

International Business News

G7 teleconference on Greek crisis

AFP, Tokyo

Group of Seven finance ministers held a telephone conference Friday on the Greek debt crisis and the plunging euro, Japan's Finance Minister Naoto Kan said.

"We heard a report on efforts in Europe to stabilise the euro," Kan told reporters at his ministry.

But he played down the possibility of G7 nations taking any immediate, fresh action as the euro continued a downswing, saying: "It is not that we are going to do something new right now."

Financial leaders of the G7, which groups Britain, Canada, France, Germany, Italy, Japan and the United States, have reportedly held a series of telephone meetings since May 7.

The European single currency nosedived to an 18-month low on Friday and equities slumped as markets were slammed by continued concerns at the eurozone's debt crisis and the plight of Greece.

Dealers moved to offload euros in Asian trade on Friday, unconvinced that Europe's economic problems had been laid to rest by a trillion-dollar rescue package put together by the EU and IMF.

Greece has launched austerity measures including spending cuts and tax hikes, as demanded by eurozone partners and the International Monetary Fund in return for a 110 billion euro (145 billion dollar) bailout.

Japan's Shinsei Bank, Aozora scrap merger

AFP, Tokyo

Japan's Shinsei and Aozora banks confirmed Friday they had scrapped a merger planned for later this year, with the mid-sized lenders at odds over business strategy.

The announcement sent shares in both companies plummeting and prompted the country's banking minister to rebuke Shinsei.

"Aozora Bank today announced the cancellation of the merger with Shinsei Bank by mutual agreement," a statement said without disclosing details.

The collapse of the deal leaves the two lenders -- both backed by US private-equity firms -- facing the tough prospect of rebuilding in a saturated market.

Shinsei, which means "rebirth" in Japanese and Aozora which means "blue skies," suffered in the global financial crisis and last year announced a planned merger that would create the nation's sixth-biggest commercial bank.

But negotiations ground to a halt, with Shinsei seeking to expand its retail operations and Aozora more keen on working with regional banks. Reports also said the two sides were unable to agree on a name for the new bank.

"We decided to shelve the merger talks. As talks progressed opinions diverged," said Aozora spokesman Tsutomu Jimbo.

He added that the banks were still working on details over a possible new business alliance without giving details.

"Instead of spending time on bringing together merger conditions and management strategies, we decided that expanding each of our strengths separately was the top priority," he added.

Shinsei, which is about one-third owned by US buyout firm JC Flowers & Co, was hit hard by the global credit crunch and last year.



Britannia Industries Ltd Category Director Delight and Lifestyle Shalini Degan poses with packets of 'Britannia Cookies' at a product launch in Ahmedabad on Friday. Degan said that Britannia is one of the leading players in the biscuit industry with a market share of 41 percent.

Merkel warns of 'difficult choices' in cutting deficits

AFP, Berlin

German Chancellor Angela Merkel warned on Saturday in a newspaper interview that Germany faced "difficult choices" cutting spending to wrestle down the public deficit.

"Of course there will be difficult choices about how we can save money," Merkel told the Sueddeutsche Zeitung, insisting that cutting deficits and ambitious policies were not incompatible.

Merkel also urged Germany's eurozone partners to "restore order in their public finances" and to make "efforts to improve competitiveness" in order to stabilise the euro.

Battered by persisting concerns about the eurozone's spiralling debt crisis, the euro fell on Friday to an 18-month low against the dollar, the lowest point since Lehman Brothers went bankrupt, plunging the world into financial crisis.

"If the euro fails, a lot more will also fail," she said, warning that the collapse of monetary union would "shake the whole European project" to its foundations.

Eurozone countries scrambled last weekend to put together a 750 billion euro plan to keep Greece's debt crisis from spreading to other heavily indebted countries such as Spain and Portugal.

INTERVIEW

Making sense of money

The City Bank chairman talks to The Daily Star

SAJJADUR RAHMAN

Money doesn't create ideas. It is ideas that create money.

