

International Business News

Toyota recalls 600,000 Sienna minivans

AP, Washington

As congressional investigators dig further into potential electronic problems in runaway Toyotas, the automaker is facing other safety concerns, recalling 600,000 Sienna minivans over rusting spare tyre holders.

The recall Friday came as House investigators said they would hold another hearing in May to review possible electronic problems in runaway Toyotas. The Japanese automaker has recalled more than eight million vehicles because of faulty accelerator pedals, humbling a car company long known for its quality and safety.

Company leaders vowed to respond quickly to the safety concerns.

Separately, Toyota said its engineers in Japan had duplicated the same results of tests that led Consumer Reports to issue a rare "don't buy" warning on the 2010 Lexus GX 460 over rollover concerns. Toyota responded by halting sales of new GX 460s and conducting tests on all of its SUVs.

Lexus spokesman Bill Kwong said the company was evaluating potential remedies for the GX 460 but it was "too early to speculate (on) the details of the remedy and its timing."

IMF approves \$160m loan to Iceland

AFP, Washington

The International Monetary Fund on Friday approved a much-contested 160-million-dollar loan to Iceland, ending months of political bickering.

The IMF agreed in November 2008 to lend Iceland up to 2.1 billion dollars in an effort to stave off the collapse of the local economy, which was decimated by the financial crisis.

Wrangling with creditors -- chiefly the Netherlands and Britain -- had delayed the latest instalment by three months.

The Washington-based fund said Friday's decision would take lending to the Atlantic island to around 1.2 billion dollars.

"I am confident that the policies and financing now in place will ease the burden of adjustment and help Iceland's economy stage a recovery in the second half of 2010," said IMF boss Dominique Strauss-Kahn.

Iceland is still reeling from a deep and punishing recession that submerged the country's banking sector, sent the Icelandic krona plunging and forced the collapse of the Icelandic government.



AFP An Indian farmer carries sickles as she prepares to cut crops in a paddy field on the outskirts of Hyderabad yesterday. Agriculture is one of the strongholds of the Indian economy accounting for 18.5 percent of the nation's Gross Domestic Product (GDP) and providing a significant source of livelihood for the still predominantly rural billion-plus population.

Bank of America returns to profit

AFP, Washington

Bank of America returned to profit in the first quarter of this year, the firm said Friday, reporting better than expected profit of 3.2 billion dollars.

After a boardroom shake-up and losses of more than two billion dollars last year, the largest US bank returned to the black, providing a glimmer of hope that its crisis-inflicted wounds could be on the mend.

Bank of America, a fixture on US high streets, had last year battled against a crushing recession that hit its customer base and against the pressing need to repay a massive taxpayer bailout.

Chief executive Brian Moynihan said on Friday that the firm and the economy had now turned a corner.

"With each day that passes, the 2010 story appears to be one of continuing credit recovery, and our results reflect a gradually improving economy," he said.

With a 45-billion-dollar government bailout now paid off, the company reported that performance at some of its most troubled businesses improved.

All-important retail deposits were up two percent versus a year ago to over 15 billion dollars, spurred by growth in at the once maligned Merrill Lynch.

GE upbeat as profit falls less than expected

AFP, New York

US conglomerate General Electric delivered an upbeat outlook on "earnings power" Friday as it reported a fall in first-quarter profit that was better than the market expected.

Net profit was 1.87 billion dollars, 32 percent lower than a year ago.

Profits from continuing operations were 2.3 billion dollars, a decline of 18 percent from a year ago, or 21 cents per share. Most analysts had forecast a weaker 16 cents per share.

GE, often considered a bellwether of the world's largest economy because of its wide array of businesses, said it saw continued improvement in operating conditions.

INTERVIEW

Low cost upsets energy sector

Danish minister talks to The Daily Star

JASIM UDDIN KHAN

Low energy price and pilferage by consumers are major problems for Bangladesh to become self-sufficient in energy, says Danish Minister for Development Cooperation Soren Pind.

The country should develop a mechanism to fix standard energy prices and make sure that none can use energy free of cost, he says.

The Danish minister visited Bangladesh recently with a trade delegation including high-profile officials from power and energy companies.

