

International Business News

Russia, China seal trade ties with \$3.5b in deals

AFP, Beijing

China and Russia on Tuesday cemented their burgeoning trade relationship with billions of dollars in new deals as Prime Minister Vladimir Putin met his Chinese counterpart Wen Jiabao.

Putin, who arrived late Monday, was also due to meet President Hu Jintao as the two countries seek closer ties, and attend a summit of the Shanghai Cooperation Organisation, a regional security grouping, during his visit.

It is the Russian leader's first trip to China since he took over as prime minister last year, although he visited four times previously as president.

Wen greeted Putin at the Great Hall of the People on Tiananmen Square in a formal welcome ceremony before the closed-door talks, Chinese state media said.

The leaders will sign several agreements, officials said, including one committing each country to notifying the other of the launch of ballistic missiles from its territory.

Flextronics to hire over 6,000 Chinese workers this month

AFP, Hong Kong

Electronics manufacturing giant Flextronics International said Tuesday it will hire more than 6,000 migrant workers in mainland China this month because of a rise in demand ahead of Christmas.

The company will also take on an additional 1,000 workers in the next two months, Valerie Kurniawan, senior communications director for Flextronics Asia, told AFP.

"The demand is coming from all over the group, it's all segments and industries," Kurniawan said.

Flextronics makes parts and equipment for the automotive and mobile phone industries among others and its clients include Hewlett-Packard, Motorola and Microsoft Corp.

The company's latest hiring spree has focused on its Zhuhai Industrial Park in the Pearl River Delta in the south of the country.



A Thai woman walks past a roadside poster in Bangkok yesterday. Thai consumer confidence improved slightly in September for the fourth consecutive month in anticipation of an economic recovery, but it remains fragile, a survey showed on October 8, 2009.

German economy stabilising, but only slowly: Survey

AFP, Berlin

Germany, Europe's top economy, is recovering from its worst recession in 60 years, a closely watched survey suggested on Tuesday, but any upturn is likely to be gradual and the road to recovery bumpy.

The ZEW index, which measures the confidence of financial market players in the future health of the economy, was broadly stable in October, dipping fractionally to 56.0 from 57.7 in September.

This was well above the long-term average of 26.7 for the series but slightly worse than analysts surveyed by Dow Jones Newswires had forecast.

"The assessment of the financial market experts reflects the prevalent opinion. The economy will improve only gradually," said the ZEW institute's president Wolfgang Franz.

RBS Coutts eyes more wealth managers to tap rich growth

AFP, Singapore

RBS Coutts, the private arm of the Royal Bank of Scotland, said Tuesday it plans to hire 200 wealth managers in Asia as it tries to latch on to an expected explosion of millionaires in the region.

This follows a report that a third of its staff in Singapore had left en masse, with many believed to have gone because of rows over pay.

The Financial Times said Tuesday that the resignations included about 20 key managers as well as around 50 support staff, some of whom were handling wealthy Indian and Indonesian clients.

But the bank said it would be taking on the 200 new wealth managers over the next five years and would be aiming to double its business in the region.

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INTERVIEW

A witness to changes

Outgoing StanChart CEO recounts his experience to The Daily Star

ARUN DEVNATH

A lot of memories have been packed into Osman Morad's five years in Bangladesh as the Standard Chartered CEO. He is a witness to a lot of changes -- high and lows -- in the banking industry, economic growth and the country's resilience to the global downturn.

"The numbers speak for themselves," says Osman Morad without hiding behind abstractions.

"When you look at the forecasts for growth, it has always been 5 percent or 5 percent plus. It shows serious resilience," he says.

The Daily Star caught up with the outgoing CEO in his neatly designed office at the StanChart Bangladesh headquarters in upscale Gulshan. He takes pride in the new plush office -- its property which he says is a sign, however small, of the bank's growth.

Ruminating over his Bangladeshi days, he says it has been a wealth of "fascinating" experiences.

Staying at the helm, Osman Morad presided over the growth of StanChart, the largest foreign bank in Bangladesh with 25 branches and 50 ATMs -- and an employer of over 1,300 people.

The acquisitions of Grindlays bank in 2000 and the commercial banking business of American Express Bank in Bangladesh in 2006 have strengthened its foothold here.

Colleagues tend to brand their boss as the key man in integrating the American Express unit with StanChart -- not so easy a task.

Osman Morad who will take the reins of StanChart in Malaysia says Bangladesh will stand out as a remarkable milestone in his career. "When you are an expatriate you live by an extended family. In Bangladesh, we have an extended family," says a soft-spoken Osman Morad.

"I have worked in the banking system with the third governor. I have never done this before in my career. And I don't think it will happen ever again."

The banking industry has undergone a lot of changes. Banks are maturing. New talents are coming in and businesses are growing. "I have seen the industry grow as a whole. So it's been a fascinating time. With everything else going on, we still see a resilience in the economy. And the growth has been strong," he says.

The clouds did not clear yet.

Bangladesh will experience some of the downturns as the world is interconnected in terms of economy. "Businesspeople here know how to manage (risks) in times of a downturn. That's not to say we are not experiencing any trouble. Of course we are," he says.

With Bangladesh remaining in the shadows of global financial crisis, investment plans have taken a back seat. Demand for



Osman Morad

loans is slack. The banking system is awash with excess liquidity -- about Tk 38,000 crore, according to the latest data.

Projects are being evaluated. Liquidity here is governed not only by infrastructure investment, but by government borrowings that used to be mopping up liquidity in earlier days.

"It's (government borrowing) not happening right now."

"But I think the liquidity that is available now is really not what will drive future growth. The future growth and future projects have to be funded by a variety of sources. It will not only be domestic banks, but also international banks that have to participate in the projects," Osman Morad suggests.

