

International Business News

Temasek Holdings says net profit down 67pc

AFP, Singapore

Singapore state investment firm Temasek Holdings said Thursday its net profit plunged 67 percent to six billion Singapore dollars (4.25 billion US) in the year to March due to the global financial crisis.

Net profit fell from the record 18 billion dollars achieved in the previous financial year as its investments were hammered by the financial and economic firestorm that sent global markets plummeting in the second half of last year.

Some of its losses came from investments in Western financial companies that were in need of a capital injection as the economic crisis unfolded following the collapse of US investment bank Lehman Brothers.

Temasek took a stake in Wall Street icon Merrill Lynch but when the US firm was bought by Bank of America, Temasek divested its interest. It also bought into British lender Barclays but later also offloaded that stake.

It is estimated Temasek lost more than 5.4 billion US dollars from the sale of its holdings in the two banks, according to sources quoted by Dow Jones Newswires.

Releasing its annual report on Thursday, Temasek said the value of its worldwide investment portfolio fell 30 percent to 130 billion dollars as of end-March from 185 billion dollars the previous financial year.

Swiss bankers log record profit fall in 2008

AFP, Geneva

Profits of Swiss banks plunged a record 30 percent in 2008, hurt by major losses in the trading business, the Swiss Bankers Association said Thursday.

"The profits of the banks in Switzerland as a whole decreased last year by 30.8 percent," to 49 billion francs (32 billion euros, 47 billion dollars), it said in an annual report on the banking sector.

It was the biggest fall since the Swiss National Bank started keeping profit statistics more than 20 years ago, it added.

Some improvement is expected for the trading business in the second half of 2009, but the outlook for the credit business was "not very pleasant," it added in its "Banking Barometer" report.

"Developments during the first half and the outlook for the second half point to a negative performance in the credit business for 2009 as a whole," it said.



A man stands in mid-air suspended by one hand stick to the side of a shop building as an advertisement in a replica of German artist Johan Lorbeer's still-life performance "Tarzan-Standbein" (Tarzan-main pillar) in Tokyo yesterday. Customers gazed at a man simulating Lorbeer's installation as they queued to enter a newly opened shop in Tokyo which was giving away 1,000 free pairs of glasses as a promotion.

Eurozone trade surplus hits seven-year high

AFP, Brussels

The eurozone trade balance showed a record surplus in July, official data showed on Thursday offering another sign that the European economy is on the road to recovery from the global crisis.

The 16-nation eurozone achieved the biggest trade surplus for seven years with a figure of 12.6 billion euros (18.6 billion dollars) on strong exports and flat imports.

The figure was more than twice the upwardly revised 5.4-billion-euro surplus in June which had itself been a massive improvement as the eurozone climbs out of the economic mire.

"The nations using the euro currency recorded an increased and fifth successive trade surplus in July, in marked contrast to the stream of deficits in 2008 and early 2009," noted Howard Archer, chief economist at IHS Global Insight in London.

SocGen bankers quit as France curbs bonuses

AFP, Paris

Twenty bankers from France's Societe Generale have left to set up their own hedge fund business, a source told AFP on Wednesday, as France moves to curb banker bonuses in response to public anger.

The executives, including the head of the bank's global hedge funds business, announced their decision in March and their new venture is called Naxar Capital, an informed source told AFP on condition of anonymity.

Societe Generale's press service declined to comment on the report.

The Financial Times on Wednesday reported that 30 Societe Generale bankers had left for the new hedge fund and that Naxar Capital aimed to have 10 billion dollars (6.8 billion euros) in assets under management within five years.

LIFESTYLE

India moves to cut official waste

AFP, New Delhi

In India, where perks and privileges are seen as the natural trappings of political power, the public is being treated to the odd sight of ministers competing to spurn extravagance or excess.

With India's farmers struggling with the worst drought in two decades and economic growth faltering in the wake of the global financial crisis, ruling Congress party chief Sonia Gandhi has led a push to trim official wastage.

Last month, she asked all Congress leaders to accept a 20 percent pay cut for a year, and on Monday she set a personal example by forgoing her normal chartered plane and flying economy class to Mumbai.

Following in her footsteps was son and Congress heir-apparent Rahul Gandhi, who travelled by train to northern Punjab state on Tuesday, rather than chartering a helicopter.

Agriculture Minister Sharad Pawar has also opted for economy travel while Foreign Minister S.M. Krishna, reportedly chastened by Gandhi for staying in a five-star hotel since his inclusion in the federal cabinet in May, announced Sunday he would sacrifice his official 14-seater Embraer jet for visits abroad.

The new-found enthusiasm for public displays of parsimony has been greeted with a healthy dose of cynicism by commentators and opposition MPs.

Some point out that the sudden race to embrace austerity contrasts sharply with reports that senior cabinet ministers complained bitterly to Prime Minister Manmohan Singh about a series of cost-cutting steps unveiled by Finance Minister Pranab Mukherjee last week.

The measures included cuts in funds earmarked for furnishing for ministers' offices and residences, publicity work, as well as seminars and workshops in luxury hotels.

The tall and imposing minister for non-conventional energy, Farooq Abdullah, argued that economy class seats did not give him sufficient leg-room while Trade Minister Anand Sharma was



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Reportedly unhappy about cuts in daily allowances.

