International Business News

German retailer Arcandor in talks with rival Metro

AFP, *Berlin*

Stricken German retail giant Arcandor held talks Sunday with rival Metro over a possible merger of their department store chains, after hopes of government aid looked dim, an Arcandor spokesman said.

The merger talks involved Arcandor owner Karl-Gerhard Eick and Metro chief Eckhard Cordes, along with representatives of the banks Sal. Oppenheim and Goldman Sachs, the spokesman told AFP.

German Chancellor Angela Merkel has expressed support for a merger solution to Arcandor's financial crisis, hinting in the German press that the owner of the Karstadt department store chain, including Berlin's iconic KaDeWe, should not count on a government bail-out.

"I find it unacceptable that people call on the State for help when they themselves must do something," Merkel told the Bild daily.

Arcandor, which employs 50,000 people, has applied for 650 million euros (930 million dollars) in loan guarantees and a credit line of 200 million euros from Berlin out of a government fund to help companies hit by Germany's worst postwar slump.

In addition to the department stores, Arcandor holds a 52-percent stake in Europe's second biggest tourism group Thomas Cook.

Thai PM says loan will create up to two million jobs

AFP, *Bangkok*

Thai Prime Minister Abhisit Vejjajiva Sunday urged lawmakers later this month to approve a 22-billion-dollar loan to fund an economic stimulus package, saying it would create up to two million jobs.

Parliament will vote on whether to go ahead with seeking the loan during an extraordinary session starting on June 15, before the issue moves to the Senate, or upper house for approval.

The government has said that the 800-billion-baht loan, mainly from local money markets, will fund a stimulus package worth 1.4 trillion baht over the next three years.

"This (loan) is very important for stimulating the economy. If we follow the plan we create jobs for 1.5 million to two million people in the next three years," Abhisit said in his weekly television programme.

Thailand's constitutional court last week ruled unanimously in favor of the government going ahead with the first tranche of the borrowing, following a legal challenge by opposition MPs.

Thailand's economy entered recession in the first quarter of this year as growth shrank by a bigger-than-expected 7.1 percent due to tumbling exports, the worst since the 1997 Asian financial crisis.

AFP

Indian tea garden labourers carry tealeaves back to a factory as they walk through Kiranchandra Tea Gardens, some 30km from Siliguri on Saturday. Darjeeling tea, a black tea globally known for its flavour and high quality, is becoming popular in China, which is a predominantly green tea market.

China, Japan pledge to boost global economic recovery

AFP, *Tokyo*

China and Japan on Sunday vowed to jointly promote world economic recovery during a meeting of top ministers and senior officials in Tokyo, Japanese Foreign Minister Hirofumi Nakasone said.

"On the global economic and financial crisis, both countries agreed to implement what was agreed at the London summit swiftly and in a solid manner in order to realise the global economic recovery as soon as possible," he said.

At their London summit in April, the Group of 20 developed and emerging economies agreed to commit one trillion dollars to the International Monetary Fund and other global bodies to help struggling economies.

They also agreed to push for greater regulation of the global financial system to tackle the deepest global crisis in decades.

Nakasone was speaking after a day of talks with a Chinese delegation led by Vice Premier Wang Qishan that aimed to boost trade and cooperation between Japan and China, the world's second and third biggest economies respectively.

Versace announces CEO's exit

AFP, *Milan*

The Italian luxury group Versace announced its chief executive Giancarlo di Risio was leaving by mutual consent after a board meeting late Friday.

"Gianni Versace SpA and Mr Giancarlo Di Risio announce that they have reached the mutual decision to close their professional relationship," the house said in a statement, adding that Di Risio had agreed to stay on temporarily to "guarantee a smooth transitional period for the company."

The announcement came after press reports saying he was poised to resign after a disagreement with Donatella Versace, the house's artistic director.

The fashion house last week denied rumours that the sister of the late Gianni Versace had opposed cost-cutting measures imposed by the manager to combat the current financial downturn.

Di Risio was appointed in September 2004 to restructure the business, which had been in crisis since Gianni Versace's murder in Miami in 1997, and at the time had losses of 26.5 million euros.

RUSSIAN ECONOMY

'Island of stability' hits rough waters

AFP, *Saint Petersburg*

A year ago they strutted proudly at home and abroad and said their nation was an "island of stability" amid the financial turbulence sweeping the world.

But Russians in 2009 learned the hard way they too were susceptible to the economic slowdown, with GDP forecast by the government to contract up to eight percent this year.

Consequently the swagger at Russia's main annual economic conference -- the star-studded Saint Petersburg Economic Forum dubbed "Russian Davos" in the past -- was noticeably more muted.

Nowhere was this better seen than in President Dmitry Medvedev's keynote speech where he dropped hawkish remarks to preach "tight-knit" partnerships and democratic values.

"No one managed to cover themselves up from a truly global crisis,' Medvedev said during the economic forum in his native city.

"Perhaps the only island of stability left that can be described as such is Antarctica," he added.

He was referring to a now famous remark by the country's long-serving Finance Minister Alexei Kudrin at last year's world economic forum in Davos that Russia was an "island of stability" in global economics.

That was when the country was still enjoying stellar growth rates, oil prices were well above 100 dollars a barrel and had no need to dip into its international reserves.

"In any case we should make all the necessary conclusions from what is happening and come out of this rather complicated trial stronger, more robust and more tight-knit," Medvedev said.

Late last month, Medvedev ordered "tough" measures to economise and warned government officials to "reign in tongues" on the economic development, in a widely seen rebuke to the sometimes outspoken Kudrin.

