

International Business News

China bank property stress test finds risk

REUTERS, Beijing
A 50-percent drop in China's property prices will lead to a surge in bad real estate loans for Chinese lenders, a local newspaper reported, citing the results of the latest round of a Chinese bank stress test.

Many Chinese banks reported less-than-1-percent ratio in non-performing loans (NPL) to home buyers, but halved housing prices may expand the volume of such loans, pushing up the ratio by another 1-2 percentage points, the 21st Century Business Herald reported, citing banking sources.

China Merchants Bank, which reported a tiny NPL ratio of 0.12 percent in mortgage loans at the end of June, would see the ratio jump by up to 2 percentage points, the paper reported.

Loans to finance purchase of existing homes, especially those granted in 2009 and 2010 when housing prices surged in major Chinese cities, are particularly vulnerable, it added.

Mexican group buys stake in troubled airline

REUTERS, Mexico City
A Mexican consortium, aided by private equity firm Advent International, has stepped up to buy a controlling stake in troubled airline Mexicana after financial woes pushed the carrier to the brink of collapse.

Advent helped put the deal together, but the equity firm is not participating as a shareholder in the consortium, called Tenedora K, according to a statement obtained from Advent's public relations office in Mexico on Saturday.

Mexicana, one of Mexico's two top airlines and a major carrier bringing tourists to famed Mexican beach resorts, has halted more than a dozen international routes and stopped selling tickets after requesting creditor protection in Mexico and the United States.

Tenedora K bought the 95 percent stake in Nuevo Grupo Aeronautico, which controls Mexicana as well as domestic airlines Mexicana Click and Mexicana Link, the statement said.

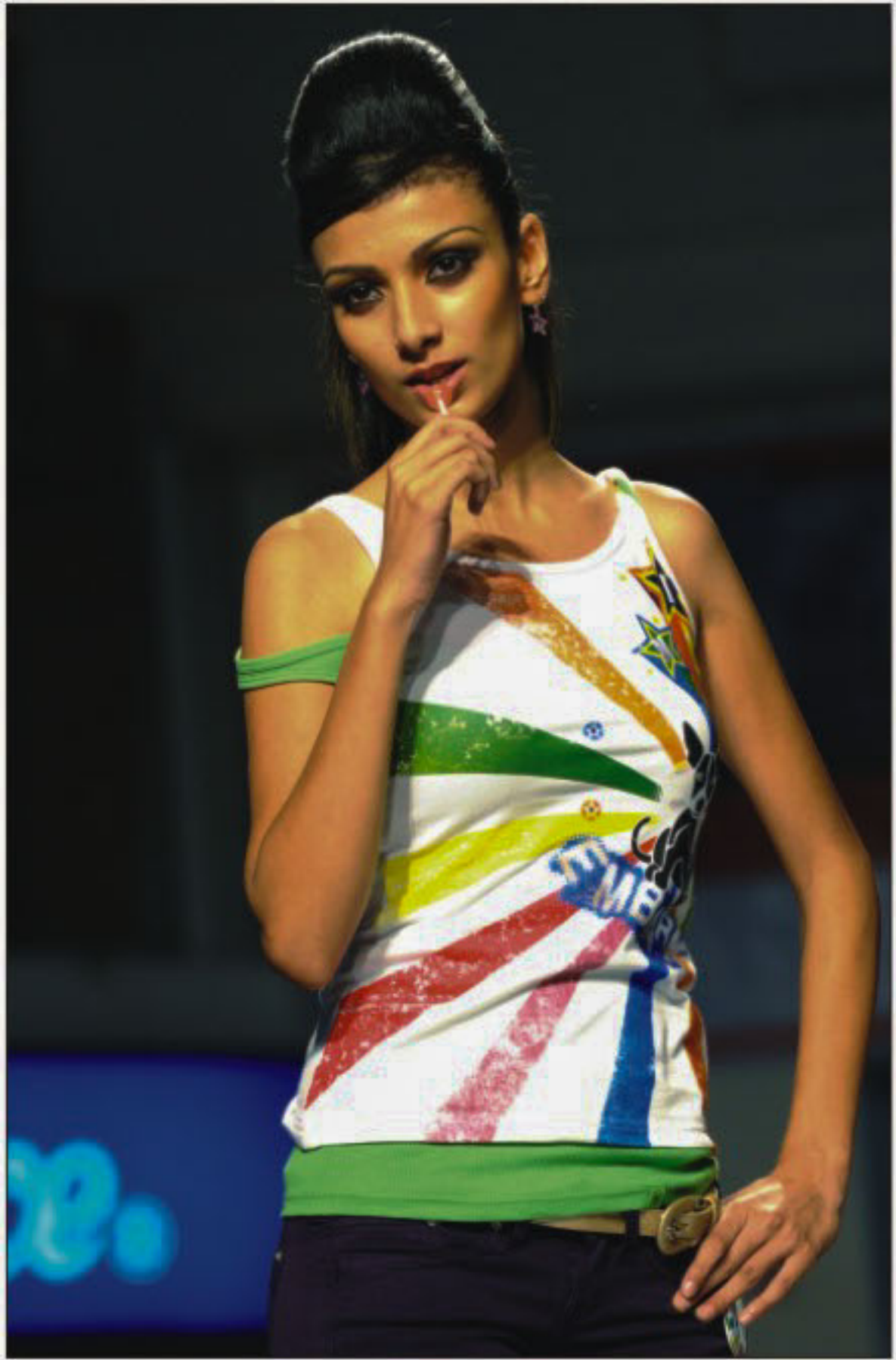
Swatch Group chairwoman eyes record 2011

