

International Business News

Chinese banks to be punished for risky lending

AFP, Beijing

China has issued a rare warning that it will impose curbs on banks unless they beef up their defences against bad loans as Beijing tries to put the brakes on a massive lending spree.

Banks that fail to comply will face "restrictions on market access, overseas investment, and outlets and business expansion," the China Banking Regulatory Commission (CBRC) said in a statement posted on its website late Monday.

The warning comes after the nation's banks lent a record amount of money this year following government calls to boost the economy in the face of the global financial meltdown.

China's banking laws have set the capital adequacy ratio -- the amount of capital banks must hold against their risk -- at a minimum of eight percent.

The prospect of the regulator baring its teeth as it tries to control credit sent the benchmark Shanghai Composite Index down by 3.5 percent at its close Tuesday, the biggest single-day fall in nearly three months.

It also had an impact on the Hong Kong bourse, which ended the day 1.53 percent lower.

Indonesian minister defends bank bailout

AFP, Jakarta

Indonesia's finance minister and central bank chief on Tuesday defended a 704-million-dollar lifeline thrown to a failed lender which has become the centre of the country's latest graft scandal.

Finance Minister Sri Mulyani Indrawati and former Bank Indonesia (BI) governor Boediono, now Indonesia's vice-president, have come under fire for their roles in authorising the 6.7-trillion-rupiah bailout late last year.

Indonesia's Supreme Audit Agency head Hadi Poernomo, presenting a report Monday on the bailout of the lender, Bank Century, said there were strong indications of "violations" and recommended a full investigation.

But Indrawati repeated the government's assertions that the rescue package was essential to prevent "systemic risk" to the economy during the global financial crisis.

"Our focus at the time was to avoid another crisis. Indonesia had been in a crisis before which was prompted by collapsing banks," she told reporters. "We didn't want the contagion effect this time."



AFP

Princess Marie (I) and Prince Joachim of Denmark visit the opening of a Danish design exhibition at a shopping mall in Hong Kong yesterday. The Royal couple is visiting the territory to help promote Danish design, food and fashion. Later they will head to Beijing.

German firms see brighter future ahead: Survey

AFP, Berlin

German business confidence surged in November, a closely-watched survey showed on Tuesday, fuelling hopes that Germany, Europe's economic powerhouse, could lead the continent out of recession.

The survey, by the Ifo institute, showed business sentiment rose to 93.9 from 92.0, the eighth successive rise and the highest level since August 2008.

It was also better than expected, with economists polled by Dow Jones Newswires expecting a rise to 92.6 points.

"The German economy continues on the road to recovery," said the institute's president Hans-Werner Sinn, in a statement.

The positive news followed data from the national statistics office confirming that German growth was gingerly returning after the country suffered its deepest recession for six decades.

Temasek announces \$433m bond offer plan

AFP, Singapore

State-linked Singapore investment firm Temasek Holdings on Tuesday said it plans to raise 600 million Singapore dollars (433 million US) from new bond offerings.

The latest news follows an announcement in October that the firm would raise 1.5 billion US dollars through a 10-year bond offer under a capital raising programme worth 5.0 billion US dollars.

Temasek said in a statement the bond offerings, to be made in two tranches of 300 million dollars each, would be issued by its wholly owned subsidiary Temasek Financial.

"The issuer intends to provide the net proceeds from the offering to Temasek and its investment holding companies to fund their ordinary course of business," the investment vehicle said in a statement.

"The notes will be fully and unconditionally guaranteed by Temasek," it said.

INTERVIEW

Industry falters on low energy

Immediate-past Ficci boss speaks to The Daily Star

REFAYET ULLAH MIRDHA

Readymade garment factory owners are in a fix over the future of the industrial sector.

Several factories have shut recently due to inability to churn profits and productivity losses. Owners blamed low gas pressure and frequent power outages in the factories behind the closure. A few days ago, the government decided to maintain gas supplies to the Chittagong industrial zones to improve the staggering gas and power situation.

Owners are also trying to run their units by installing captive power plants on their factory premises, but they are still incurring losses and waiting for adequate supplies of gas and power.

In Bangladesh, load shedding is a common phenomenon and businessmen are constantly facing hurdles because of the short supply.

Waliur Rahman Bhuiyan, the immediate past president of Foreign Investors' Chamber of Commerce and Industry (Ficci), has been advocating an improvement in the energy supply position for the last few years.

The Daily Star talks to him on the issues like energy and industrial development of Bangladesh.

Bhuiyan, also managing director of Bangladesh Oxygen Company (BOC), says everything is linked with energy efficiency.

If the government wants to reduce poverty, it needs to generate employment, for which it needs industrialisation and increased investment. These are directly linked to energy and power.



Waliur Rahman Bhuiyan

The number of factories pulling down their shutters is a clear indication of scarce energy. At the same time, the importance of industrialisation is paramount to reducing poverty, he says.

Bhuiyan said a large number of new industries now await gas connections to go into production, but Titas Gas Transmission and Distribution Company Ltd, which provides the largest number of industrial gas connections, has announced that it is not giving any new connections until discovery of more gas.

