

International Business News

China plans creating three telecom giants

AFP, Beijing

China plans to create three telecom giants as it seeks to bring balance back to an industry where mobile operators have seen the fastest growth by far, the government and state press said Tuesday.

Under the plan, the world's biggest mobile operator China Mobile will acquire fixed-line operator China Tietong Telecommunications Corp, the information industry ministry said in a statement over the weekend.

China Telecom, an operator of fixed lines, will take over a mobile network of China Unicom, the smaller of the nation's two key mobile phone operators, and most business of smaller player China Satellite Communications Corp.

The remainder of China Unicom will be encouraged to merge with fixed line operator China Netcom, according to the ministry.

The objective of the restructuring is to bring about three competitors of roughly comparable strength, the government statement said.

It is also aimed at redressing the imbalance between rapidly growing mobile phone operations and the fixed line business, which is actually seeing declines in subscriber numbers, it said.

Moves to cut oil taxes

AFP, Moscow

Russia's government on Monday proposed tax cuts that would save oil majors billions of dollars (euros) as part of measures to boost production in response to record prices, reports said.

The proposals would raise the tax-free threshold from nine dollars to 15 dollars (5.7 euros to 9.5 euros) per barrel from 2009 and offer tax breaks of up to 15 years on offshore projects.

"All the proposals have been accepted and will be submitted to parliament at the end of this week," Deputy Finance Minister Sergei Shatalov was quoted as saying after a government meeting.

Russia is the world's second biggest producer and exporter of oil after Saudi Arabia but production levels have been levelling off in recent months, with companies blaming high taxes for undercutting fresh investment.

Another report from Taipei adds: Taiwan's cabinet is likely to slash the commodity tax on fuels by up to 50 percent to help reduce the extent of the upcoming rise in gasoline prices at the retail level, it was reported Tuesday.

The cabinet was likely to make a final decision on Thursday, the Commercial Times reported, without naming its sources.



AFP

Tung Tai-chin, president of the American Chamber of Commerce in Taipei, speaks during the unveiling of the 2008 White Paper at a press conference in Taipei yesterday. The Chamber called on the island's new administration to ease its restrictions on trade and closer transport links across the Taiwan Strait.

Malaysia to ban border fuel sales to foreigners

AFP, Kuala Lumpur

Malaysia said Tuesday it will ban petrol stations on its borders with Thailand and Singapore from selling fuel to foreigners, in an attempt to contain the spiralling cost of subsidies.

"It's the question of principle because you are talking about taxpayers' money, and taxpayers' money being used to subsidise petrol for those not entitled to receive the subsidy," said deputy prime minister Najib Razak.

"Our level of subsidy is very high," he told a press conference.

Domestic Trade Minister Shahrir Samad said the ban on sales to foreign vehicles would be enforced from Friday and remain in place until the government unveils a new mechanism for selling subsidised fuel to the public.

"This move is a stern act by the government to reduce the leak in subsidies that involves high costs and which should actually be enjoyed by the lower-income group in the country," he told the official Bernama news agency.

France, Ireland lead EU alarm over WTO talks proposals

AFP, Brussels

France and Ireland poured cold water Monday on proposals to kick-start World Trade Organisation (WTO) talks, with Paris and Dublin indicating a sizeable gulf with EU Trade Commissioner Peter Mandelson.

French trade secretary Anne-Marie Idrac said the two countries were far from alone in having misgivings, after she and her European Union counterparts were briefed by Mandelson on the state of negotiations.

"A majority" of the 27 EU member states "expressed concern," she said.

Last week the WTO submitted new proposals on agriculture and industry to its 152 members in an effort to revive the stalled Doha round of trade liberalisation talks, launched in the Qatari capital in November 2001.

INVESTMENT

Airline, casino builder eye Vietnam's skies, beaches



(left) File photo shows a Pacific Airlines' airplane being loaded with cargo at Hanoi's Noi Bai international airport. Jetstar, the budget offshoot of Australian carrier Qantas, teamed up with Vietnam's Pacific Airlines to launch Jetstar Pacific on Friday, setting the stage for a dogfight with state-run Vietnam Airlines. (right) A plane from budget carrier Jetstar at Sydney Airport in 2007. Jetstar and a Canadian luxury resort and casino developer have launched two ambitious projects.

AFP, Hanoi

An Australian low-cost airline and a Canadian luxury resort and casino developer have launched two ambitious projects that aim to revolutionise Vietnam's fast-growing tourism industry.

Jetstar, the budget offshoot of Australian carrier Qantas, teamed up with Vietnam's Pacific Airlines to launch Jetstar Pacific on Friday, setting the stage for a dogfight with state-run Vietnam Airlines.

The following day Canadian developers broke ground on what they say will become Vietnam's premier destination, a 4.2-billion-dollar resort and casino strip near southern Ho Chi Minh City, due to kick off in late 2010.

Between them, the two projects push forward a tourism industry that has grown strongly since the communist-ruled country emerged from post-war isolation in the 1990s to accept a trickle of backpackers.

Vietnam now aims to boost its domestic and international tourism industry -- which has grown into one of the country's five top economic sectors -- to take on Southeast Asian neighbours such as Thailand and Malaysia.

Vietnam last year received 4.2 million foreign visitors, 16 percent more than in 2006. The World Travel and Tourism Council ranks it as number four on its list of the world's fastest growing travel destinations.