REUTERS, Zurich
Swatch Group, the world's largest watchmaker, is aiming for another record year in 2011 as new products come on to the market in the coming months, the group's new chairwoman was quoted as saying on Sunday.

The group, which is best known for its colourful plastic Swatch watches and also owns higher-end brands such as Breguet, Blancpain and Omega, is set to post sales of over 6 billion Swiss francs (\$5.82 billion) this year, setting a record for the group.

"If we reach this goal in 2010, which we hope we will, then we would like to clearly beat this level next year," Nayla Hayek said in an interview with Swiss newspaper NZZ am Sonntag.

"Many new products are only coming to the market this Autumn, and a lot will happen towards the end of the year. There is still a lot in the pipeline, such as the further development of the Indian market. Its potential should not be underestimated," she said.



AFP
Sri Lankan models display creations by local designers during a fashion event in Colombo on Saturday. Clothing accounts for over half of Sri Lanka's \$7.5 billion export earnings and is a vital line for the economy that has been gripped by a decades old ethnic conflict.

German deficit could slip under 60b euros

AFP, Berlin
Germany's budget deficit could be less than 60 billion euros (76.3 billion dollars) thanks to a strong upturn in its economy, Finance Minister Wolfgang Schaueble said in a weekend interview.

Whereas the government has forecast a shortfall of 65 billion euros, "I see good chances that we will finish under 60 billion euros this year," Schaueble told the Rheinische Post regional newspaper.

Last Thursday the Bundesbank, or German central bank, said the combined federal, regional, local and social security deficit would be well below five percent of gross domestic product.

INTERVIEW

HSBC sharpens focus on Islamic banking

SAJJADUR RAHMAN

The Hong Kong and Shanghai Banking Corporation (HSBC) in Bangladesh is now pursuing personal banking, with focus on Islamic products, after making a mark in commercial banking.

The bank is the country's largest commercial bank that handled 9 percent of annual external business worth over \$35 billion in fiscal 2009-10.

"We want to come up with more Amanah products to increase market share here," Louisa Cheang, group general manager of HSBC, told The Daily Star in an recent interview.