"No matter which party is governing the country, the situation will not improve until there exists a system that everyone is paying standard energy bills. Energy in this country is almost free. Many even do not pay for energy," Pind says.

"If you do not introduce a system so all pay a standard price, the situation will not improve."

He suggests Bangladesh should bolster energy exploration and diversify sources. "The country can go for wind, solar and other sustainable energy projects."

The minister assures Bangladesh of his government's support for technology transfer in renewable and clean energy sector under joint-venture investment.

Pind says he brought with him the representatives of 12 companies, and some of them have signed letters of intention with local companies to work together for setting up joint venture for renewable and sustainable power projects.

"Some of the companies that have visited with me are satisfied with the facilities the local companies have and they signed letters of intent for setting up renewable energy projects," he says.

The companies that visited Bangladesh have expertise in generating power through bio fuel, in solar and wind energy, and they were on the lookout for local partners.

The minister says Bangladesh will con-



Soren Pind

tinue its growth as it has abundant manpower with solid skill in readymade garment, shipbuilding and information technology sectors.

About the country's export potential in European markets, he says many foreign companies will invest in Bangladesh to tap export market in Europe using the country's

competitiveness.

Europe, Japan and even China are struggling with labour force, whereas Bangladesh has 'tremendous' potential with affordable labour cost, Pind says.

"One million new people are joining the workforce every year in Bangladesh. This means that you have competitiveness."

Many foreign companies including the Danish will be interested to invest in Bangladesh for getting the advantage of cheap labour," he says.

The minister stressed setting up standard training centres to provide adequate and demand-oriented training to the country's workforce.

About IT sector, he says the Danish support will continue.

Pind sees a huge potential in shipbuilding industry, saying Denmark has provided software support to Bangladesh's shipbuilding industry.

"This technology transfer will enrich Bangladesh's shipbuilding industry."

The minister says the Danish government's priority is to help develop Bangladesh's private sector and provide help for the overall value chain of farm sector in Chittagong Hill Tracts (CHT).

"Our priority is to help develop private sector as we have found that if the private sector grows, people will earn more, and if people can earn more, the government will generate more revenue," Pind says.

The minister emphasised investing in the value chain of food production, saying that they have projects in Africa where they have found success by investing in the value chain process.

"We want to work for the development of CHT. We will expand our help, supporting the value chain. For instance, we will help develop juice industry instead of only helping fruit production," he adds.

The minister suggests energy solution in phases with some immediate solutions so foreign investors do not stop coming to Bangladesh.

"Many foreign investors are ready to invest here in different sectors but the energy crisis bars them," he says.

The minister's visit has also marked Denmark's priorities in human rights, democracy, private sector growth and climate change issues.

jasim@thedailystar.net

US ECONOMY

Goldman Sachs accused of fraud

AP, Washington

The US government on Friday accused Wall Street's most powerful firm of fraud, saying Goldman Sachs & Co sold mortgage investments without telling the buyers that the securities were crafted with input from a client who was betting on them to fail.

And fail they did. The securities cost investors close to \$1 billion while helping Goldman client Paulson & Co, a hedge fund, capitalise on the housing bust. The Goldman executive accused of shepherding the deal allegedly boasted about the "exotic trades" he created "without necessarily understanding all of the implications of those monstrosities!!!"

The civil charges filed by the Securities and Exchange Commission are the government's most significant legal action related to the mortgage meltdown that ignited the financial crisis and helped plunge the country into recession.

The news sent Goldman Sachs shares and the stock market reeling as the SEC said other financial deals related to the meltdown continue to be investigated. It was a blow to the reputation of a financial giant that had emerged relatively unscathed from the economic crisis.

Goldman Sachs denied the allegations. In a statement, it called the SEC's charges "completely unfounded in law and fact" and said it will contest them.

The SEC is seeking to recoup the money lost by investors and impose unspecified civil fines against Goldman Sachs and the executive, Fabrice Tourre. The SEC could enter into settlement negotiations over the amount if Goldman changed its stance and decided not to fight the charges in a trial.