Visitors from neighbouring China made up the largest group in 2007, followed by South Korea, the United States, Japan and Australia.

Jetstar Pacific -- at a lavish Hanoi launch gala Friday, featuring Aussie marketing glitz, dance shows and lots of dry ice -- promised to shake up Vietnam's aviation sector.

"As Vietnam's first low-cost, value-based airline, Jetstar Pacific will change air travel in Vietnam by making it more affordable for more people to fly," said Jetstar Pacific

chief executive officer Luong Hoai Nam.

The airline now has four Boeing 737s, with four more to come this year, and plans to add 30 Airbus A320s by 2014 with the option of drawing in additional Jetstar aircraft from the regional fleet.

Jetstar's CEO Alan Joyce said the carrier entered Vietnam -- an economy of 86 million people with a decade of growth above seven percent -- hoping to "tap into a huge untapped market as the economy grows."

"We felt that if you get your timing right you could be the biggest brand in Asia," he told AFP. "Vietnam is a very important part in that jigsaw puzzle."

Vietnam, where many early visitors were put off by state-run hotels and stodgy service, has now embarked on building up a string of luxury hotels in major cities and seaside areas to cash in on the high-end tourism sector.

International hotels are starting to crowd the "China Beach" area near Danang, and major resort plans are on the drawing board for the southern island of Phu Quoc, off the Cambodian coast.

Toronto-based Asian Coast Development Ltd (ACDL) hopes to trump them all with the Ho Tram Strip of resorts and "Las Vegas-style" casinos in Ba Ria-Vung Tau province, 80 kilometres (50 miles) southwest of Ho Chi Minh City.

"This is going to be the largest development of its kind in the history of Vietnam," said ACDL chairman Michael Aymong.

"We're building five major resorts, two full-scale casinos, a Greg Norman golf course, a celebrity tennis facility, a marina and a Dolphin Quest marine habitat, where families can swim face-to-face with dolphins."

The first phase will include two hotels with 2,300 rooms, retail areas and a convention centre, and the

entire 169-hectare (418-acre) stretch is scheduled to be finished within a decade.

Vietnam bans gambling for its citizens but allows foreign passport holders to visit a casino and use the betting facilities of major hotels.

Aymong said he could not comment on what Vietnam's government may do but added: "I imagine that the government will examine and consider allowing Vietnamese to gamble in the next two or three years."

For now, he said, "we're targeting the Chinese, the Koreans, the Japanese, the Australians and the Russians."

He said the casino and resort strip would be family-friendly with a strong environmental theme and complement, rather than compete with, Macau.

"This is a different type of product," he said. "It's a destination resort. Our real competition is going to be Singapore."

WEALTH

Who's afraid of Warren Buffett?

AFP, Berlin

Warren Buffet, the world's richest man, arrived in Germany last week with his cavernous wallet looking to buy solid, family-run firms in the country's world-beating small and medium-sized business sector.

But even though Europe's biggest economy has become more open to foreign capital in the four years since a top minister likened private equity groups to "locusts," the relationship remains a complex one.

Recent experiences have given foreign investors something of a bad name.

Grohe, for example, furnishes bathrooms all over the world with its taps and other fittings. Its family owners sold it in 1999 to a British fund that sold it not long afterwards to another financial consortium.

They cut jobs right, left and centre and were accused of stripping Grohe bare in order to make good on their investment in order to pay back the money they borrowed to make the acquisition in the first place.

More recently Permira, the private equity owners of fashion group Hugo Boss, ranked company directors and staff by

demanding a sharp increase in the 2007 share dividend in addition to a one-off dividend.

Permira then found itself obliged in March to make a guarantee to buy solid, family-run firms in the country's world-beating small and medium-sized business sector, and that the number of workers would not fall below its level at the end of last year.

But circumstances are forcing many German firms to become more open.

The global credit crunch has made banks less willing to lend them cash. Many also are family firms where there is no son or daughter willing to take the reins.

"There is growing demand for capital on the part of traditional small and medium sized companies because of financing problems and worries about succession," Doerte Hoepfner, head of a German private equity federation, told AFP.

And Warren Buffet is not after a fast buck. Famously opposed to buying Internet companies because the "sage of Omaha" says he doesn't understand them, his approach is seen as more hands-off and more long-term.

The kind of well-run firm he

The global credit crunch has made banks in Germany less willing to lend cash to firms many of which are the family firms where there is no son or daughter willing to take the reins. Warren Buffet, the world's richest man, intends to buy one of these solid, family-run firms in the country's world-beating small and medium-sized business sector.

wants needs a "durable competitive advantage" and pre-tax earnings of at least 50 million euros (75 million dollars), and Buffet says he will stick with them for five, 10 or even 20 years.

And "the bigger the better," he adds, because he is not interested in negotiating 10 or 20 deals a year.

Small and medium sized German enterprises (SMEs) have also caught the eye of investors from other countries.

French investment group Wendel, for example, said last week there is "a whole range of good quality firms among

German SMEs that might be interesting."

Air Berlin, Germany's second biggest airline after Lufthansa -- albeit by a long way -- said last week that British-based Russian billionaire Leonard Blavatnik has bought a 19 percent stake in the company.

Meanwhile, Buffett has put out the word that companies should give him a call -- because he's not a prowling predator.

"I kind of go to the office everyday and wait for the phone to ring and hope it isn't a wrong number," he quipped at a news conference in Frankfurt.



Warren Buffet