Around 5,000 industrial units have now Titas gas connections, while another 1,000 have such connections from other gas dis-

tributing companies across Bangladesh.

As a result, a very few new industrial units can begin operations, he says.

Ficci's former boss suggests the government reduce complexities in the bidding process for gas fields and power generation, so that power-generating companies can begin production as soon as possible.

"Complicated bidding processes are major obstacles to development of the energy sector."

The first and foremost negative effect of shortfalls in energy is underutilised production capacities, Bhuiyan points out.

watt electricity, as official data show power generation of 3,800 MW at peak hours against its demand for around 5,200 MW.

It is imperative on government's part to take immediate steps to bridge such a gap and ensure adequate and uninterrupted power, he says.

"While we are aware of the government's constraints in this regard, we cannot but say that administrative bottlenecks and indecision stand in the way of various power development projects since long."

The government should take steps to improve the gas connection for at least the next 20 years, he says.

It is apparent that power generation in Bangladesh is heavily geared towards gas field turbines, with inefficiencies in the system, which gives rise to the mismatch in demand and supply.

At present, 60 percent of the country's population has no access to electricity, with a growing population making the problem acute, Bhuiyan adds.

Natural gas is responsible for some 90 percent of power generation here.

However, the country has abundant coal reserves, which to date have not been exploited.

The estimated two and a half billion tonnes of coal reserves is equivalent to about 65 TCF gas, with Phulbari and Barapukuria's reserves at about one billion tonnes, or 26 TCF, of gas.

If coal is introduced into the energy mix, it could free gas for more value added industries, such as fertilisers.

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AVIATION

Airbus execs on trial in insider trading probe

AFP, Paris

The French markets watchdog heard claims Monday that 17 current and former EADS aerospace executives saved themselves millions by exploiting insider knowledge of problems with the A380 superjumbo project.

The executives and three firms -- EADS and shareholders Daimler and Lagardere -- are accused of selling stock options in March 2006 because they knew the share price would slump when A380 production delays went public.

They sold their stock options when the shares were around 30 euros, near their historic high. The price plummeted by 26 percent in a single day when the delay was officially announced in June that year.

The executives face fines of up to five million euros (7.5 million dollars) if convicted by the Financial Market Authority (AMF) after the hearings, which follow a 30-month probe and which are not open to the press or public.

The case is also being seen as a test of the AMF itself, with the watchdog under pressure to show it is able and willing to hold big business to account.

Former EADS co-chief executive Noel Forgeard said he was "serene" as he arrived at the hearing on Monday.

"I am fully confident in the jurisdiction of the AMF to whom my lawyers here have provided all the elements that show my innocence," he told reporters.

Thomas Enders, current chief executive of EADS' Airbus unit, said he too was sure he would be cleared by the week-long hearing held in the Palais Brongniart, the former home of the Paris stock exchange.

Forgeard faces the biggest fine of 5.45 million euros.

He earned 3.5 million euros when he sold his European Aeronautics Defence and Space (EADS) options, but his lawyers argue they can show that he began selling the stocks before



AFP

French former co-president of European aerospace group EADS Noel Forgeard arrives at the Palais Brongniart, which formerly hosted the French stock exchange, on Monday in Paris, to testify before the French Financial Markets Authority AMF (Autorité des marchés financiers). The AMF begins hearings for those suspected of insider trading at aerospace giant EADS and conducted a two-and-a-half-year investigation into allegations that executives of EADS and its subsidiary Airbus were aware of A380 manufacturing delays as they sold shares in March 2006.

managers became aware of the A380 problems.

Lagardere, a French media group, and Daimler, a German carmaker, between them sold 7.5 percent of the shares in EADS -- in which the French state is also a shareholder -- and are being heard as corporate entities.

A confidential AMF report leaked in July said that an inquiry had found that seven current and former EADS executives made millions of euros by exercising their company stock options in March 2006.

But the report found that Enders, as well as shareholders

Lagardere and Daimler, had not engaged in insider trading.

Apart from Forgeard, the executives named in the report are Airbus commercial director John Leahy, former Airbus finance director Andreas Sperl, and former EADS managing director Jean-Paul Gut.

Former Airbus vice president Olivier Andries, former Airbus human resources director Erik Pilllet and Airbus Centres of Excellence chief Alain Flourens were also named.

The report will likely influence this week's hearings but its findings are not binding.

The EADS executives turned up at the Palais Brongniart Monday with a bevy of lawyers and interpreters in tow for the high-profile hearings.

The first morning was largely taken up with procedural problems, Daimler's lawyer said as proceedings broke up for lunch.

The hearings come three days after an Air France A380 made its inaugural flight from Paris to New York. The mammoth double-decker plane made its first commercial flight in 2007 from Singapore to Sydney with Singapore Airlines.

EADS last week reported a quarterly loss, its first in two years, and warned it might cut production because of persistent problems with the A380 and its planned military transporter A400M.

The firm, which controls several other leading aerospace companies in addition to Airbus, is pulling through a deep crisis and restructuring.

EADS chief executive Louis Gallois, in an interview on Monday, pledged support for his executives, adding that "everyone is in a hurry to move on from an affair that is more than three years old."