Amanah is the bank's Islamic banking window. The bank presently has Amanah products for current account and import finance but it has decided to introduce many other products for the Muslim-dominated country.

On a daylong visit to Bangladesh on August 12, Cheang, 46, looked at the bank's plans to expand its activities with internet and Islamic banking.

During her visit, Cheang, a Chinese national, also opened a new branch at Mirpur, Dhaka, to take the tally to 13.

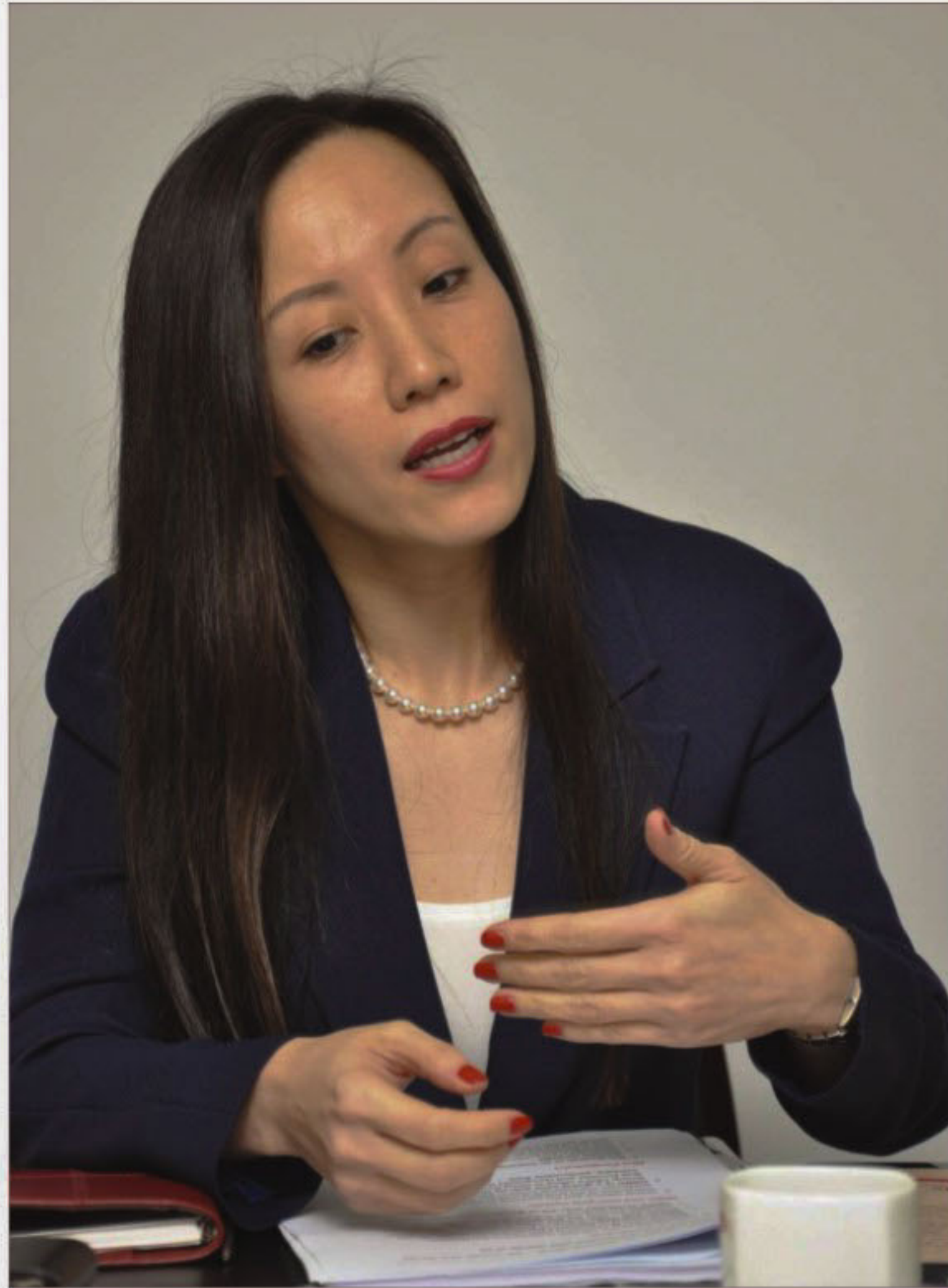
She also serves as the regional director of personal financial services and marketing for HSBC, Asia Pacific region.