"The real area we would like to see some developments in is infrastructure, road-

works and power. That's what we need to look at. Consumer spending, I think, is less significant," he says.

"We need to have new investments and new projects. We should focus more on how to create a good environment for investors. In fact the government is focused on this area, on one hand, and on financial inclusion, on the other," he says.

"We should look at the two areas to have a better perspective rather than focusing on one of the events driven by a particular stimulus."

"If there is demand for \$10 billion investment in energy, it cannot be funded by domestic sources alone. It has to have international participants as well. To do that, you have to create an environment which investors understand," he says.

The reason is, the world is now much

more risk-conscious than it used to be.

In these troubled times, banks are following a kind of conservatism in risk-taking. Banking analysts say more conservative management has an obvious pay-off in those jurisdictions where some banks around the world made huge losses.

But StanChart stayed on its path to growth. Its pre-tax profit in Bangladesh rose to Tk 690.69 crore in 2008 from Tk 631.89 crore a year ago.

It earned Tk 387.92 crore in net profit in 2008, slightly down from a year earlier, with consumer and wholesale banking at the core of it. In offshore banking, it posted Tk 7.97 crore in net profit in 2008, up from Tk 7.86 crore from the previous year.

"We are staying on our strategy. Our strategy is, we have focused on geographic markets -- Asia, Africa and the Middle East. We focus on client segments we are familiar with. And we focused on basic banking," Osman Morad says.

One of the attempts to explain the global financial crisis is that the banks ventured beyond basic banking into an unknown territory of fancy products.

Osman Morad says: "But we stayed through our strategy, we stayed close to it and we stayed on it. Whenever we stayed off strategy, we had some sorts of regret at the end of it."

In clear and simple terms, the StanChart strategy as a whole is that the bank sticks to the basics of banking. "We didn't go into subprime mortgage markets. We didn't get into the trading of the debt on the derivatives market," he says, referring to its global operations.

"In banking -- unlike in the rest of the corporate world -- once you have competitors, you won't want your competitors to fail. In the rest of the corporate world, when companies fail, you will get a bigger chunk of the market. In the banking industry, when your competitors fail, you will also be affected by fallout of the failure."

He was asked to comment on relatively high interest rates on SME loans, which range between 13-18 percent depending on banks.

"We offer very competitive rates -- for simple reasons. We want to keep an upper hand over the spectrum. We can't charge customers anything which they are not ready to pay."

Generally, interest rates are driven by competition. "We need a much more competitive environment. To do that, we need larger banks."

Osman Morad believes market prices will be determined by different factors as the industry grows.

"It's a long debate. There is no right or wrong interest rate in my mind. The interest rate is what the market is willing to pay and the customers are willing to pay."

NOBEL PRIZE

Winners may shape financial crisis debate

AP, Washington

One scholar studies how best to manage resources like forests, fisheries and oilfields. A fellow American looks at why some companies grow so large. Together they're winners of this year's Nobel Prize in economics for groundbreaking work that could affect efforts to prevent another global financial crisis.

Elinor Ostrom, 76, known for her work on the management of common resources, is the first woman to win a Nobel in economics. She shares this year's prize with Oliver Williamson, 77, who pioneered the study of how and why companies structure themselves and how they resolve conflicts.

Monday's final prizes of 2009 capped a year in which a record five women won Nobels. And it was an exceptionally strong year for the United States, too. Eleven American citizens, some of them with dual nationality, were among the 13 Nobel winners, including President Barack Obama, who won the Nobel Peace Prize on Friday.

The Royal Swedish Academy of Sciences said it chose Ostrom and Williamson for work that "advanced economic governance research from the fringe to the forefront of scientific attention." They will share the \$1.4 million prize.

Ostrom showed how common resources -- forests, fisheries, oilfields, grazing lands and irrigation systems -- can be managed successfully by the people who use them, rather than by governments or private companies.

"What we have ignored is what citizens can do and the importance of real involvement of the people involved -- as opposed to just having somebody in Washington ... make a rule," Ostrom, a political scientist



Oliver Williamson

at Indiana University, said during a brief session with reporters in Bloomington, Ind.

Williamson, an economist at the University of California, Berkeley, focused on how companies and markets differ in resolving conflicts. He found that companies are typically better able than markets to resolve conflicts when competition is limited, the citation said.

The Academy did not specifically mention the global financial crisis. But many of the problems at the heart of it -- bonuses, executive compensation, risky and poorly understood securities -- involve a perceived lack of oversight.

"There has been a huge discussion how the big banks -- the big investment banks -- have acted badly, with bosses who have

professor at Duke University who completed his doctorate under Williamson's supervision. "Both Ostrom's and Williamson's research reveal how critically important it is to understand these so-called non-market institutions such as companies, governments, regulators and courts."

Ostrom, also the founding director of Arizona State University's Centre for the Study of Institutional Diversity, has devoted her career to studying the interaction of people and natural resources.

"Until her work, the thinking was, 'let the state intervene,'" said Paul Dragos Aligica, a political scientist at George Mason University. "If you leave it to individuals to do whatever they want, resources will be depleted." But she said "hold on and found that's not the case." Aligica wrote his doctoral thesis under Ostrom's guidance.

Ostrom told the academy by phone that she was surprised by its choice.

"There are many, many people who have struggled mightily, and to be chosen for this prize is a great honour," Ostrom said. "I'm still a little bit in shock."

Williamson was cited for his studies on how organizations -- including companies -- are structured and how it affects the cost of doing business. According to his theory, large private corporations exist primarily because they are efficient.

"Large corporations may, of course, abuse their power," the citation said. "They may for instance, participate in undesirable political lobbying and exhibit anticompetitive behaviour."

Williamson found it is better to regulate such behaviour directly rather than with policies that restrict the size of corporations, the academy said.