Debates at the conference focused on whether the worst was over for the global and Russian economy, with Medvedev professing to see signs of recovery but Kudrin bluntly saying the bottom point had not yet been reached.

Mikhail Zadornov, head of the VTB-24 bank, agreed, saying: "I don't believe the bottom of the crisis has been passed yet."

But Elvira Nabiullina, the economic development minister, said the country's economy might rebound in late 2009 or early 2010.

"In our calculations and forecasts we are proceeding from the fact that we are already getting certain positive tendencies, signs of the recovery," she said.

As foreign and Russian executives were arriving in the city to kick off the forum Thursday, Prime Minister Vladimir Putin visited a nearby town where discontent over unpaid wages spilled over into a rare show of social unrest.

Highlighting the woes of the heavily-indebted Oleg Deripaska and his fellow tycoons, Putin described a factory owned by Kremlin-friendly oligarch as a "rubbish dump".

Still, many at the forum attempted to keep a brave face, with oil and metals magnate Viktor Vekselberg predicting that demand for commodities will gradually pick up by year's end.

"Russia has huge potential. As strange at it may sound, everything will be okay with Russian economy. Everything is okay with energy resources," he said, referring to Russia's vast natural wealth.

Fellow billionaire Alexei Mordashov said Russian and US businessmen should cooperate more: "The US is notable for its friendliness towards business. At the same time, we see a rather low degree of intensity of economic ties."

Russia's richest man Mikhail Prokhorov urged innovation, saying that those who are "not using innovations in the next (economic) cycle will not survive. That's obvious."

Medvedev himself admitted in a meeting with foreign businessmen that the "transition of our economy to a basis of innovation is not succeeding".

Due to the crisis and political uncertainties much of the shine has come off the previously ultra-glitzy event celebrating Russia's recent resurgence with multi-billion dollar deals and slick boat parties in past years.

The cold and drizzle falling on Saint Petersburg during the event only deepened the general atmosphere of gloom, with Medvedev telling participants the weather was in accordance with the economic outlook.

His keynote speech reiterating his criticism of the Western financial institutions was also hit by a brief sound glitch, prompting participants to give the leader a clap of sympathy instead of an appreciative ovation.

AFP

Russian President Dmitry Medvedev (2L) is pictured at a working breakfast with international bankers and business leaders in St. Petersburg on Saturday during the International Economic Forum. Russia's economy, dependent on exports of hydrocarbons and raw materials, was hit badly by the global economic slowdown and the government is forecasting a six-to-eight percent contraction in GDP this year compared with 2008. The prime task of Medvedev and Prime Minister Vladimir Putin has been to avoid any hint that the economy is approaching a meltdown similar to the 1998 crisis when Russia defaulted on sovereign debt.

STOCKS

India's share market on a roll

AFP, *Mumbai*

Indian shares trading near 10-month highs are on a roll and could see more gains as investors pour money back into the South Asian country, analysts say.

Indian stocks are already among the top-performing emerging markets this year as financial institutions and overseas funds bet on robust growth in Asia's third-largest economy.

On Friday, Indian shares closed at 15,103.55 points, their highest in nearly 10 months.

The strong run has been driven by signs of tentative economic recovery and given an additional powerful boost by the re-election of India's centre-left Congress party last month.

"Six months back investors were asking, 'How do I exit?' Now their mentality is, 'Where do I get in?'" Sonam Udasi, vice-president of Mumbai brokerage BRICS Securities, told AFP.

The Congress was returned to power with its biggest seat tally in 18 years.

Analysts called the mandate a "game changer" as it allows the Congress to rule without the support of the communists who opposed economic reforms during the last term.

In the first week of June, global investors pumped 199 million dollars into India-focused equity funds according to data compiled by international fund tracking firm EPFR Global -- the highest sum in the last 55 weeks.

India's benchmark 30-share Sensex index has jumped nearly 57 percent for the calendar year and analysts believe it is headed still higher.

Indian stocks fell 52 percent in 2008 due to the global financial turmoil.

"The rally is not likely to fizzle as retail investors and local funds are still to step in," said Suhas Samant, a fund manager at brokerage Sharekhan, who forecasts the Sensex will hit 17,000 points by December.

"There's huge money on the sidelines," he added.

Local funds are estimated to hold cash of 100 to 150 billion rupees (two to three billion dollars) which could be ploughed back into the markets.

"The rally is driven by high liquidity and rising expectations of government stimulus bringing growth back on track," said Nischal Maheshwari, an analyst at Edelweiss Securities.

India's new government promised last week to focus on spurring growth to counter the effects of the global slowdown.

The government has said the drive to restore growth to at least nine percent, the level seen before the financial crisis, would be accompanied by public investment to overhaul India's dilapidated infrastructure -- seen as a key hurdle to expansion.

The government has said it will also further open up the economy to encourage overseas investment and begin stake sales in public sector firms.

The economy expanded by 6.7 percent in the fiscal year to March 2009, down from nine percent a year earlier, and the central bank is targeting expansion of six percent this year.

But analysts are already pointing to signs of economic "green shoots", noting improved domestic car sales and cement dispatches.

India's economy expanded by 5.8 percent in the last quarter of the fiscal year to March 2009, beating forecasts of 5.0 percent, boosted by government spending. The surprisingly strong performance prompted analysts to say the worst may be over for India.

Fresh overseas fund inflows have led to a sharp rise in the rupee which has risen nearly 10 percent against the dollar in the past four months.

"The markets are riding on an Asian momentum, led by a boost in liquidity and risk-appetite," said Apurva Shah, head of research at Prabhudas Lilladher.

AFP

Stock dealers react while trading at a brokerage house in Mumbai recently. Indian stocks are already among the top-performing emerging markets this year.