HSBC has identified Bangladesh as one of the growing 10 (G 10) countries, along with Thailand, the Philippines and Vietnam. These countries are known as emerging markets for the bank.

Cheang says Bangladesh has a big population -- 160 million -- and the economy has also been growing steadily. "We see a lot of potential in personal and internet banking here. We have decided to expand our activities in these areas to net more clients."

Currently, HSBC does internet banking for its corporate customers and Islamic banking on a limited scale. The bank will now go for real time internet and Islamic banking for all of its customers.

"The distribution channel will be expanded and more people will be hired to support the expansion



Louisa Cheang

plan," says Cheang. The bank will also invest more money here and set up more branches, she adds.

The banker, who joined HSBC in 1999, also spoke on global recession, the bank's business, Bangladeshi talents and infrastructure constraints.

HSBC made profits before taxes worth \$9.6 billion during the first half of 2010, up 30 percent from the same time last year. But the bank made a whopping \$5.6 billion in profits in Asia during the first six months of this year -- up 58 percent from a year ago.

Cheang says HSBC's profits did not go down during recession. "We are continuing to net more customers by winning their trust."

Cheang acknowledges the presence of Bangladeshi talent and the country's prospects of further

growth. But the banker feels the need for undertaking supportive programmes, involving both the public and private sector, developing and nurturing talent and sorting out the right people for the right position.

On the country's limitations in energy and infrastructure, she says it is not rare in the world, and rather, all countries like Bangladesh face the problems.

Cheang also says HSBC is willing to work with the government in its efforts to address the energy and infrastructure challenges.

In response to a query, the banker says HSBC has neither any plans to commence upon financing for industries nor get listed in the local stock market.

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India wants more awareness over film piracy

AFP, Mumbai

Ashish is a senior executive in the financial sector in the home of Bollywood, Mumbai. He earns a good wage, lives in an upmarket neighbourhood and sees himself as a decent, law-abiding citizen.

But like many Indians, the 49-year-old sees nothing wrong with buying the latest Hindi-language and Hollywood films for just a fraction of their market value -- or nothing at all.

"A guy used to come to my house and sell DVDs which each had about four or five films on them. I used to get them for just 150 to 200 rupees (three to four dollars)," Ashish, who asked for his real name not to be used, told AFP.

"Then I found out from friends that they were getting films for a third of the price, so I stopped. Now I just download them from the Internet. Why should I pay for them if they're available free of charge?"

The scale of the illicit trade in pirated films is a major cause for concern among leading figures in India's entertainment industry, who say black market copies are hitting revenues as the sector looks to recover from a slump.

They want to change the attitudes of Ashish and people like him, who flock to roadside stalls or markets across India to buy the latest releases at a knock-down price.

"Piracy is a reflection of society," Harish Dayani, the head of Moser Baer India Ltd's entertainment arm, told a conference on piracy and counterfeiting this week in Mumbai.

"It's seen as too small, a 'victim-

less crime'," he added, likening it to public attitudes to running a red traffic light in the middle of the night.

Dayani rejected the argument that low wages were fuelling the trade.

"India, Pakistan, Sri Lanka and the Far East all behave in a similar manner, which is: we want it now and we don't want to pay," he said.

Some 600 million illegal DVDs are sold in India every year compared with just two million authentic ones from 2,000 legitimate dealers, Dayani said, without citing sources.

