give the world's largest airline operator a stake of up to 11 percent in JAL, which is undergoing a government-supervised reorganisation, media reported.

JAL lost more than one billion dollars in the April-June quarter and has announced more than 11,000 job cuts since 2005.

Cadbury chairman: Kraft bid undervalues company

AP, *Dallas*

The chairman of candy maker Cadbury PLC said Saturday that Kraft Foods Inc. undervalued his company in a takeover offer this week, and he dismissed the suitor as a "low growth conglomerate."

Roger Carr laid out his opposition to Kraft's $16.7 billion bid in an open letter to Kraft CEO Irene Rosenfeld.

Kraft, the world's second-largest food maker, announced its cash-and-stock offer on Monday. Since then, Kraft shares have fallen about 7 percent, which Carr said made Kraft's bid an "uncertain value" for Cadbury shareholders.

Cadbury's board told Kraft of its opposition to a bid on Aug. 31, and Carr said nothing that Rosenfeld has said since then changed that view.

Carr said Kraft was asking his shareholders to give up ownership in a pure-play confectionery company for Kraft and its "considerably less focused business mix and historically lower growth."

The Cadbury chairman said that under Kraft's offer, "Cadbury would be absorbed into Kraft's low growth, conglomerate business model, an unappealing prospect" that contrasts with Cadbury's strategy to focus on making and selling sweets. Cadbury spun off its U.S.-based beverage company last year.

AFP

A new residential property development displays a sold out sign on its sales promotion billboard despite the recession hit market, in downtown Los Angeles recently. Many financially stretched Americans face the prospect of having their homes repossessed in coming months as the world's largest economy struggles to emerge from a deep recession that began in December 2007.

China: Trade penalties will hurt US relations

AP, *Washington*

President Barack Obama's decision to impose trade penalties on Chinese tires has infuriated Beijing at a time when the U.S. badly needs Chinese help on climate change, nuclear standoffs with Iran and North Korea and the global economy.

China condemned the White House's announcement late Friday as protectionist and said it violated global trade rules. At home, the punitive tariffs on all car and light truck tires coming into the US from China may placate union supporters who are important to the president's health care push.

To the White House, it was "simply about enforcing the rules of the road and creating a trade system that is based on those rules and is fair for everyone," spokesman Robert Gibbs told reporters travelling with Obama on Saturday to a health care event in Minneapolis.

Chen Deming, China's minister of commerce, said the penalties would hurt relations with the US. A ministry statement said Obama had "compromised to the political pressure of the US domestic trade protectionism."

"The Chinese government will continue to uphold the legitimate interests of China's domestic industry and has the right to take corresponding measures," Deming said.

Obama had until this coming Thursday to accept, reject or modify a US International Trade Commission ruling that a rising tide of Chinese tires into the US hurts American producers. The United Steelworkers blames the increase for the loss of thousands of American jobs.

AFL-CIO president Sweeney bidding farewell

AP, *Pittsburgh*

The man who guided the nation's largest union federation for 14 years is bidding farewell.

John Sweeney is expected to reflect on his legacy Sunday when he delivers the keynote address to hundreds of delegates at the AFL-CIO's convention in Pittsburgh.

Sweeney built the AFL-CIO into a political powerhouse for workers' rights and social change. But unions also continued to lose members under his watch as millions of U.S. manufacturing jobs disappeared.

Sweeney will be succeeded by longtime deputy Richard Trumka later this week. Trumka has vowed to make the AFL-CIO even more aggressive politically and to spend more time wooing younger workers.

TOURISM

Maldives races to save economy

AFP, *Male*

The Maldives, which faces the gloomy prospect of drowning this century due to rising sea levels, is now confronted with a more immediate challenge of saving a sinking economy.

President Mohamed Nasheed says his atoll nation, South Asia's most exotic tourist destination, is facing its worst economic crisis ever because of a sharp fall in tourist numbers and chronic government overspending.

In a symbolic gesture, Nasheed announced last week that he would not travel to Copenhagen for a UN climate summit in December to discuss the issue of global warming that threatens the very existence of his low-lying nation.

"It is very important for me to forgo an important event for others to understand the importance of balancing the budget," Nasheed told reporters on Monday.

Later, Denmark stepped in to offer the president free travel to Copenhagen from a budget reserved for poor countries, even though the Maldives has the highest per capita income in South Asia of over 4,000 dollars.