A lack of transparency in public spending has long marred the image of the government in a country where corruption is endemic and pockets of which are mired in abject poverty.

Recent reports quoted a finance ministry statement that said the total expenditure of ministries and related departments climbed to 175 billion dollars in fiscal 2008-09 from 136 billion dollars in 2006-07.

The main opposition Bharatiya Janata Party (BJP) has been less than impressed by the new found zest for austerity, calling it a populist gimmick ahead of state elections next month.

"The nation is reeling under an

economic crisis, and the current austerity measures look like tokenism," said senior BJP leader Yashwant Sinha.

The Indian Express newspaper's editor-in-chief Shekhar Gupta dismissed the efforts of government ministers as "examples of hypocrisy and sycophancy," while political analyst and Sonia Gandhi's biographer Rasheed Kidwai said the austerity measures were virtually meaningless.

"These measures will be in place for a certain period. The question is what happens afterwards? What we need is a change in attitude towards fiscal responsibility," Kidwai said.

The accusations of token populism were fuelled by the claims of one Congress spokesman,

Manish Tewari, that party leaders would consider travelling in aircraft cargo holds -- if it were allowed.

The unexpectedly strong mandate won by the Congress-led coalition in this year's general election was largely attributed to its "pro-poor" manifesto and some analysts saw the austerity drive as a smart and necessary political move.

"It's an issue of public perception. If people get a feeling that those in power are sensitive to their sufferings, they will vote them back to power," said Anupama Jha, executive director of Berlin-based Transparency International's India arm.

"This is a country where the poor pay nine billion rupees (200

million dollars) annually in bribes to the government for basic and need-based services," Jha said.

But an editorial in the Indian Express mocked "the bind" Congress party leaders now find themselves in, "having to prove his or her moral worth by progressively greater feats of simplicity... preferably when there are TV cameras about."

The newspaper also questioned the wisdom of budget travel for a figure like Sonia Gandhi, whose mother-in-law and husband were both assassinated as prime ministers.

"It is both dangerous and irresponsible of the Congress's leadership to expose itself to an increased threat level," it said.

ECONOMIC CRISIS

Europe ups pressure on Obama over bonuses

AFP, Brussels

Europe's leaders gathered at a Brussels summit on Thursday bidding to spur Barack Obama into concrete action on bankers' bonuses and the fight against global warming.

While a top US presidential aide has ruled out fixed caps on bonuses, the European Union wants G20 leaders to levy "sanctions" on guilty banks when the world's major economies and developing nations meet next week in Pittsburgh, Pennsylvania.

The EU also wants the United States to pump extra money into the battle to tame climate change ahead of United Nations talks in Copenhagen in December, which will try to drag global coordination on the issue out of a stifling quicksand.

After Obama lashed out at top Wall Street executives this week, a summit declaration in Brussels will seek to put the onus firmly on the White House to match the US president's words with action.

However, G20 talks will not deliver a hard cap on bonuses, according to Mike Froman, US deputy national security advisor for international economic affairs.

"The president has been pretty clear that he supports a robust approach to executive compensation but has been reluctant to sort of set individual compensation levels," he said.

In response, the head of the group of 16 countries using the euro currency, Jean-Claude Juncker, said Europe should act on the bonus issue "whether the Americans are with us or not."

He told Germany's Deutschlandfunk radio that a Europe-only charge "will take on such force over time that the Americans will not be able to sit on the sidelines."

A draft EU statement seeking



Barack Obama

"binding rules" calls for handouts to be tied to "long-term performance" and an end to guaranteed bonuses.

It says financial police should be given powers to slash payments

where investments prove to have failed and to force boardrooms to control levels of high-risk speculation.

Europe also wants to block the exercising of stock options for set

periods and expose top directors to penalties, following huge pay-outs to failed bank chiefs.

Politicians fear a backlash from taxpayers angry at what some see as fat cats lining already deep

pockets with ongoing massive injections of public money given in a bid to avert total meltdown in the world's financial order.

British Prime Minister Gordon Brown says lavish bonuses have "appalled everyone across the world," with many blaming excessive handouts in part for the credit crisis and subsequent mushrooming unemployment.

Three US banks, Goldman Sachs, Morgan Stanley and JP Morgan, each paid out billions of dollars more than they even earned in 2008 bonuses, having received some 45 billion dollars of bailout funding.

But while the EU draft also calls for "exit strategies to be designed now," to turn off the taps of state financial support, Britain wants "to make sure we are out of the woods" first, according to one EU diplomat said.

Despite a threat by French President Nicolas Sarkozy to walk out of the Pittsburgh summit if he does not achieve his caps goal, his finance minister Christine Lagarde revealed a subtle shift in the Paris position in an interview on Thursday.

"We're not so narrow-minded to the point that we want a number," Lagarde told the Wall Street Journal. "But we want something that can be nailed down to solid parameters ... something that effectively limits and frames compensation."

Pressure is also mounting for a breakthrough on the climate issue as representatives of the world's 17 biggest carbon polluters start a week of high-level and high-stakes talks in Washington.

However, Europe's message may end up diluted there with diplomatic sources saying some EU members, including the Czech Republic, Hungary and Italy, are unhappy at fixing target aid figures for the developing world before the bloc has even decided on how to share the load internally.