If ideas talk, Aziz Al Kaiser makes a lot of sense. As the chairman of The City Bank, he has witnessed an astonishing 138 percent growth in net profits just between 2007 and 2009.

A first generation private commercial bank established in 1983, it started its second journey with a new slogan, and rebranding its logo in 2007.

Now it has become an example for others on how a bank can be transformed so fast.

The bank was not in the good book both of the regulator and the customers till the end of 2006 mainly because of its poor performance and services and interference of the board.

Things started changing rapidly since January 2007 when a new board under the leadership of young businessman Aziz Al Kaiser took over the charge of the bank.

The chairman credited the bank's success to good understanding between the board and the management that has turned a once-troubled bank into a service-oriented and profit-making one in a span of just three years.

Now the bank's profit after tax reached nearly Tk 82 crore in 2009 from just Tk 34 crore in 2007.

The major changes the board and management have successfully carried out since 2007 are full automation and making the bank's operation fully centralised.

All the 88 branches of the bank now have become a mere sales and service centres.

City Bank is the first in the country to have issued dual currency credit card and American Express Gold Credit card during this time.

The bank has more other success stories in a wide range of areas including launching of massive retail and SME banking.

All these initiatives have helped the bank earn two prestigious awards this year.

The bank has achieved the 'Strongest Bank in Bangladesh 2010' award and its managing director and chief executive officer K Mahmood Sattar has won The Asian Banker 'Leadership Achievement Award 2010' given by The Asian Banker, a research and intelligence company dedicated to providing services to the financial sector.

"We have achieved this tremendous success in just three years because of a very good understating between the board and the manage-



Aziz Al Kaiser

ment," Aziz Al Kaiser, chairman of the bank, told The Daily Star in an interview yesterday.

There must be a good understanding between the chairman and the CEO of a bank, he says.

Kaiser, also known as Tito, now dreams his bank will become the best bank in Bangladesh in terms of services, products, management and compliance.

"By 2012 we'll become a financial supermarket where varieties of products will be on a shelf. Customers will come and look into the services they want," says Kaiser who is in his early 40s now having experience of running a bank for already over a decade.

"By then, home services will also be on offer," he says.

Also the vice chairman of Partex Group, one of the leading business houses in the country, Kaiser has talked on the issues like the bank's cost of fund, interest rate, the future of the banking industry and the capital market.

He says there is no alternative to recruiting efficient management to reduce the cost of fund.

"Many of the banks here are oversized in manpower. Also, there are a lot

of non-performing employees who are a big contributor to a rise in the cost of fund."

He says The City Bank has decided to offer a voluntary retirement scheme soon for those non-performing employees.

Besides a reduction in cost of fund, non-performing loans and cost of borrowing should be brought down to offer a lower lending rate, Kaiser says.

"City Bank is already lending at 10.5 percent, but it depends on the clients. Increasing competition among the banks will reduce the rate."

He also cautions the banks about future challenges.

The City Bank chairman says the banking sector in Bangladesh is awaiting tough challenges and difficulties in the years to come, as more foreign banks will join the market with their state-of-the-art and technology-based products and services.

"The local banks have to have good assets and balance sheets, otherwise many of them will die or have to get merged with others for survival," he says.

On the Bangladesh's capital market, he says it runs on rumour, not on fundamentals.

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Gold too hot for Indian buyers

REUTERS, New Delhi

Gold imports by India, the world's biggest market for the precious metal, could drop for a third straight year in 2010 as record high prices scare off additional buyers.

Traders expect to spot the first sign of this trend at next week's Hindu festival of Askhay Tritiya, when demand usually jumps because it is considered an auspicious time to buy jewellery and coins.

"Forget buying for the festival, on the contrary people are selling," said Suresh Hundia, president of the Bombay Bullion Association in Mumbai.