AFP

Maldivian children take a stroll on an artificial beach in the Maldivian capital island of Male. The beach was built in 1998 as the sea-walled capital had no natural beaches. The Maldives, which could be wiped off the face of the earth due to sea level rise, warns that a key UN summit on climate change could end up with more squabbling among the top polluter nations.

Nasheed said the budget deficit had shot to a record 34 percent of gross domestic product and the country also faced a serious shortage of foreign currency because of the drop in holiday makers visiting the archipelago.

The Maldives depends on income from the wealthy tourists that pay up to 15,000 dollars a night to enjoy its tiny, secluded coral islands, crystal-clear lagoons and abundant tropical marine life.

In a move to boost government finances, Nasheed has proposed a green tax on all tourists to pay for environmental protection and also finance the country's public spending.

The new tax of three dollars a night -- unlikely to put off any of the regular high-paying visitors -- is expected to yield 21 million dollars a year and will be a vital source of income.

The Maldives has no corporate tax on profits or turnover.

"In the last four years, we have been spending a lot of money that we didn't have," he said. "We have accumulated a lot of debt.

"Fewer tourists are coming here now. We earned 700 million dollars last year and spent 500 million of that on the salaries of our public servants. We may have the biggest civil service per capita after North Korea."

Nasheed, who became the first democratically-elected president of the nation of 300,000 Sunni Muslims in October last year, said he wanted cut half of the civil service's 39,000 jobs.

The 41-year-old hopes that thousands of civil servants who will be made redundant will take up alternative employment in the private sector or vocational training to start their own businesses.

But he faces stiff opposition and suspicion that the job cuts will be used to target opposition civil servants.

A teacher who declined to be named said she had been on tenterhooks since Nasheed announced his plans.

"We have not got overtime payments for two months," she said. "We are not sure of our future. We are not trained for any other work."

She said prices for basic goods had been rising steadily in recent months. Fish, the mainstay of the local diet, and other essentials have gone up sharply with the country recording double digit inflation.

A director of a government department who also declined to be named said he feared that the administration may use the lay-off plan to sack opposition supporters.

"What might happen is that those who supported Gayoom (the former president) will be asked to go," he said, adding that he feared for his own position.

Nasheed's election ended decades of one-party rule in the former British protectorate.

Despite his short time in office and his global pulling-power as a climate change campaigner, he already faces growing domestic dissatisfaction from an electorate that voted in an opposition parliament in the May polls.

Nasheed warns that social unrest will erupt unless international lenders support his fledgling democracy but he is cautiously optimistic that the economy and the foreign currency shortage will begin to turn around.

"The dollar issue should be settled by about November and the economy should turn around from about the first quarter of next year," Nasheed said, adding that he was hopeful international lenders would support his moves.

A YEAR ON ...

Lehman pain was a gain for Asian banks

AFP, *Tokyo*

Kenichi Watanabe had been CEO of Nomura for just five months when he heard of the Lehman Brothers collapse but when the chance came to buy chunks of the venerable Wall Street bank, he grabbed it.

The purchase of Lehman's assets in Asia, Europe and the Middle East transformed Nomura into a top global player and marked a sea change for Japan's once risk-averse banks, just emerging from their own financial crisis.

What made Nomura's move almost a year ago all the more remarkable was that it came on the same day that Japan's top bank Mitsubishi UFJ Financial Group announced it would buy a slice of troubled US giant Morgan Stanley.

Since then Japan's number three bank Sumitomo Mitsui Financial Group has bought troubled Citigroup's Japanese brokerage arm, rounding off a series of deals that has tilted the balance of power in the global finance industry.

"Asia was fortunate not to hold much toxic subprime debt or have many asset bubbles before the credit crunch hit," said Peter Tebbutt, a banking analyst at Fitch Ratings in Hong Kong

Lehman Brothers, the 158-year-old US investment bank, filed for bankruptcy on September 15, 2008, collapsing under the weight of billions of dollars of failed subprime mortgage securities.

The ensuing chaos sparked a financial firestorm and triggered the worst economic crisis since the Great Depression in the 1930s.

But its collapse, and the woes of other US financial titans, presented Japanese banks with a golden opportunity to expand overseas thanks to their relatively limited exposure to subprime debt.

Experts say the mega-deals highlight a new-found confidence among Asian banks to beef up their presence overseas.

"Financial firms in certain Asian countries are getting very serious about expanding internationally to grow their business," said Neil

AFP

This September 15, 2008 file photo shows the sign for Lehman Brothers headquarters in New York. The 158-year-old Lehman filed for bankruptcy protection on September 15, 2008 in the largest US bankruptcy filing in history.