The SEC said Paulson paid Goldman roughly \$15 million in 2007 to devise an investment tied to mortgage-related securities that the hedge fund viewed as likely to decline in value. Separately, Paulson took out a form of insurance that allowed it to make a huge profit when those securities' value plunged.

The fraud allegations focus on how Goldman sold the securities. Goldman told investors that a third party, ACA Management LLC, had selected the pools of subprime mortgages it used to create the securities. The securities are known as synthetic collateralised debt obligations.

The SEC alleges that Goldman misled investors by failing to disclose that Paulson & Co also played a role in selecting the mort-



AFP Lloyd Blankfein, CEO of Goldman Sachs Group, testifies during the first public hearing of the Financial Crisis Inquiry Commission hearing in this January 13, 2010 file photo on Capitol Hill in Washington, DC. US authorities on Friday charged top investment firm Goldman Sachs with fraud linked to the sale of a complex mortgage security like those blamed for the worst financial crisis in decades.

gage pools and stood to profit from their decline in value. Two European banks that bought the securities lost nearly \$1 billion, the SEC said.

"Goldman wrongly permitted a client that was betting against the mortgage market to heavily influence which mortgage securities to include in an investment portfolio, while telling other investors that the securities were selected by an independent, objective third party," SEC Enforcement Director Robert Khuzami said in a statement.

But Goldman said in a statement that it never mischaracterised Paulson's strategy in the transaction. It added that it wasn't obliged to "disclose the identities of a buyer to a seller and vice versa."

The charges name only Goldman Sachs and Tourre, who was a vice president in his late 20s when the alleged fraud was orches-

trated in 2007. Tourre, the SEC said, boasted to a friend that he was able to put such deals together as the mortgage market was unravelling in early 2007.

In an e-mail to the friend, he described himself as "the fabulous Fab standing in the middle of all these complex, highly leveraged, exotic trades he created without necessarily understanding all of the implications of those monstrosities!!!"

Tourre, 31, has since been promoted to executive director of Goldman Sachs International in London.

Stanford University spokeswoman Elaine Ray said a student by the name of Fabrice Tourre received a master's degree in management science and engineering from the school in 2001.

A call to a lawyer for Tourre, Pamela Chepiga at Allen & Overy LLP, wasn't returned.

Asked why the SEC did not also pursue a case against Paulson, Khuzami said: "It was Goldman that made the representations to investors. Paulson did not."

Paulson & Co is run by John Paulson, who reaped billions by betting against subprime mortgage securities. He is not related to former Treasury Secretary Henry Paulson, a former Goldman CEO.

John Paulson was among the first on Wall Street to bet heavily against subprime mortgages. His firm earned more than \$15 billion in 2007, and he pocketed \$3.7 billion. He has since earned billions more, largely by betting against bank stocks and then buying them back after their shares plunged.

In a statement, Paulson & Co said: "As the SEC said at its press conference, Paulson is not the subject of this complaint, made no misrepresentations and is not the subject of any charges."

Goldman, founded more than 140 years ago, built a reputation as a trusted adviser to investment banking clients and for sending top executives into presidential Cabinet posts.

In recent years, it shifted toward taking more risks with its clients' money and its own. Goldman's trading allowed the firm to weather the financial crisis better than most other big banks. It earned a record \$4.79 billion in the last quarter of 2009.

The complaint filed in federal court in Manhattan "undermines their brand," said Simon Johnson, a professor at the Massachusetts Institute of Technology and a Goldman critic. "It undermines their political clout. I don't think anybody really values being connected to Goldman at this point."

He continued: "There are many people who -- until this morning -- thought Goldman Sachs was well-run."

The SEC's enforcement chief said the agency is investigating a wide range of practices related to the crisis. The prospect of possible legal jeopardy for other major financial players roiled the stock market.

Goldman Sachs shares fell more than 12 percent Goldman and lost \$14.2 billion in market capitalization. The Dow Jones industrial average finished down more than 125 points.

The SEC appears to be taking a particularly aggressive approach with Goldman. Typically, cases are resolved by firms agreeing to a settlement before the charges are made public, said John Coffee, a securities law professor at Columbia University.