"There is a queue of sellers." Gold is up 12.6 percent so far this year to record levels on investors' fears that a \$1-trillion rescue package to prevent a Greek debt crisis from spreading to other euro zone states would eventually fail, or stoke inflation.

On Friday the metal was heading for its fourth consecutive weekly rise, matching a run that ended in late November. Gold stood at \$1,234.40 an ounce by 0636 GMT, up \$2.57 from New York's Thursday notional close, but off Wednesday's record of \$1,248.15.

Traders say many Indians are responding by buying smaller quantities to maintain the same expenditure, or recycling old jewellery. Those who can afford to spend more may wait for prices to stabilise before they buy.

"Demand has turned to zero in the last four days," Hundia added. "Last year for the festival about 12 tonnes was sold. If prices stay like this, there will be very little sold."

After Askhay Tritiya, demand may spurt only for the festivals of Ganesh Chaturthi in September and Dhanteras in November.

"If prices stay like this, near all-time highs, physical demand could take a hit and a lot of scrap could start coming in. Imports for the full year could fall by 25-30 percent," said Abhishek Raval, a precious metals manager at IndusInd Bank.

In India, where gold has long been considered auspicious, the bulk of demand is for jewellery.

But a small and growing number of investors is turning to gold to diversify portfolios and protect themselves against inflation, which has driven prices higher and crowded out jewellery buyers.

"People are allocating 20 to 30 percent to gold in their portfolios," said Haresh Acharya, director of Parker Bullion Pvt Ltd, a large wholesaler in Ahmedabad, noting that wealthy investors were buying the metal.

"The risks involved in the stock market and high inflation are making them allocate more to gold."

Gold as an investment is a relatively new asset class in India, where headline inflation soared to a 17-month high of 9.9 percent in March.

Last year India's demand for gold jewellery was 405.8 tonnes, while that for investment was at 74.2 tonnes, data from the World Gold Council shows.

Rajan Mehta, director of Benchmark Asset Management Co Pvt Ltd in Mumbai, which started India's first gold exchange-traded fund in 2007, said total gold under exchange traded funds could rise as much as 50 percent within a year from 10.063 tonnes now.

"If you look at gold, the returns in the last few years have been very high," he said. "There is more and more realisation that this is an asset class that will give good returns."



No backtracking on Asean-China trade pact: KL

AFP, Singapore

Malaysia's trade minister said Friday his government had rejected a call by businesses to limit Chinese imports following a free trade deal between China and the Asean bloc.

The plea by Malaysian business groups followed a similar call by businessmen in Indonesia, who said the deal would lead to an influx of cheaper Chinese goods, hurting local industry and causing thousands of job losses.

Malaysian Trade Minister Mustapa Mohamed said that Malaysian businesses had formally asked the government "to impose a limit of 10 percent on Chinese imports into Malaysia".

"We've said no to their request. There's no backtracking," said Mustapa, who was in Singapore for a business forum promoting investment in the region that comprises the Association of Southeast Asian Nations (Asean).

The Asean-China free trade pact came into effect earlier this year, establishing the world's biggest free-trade zone in terms of population, covering nearly two billion consumers.

Under the agreements, China and six founding Asean states -- Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand -- eliminated barriers to investment and trade on 90 percent of products on January 1.

Business as usual

We communicate. Some of our work builds brands, some get that little girl to pick her flavor of ice cream, one or two change the cultural scene, while a few others get an old man to believe in his future.

And, while at it, occasionally every now and then our work gets recognized at the global level. Like the "Fame HSBC Marketing Awards 2009" that we have just won.

It makes us happy when we see our hard work makes an impact. It makes us thankful when our efforts are recognized. We know that a great communication campaign needs a great client.

Our thanks to HSBC for inspiring us to excel at a global level. Such clients are the reason we are able to make trail-blazing a way of life, and make groundbreaking work business as usual. This award belongs to HSBC Bangladesh as much it belongs to us.