Katkov, head of research at the financial consultancy Celent.

"There's a very high level of activity among financial institutions that belies the doom and gloom predictions earlier this year," he said.

To be sure, Asian banks did not escape the crisis completely unscathed.

Japan's second-largest bank Mizuho Financial lost 6.4 billion dollars in the year to March and Mitsubishi UFJ went 2.8 billion dollars in the red, at current exchange rates.

Nomura for its part suffered a record 7.8-billion-dollar annual shortfall, partly due to the cost of the Lehman deal.

But the losses were dwarfed by those at Western peers such as US insurance giant AIG, which lost 99.3 billion dollars in 2008, and Swiss UBS, which went about 19 billion dollars into the red.

The resilience of Asia's banking sector has helped many countries in the region to weather the global recession better than the United States and Europe.

Regional economic powerhouse China, for instance, has urged its banks to keep lending through the crisis to prop up the domestic economy.

"The impact on Chinese banks from direct exposure to overseas problem assets was very small," said Charlene Chu, a senior director at Fitch Ratings China.

"But the impact on the economy was quite large as banks were called on to step up to the plate and lend significant amount to prop up the domestic economy. That has created a lot of risks in the financial system."

Indian banks, which for years chafed at cautious domestic regulations as they watched their foreign counterparts make massive profits from high-risk strategies, have also been relatively insulated from the crisis.

"India's economic problems did not emerge from the financial sector. They started with the real economy and shifted to the financial sector," said Dharma Kriti Joshi, an economist at the Mumbai-based credit rating agency Crisil.

Korea, whose banks were initially seen as fairly vulnerable to the crisis, moved swiftly to guarantee up to 100 billion dollars on foreign borrowing -- a bold and ultimately successful move to stabilise turbulent financial markets.

Lehman's collapse: An insider's view

AFP, *Washington*

A chill runs down the spine of Lawrence McDonald every time he drives past the Wall Street building of collapsed investment bank Lehman Brothers, where he was one of the most profitable bond traders.

"The big takeaway is that the fate of 20,000 souls was determined in that building, especially on the 31st floor," McDonald, 43, told AFP in an interview ahead of the first anniversary Tuesday of Lehman's collapse.

The 158-year-old Lehman filed for bankruptcy protection on September 15, 2008, in the largest US bankruptcy filing in history, leaving the future of 25,000 staff in jeopardy and sending a financial tsunami across the globe that continues to reverberate today.

But McDonald thinks Lehman, which collapsed under the weight of hundreds of billions of dollars in risky mortgage-backed securities, could have been saved if the bosses would have heeded a number of clear early warnings.

The top Lehman leadership, housed on the bank building's 31st floor, "drove us a 162 miles (261 kilometers) an hour... right into the biggest subprime iceberg ever seen."

Bank chief executive Richard Fuld and president Joe Gregory heard warnings beginning in 2005 that the property market, on which they were "betting the ranch," was on the verge of collapse but turned their backs each time, McDonald charged.

"It was 24,992 people making money and eight guys losing it," said the man who rose from a humble pork chop salesman to top-notch Wall Street trader -- once his team made 250 million dollars in a single day.

Lehman was heavily overleveraged at the top of the market in 2007 -- its net tangible equity was 17 billion dollars but its total investment was 750 billion dollars -- a good chunk of it in mortgage-backed securities that turned "toxic."

"Inside Lehman, some really weird things were going on... the 31st floor was one of those mysterious places on Wall Street because we had incredibly talented risk takers that were politically outmaneuvered and squashed like grapes," said a fuming McDonald.

"They didn't just rule with an iron first, they wore brass knuckles."

Asked if he had personally raised the issue with the top brass, McDonald said he had no access to them, but his immediate bosses had raised the alarm. "It would be complete suicide if I were to go to" the top management, he said.

McDonald is now managing director of Pangea Capital Management and has co-authored a top-selling book, "A Colossal Failure of Common Sense: The Incredible Inside Story of the Collapse of Lehman Brothers."

The book, published in July, squarely points the finger of blame at Fuld and his board, accusing them of taking dangerous risks in pursuit of short-term profits.

"I spoke to 150 people, 45 managing directors, members of the risk committee who were my best friends, and members of the executive committee. This is incredible access," he said.

Fuld was so perturbed about McDonald's book that he angrily phoned a pair of former Lehman traders he believed secretly had helped to contribute to the account of the bank's stunning collapse, the New York Post reported last week.