"Each DVD contains five films. We are talking about 30 million films which are entering Indian households. This has an impact on film revenue, DVD sales, the distributors and the whole retail network of the business," he added.

A 2008 US-India Business Council report said India's entertainment industry lost out on as much as four billion dollars of revenue and some 800,000 extra jobs to piracy and counterfeiting.

Hiren Gada, director of the DVD rental chain Shemaroo Entertainment, blamed piracy for below-par revenues in the home rental market, which accounts for only about five percent of India's 89.3-billion-rupee entertainment industry.

Sales are hit by the street vendors, illegal Internet download sites or some local cable television operators who beam copies of new cinema releases to tens of thousands of households, he said.

Experts say better enforcement of existing Indian copyright law is needed to prevent piracy, which is



AFP
In this photograph taken on April 29, 2006, Indian schoolchildren walk over pirated VCDs of various Bollywood and Hollywood films during an anti-piracy protest in New Delhi.

often linked to organised crime and extremist groups.

Studios and distributors have already taken matters into their own hands by setting up the Alliance Against Copyright Theft (AACT), a joint venture between Indian film companies and the US Motion Picture Association.

It has conducted more than 100 raids in the last six months in Mumbai and western Gujarat state. Over 100 arrests have been

The Daily Star RMG-WORKER SURVEY: PART 3 OF 3
What underlies the unrest?

SOHEL PARVEZ

According to most workers, strife began inside the factory. Grievances before the wage announcement centred on overtime not being immediately, late payment of regular wages, low tiffin (snack bar) allowances, and docked wages for being even two minutes late a single in a given month.

Now the workers have new complaints: colleagues who mysteriously "disappeared", the firing of workers for protests, lower salaries in some factories than others, and the use of foul language by mid-level factory staff.

They accuse some factories of using two salary sheets; one real and one falsely inflated. Workers claim they are pressured to quote the inflated salary if a buyer visits the factory.

When a factory's workers erupt, the owner suspends production and asks the workers to leave, to avoid vandalism. Agitating workers take to the streets and call on their peers to join in, and the unrest can spread.

Workers said their taking to the streets was the only way to attract the attention of policy-makers, who may pressure owners to accept their demands.

"Blocking roads by workers [... attracts the] attention of the government," said Mohammad Masum, who works at a garment factory in the Tejgaon area.

Some workers said the government blames a third party's involvement to hide its failure to understand and address workers' concerns.

"We are taking to the street on our own," said Zahedul, a worker at another factory in Ashulia. "It is because of needs."

DISTRUST OF OWNERS' CLAIMS

The survey results also show distrust of their bosses' among workers. Two in three doubt that many factories will be shut down due to the Tk5,000 minimum wage.

Some 32 percent said that only some small factories with a low capital base may close even at a Tk5,000 minimum wage.

Nazma Akhter, who works as a worker at a factory in Ashulia area, said factory owners are merely threatening workers.

"How come they open new units of factory every year if they incur losses?" asked Akhter. "They have a habit of enjoying high profit margins."

Even shop-floor managers doubt the claims. "Factory owners pay huge amounts of money to production managers, general managers, and other staff," Akhter said. "This is based on our hard labour; yet we do not get our expected salary."

"Work in the factory advances because we run the wheels." But others are less certain that the words of owner are a mere bluff. Jasim Uddin, another worker in Ashulia, said garments owners will charge higher prices to buyers once they pay high salaries.

"Factories will not be shut," said a female operator named Shilpi who would give only this name. "They are just trying to intimidate us."

But Rubina Khanam, who works in textile-finishing at a factory in Tejgaon, said small factories might face closures, but not the larger ones.

TO AVOID FUTURE PROTESTS

Workers said an increase in wages would be the simplest way to minimise the risk of future unrest. But many had other suggestions:

- Lower the price of essential commodities;
- Curb rents;
- Enforce labour laws by all factories; and
- Punish misbehaviour by mid-level staff.