

International
Business NewsInflation in advanced economies
drops to 0.1pc: OECD

AFP, Paris

Inflation in advanced economies dropped to 0.1 percent in the 12 months to the end of May, but US and Japanese prices fell marking deflation and eurozone prices showed zero change, OECD data showed on Tuesday.

In the United States, prices fell by 1.3 percent over 12 months, showing deflation for the third month running.

And in Japan, prices fell by 1.1 percent over 12 months, to show the fourth-month running of decline.

In the eurozone, prices over 12 months in May showed zero increase from a rise of 0.6 percent in April, and the monthly increase was 0.1 percent.

The data for the 30-nation Organisation for Economic Cooperation and Development (OECD) showed the 12-month change slowing sharply from 0.6-percent inflation over 12 months to April.

In the month of May, OECD-area consumer prices rose by 0.2 percent, which was the same increase as in April.

Other 12-month figures showed inflation of 2.2 percent in Britain, 0.9 percent in Italy, 0.1 percent in Canada, zero change in Germany and a fall of 0.3 percent in France.

The OECD noted that in the 12 months to May, consumer prices for energy fell by 16.2 percent following a decline of 13.5 percent in the 12 months to April, but food prices rose by 2.7 percent after a 3.4-percent rise in April.

Irish economy shrinks 8.5pc
in first quarter

AFP, Dublin

Ireland's economy shrank 8.5 percent in the first quarter of 2009 compared to the same period in 2008, as the eurozone member was hammered by the financial crisis, official data showed Tuesday.

"Compared with the corresponding quarter of 2008, GDP (gross domestic product) at constant prices was 8.5 percent lower while GNP was 12.0 per cent lower," the Central Statistics Office said in a statement.

GNP -- gross national product -- is regarded as a more accurate barometer of the country's economic performance as it strips out substantial repatriated foreign investment profits.

The former "Celtic Tiger" economy was savaged by the global financial crisis and the collapse of a domestic property bubble. Last September it became the first eurozone member to fall into recession in the current downturn.

The nation is also suffering from soaring unemployment and tumbling retail sales.

The International Monetary Fund had painted a bleak picture last week of the "unprecedented economic correction" facing Ireland.

"The stress exceeds that being faced currently by any other advanced economy and matches episodes of the most severe economic distress in post-World War II history," it said.



AFP

A Japanese man pushes a cart containing cans and other goods for recycling in Tokyo yesterday. Japan's unemployment rate rose to the highest level in more than five years as companies shed jobs to cope with the country's worst recession on record, government data showed. The jobless rate climbed to 5.2 percent in May, a level last seen in September 2003, up from 5.0 in April.

Kosovo joins IMF, World Bank

AFP, Washington

Kosovo joined the International Monetary Fund and the World Bank on Monday, becoming the 186th member of the multilateral institutions a little more than a year after independence.

Kosovo President Fatmir Sejdiu and Prime Minister Hashim Thaci signed the institutions' articles of agreement at the US State Department.

The accession marks a milestone for recognition of the tiny country, one of Europe's poorest, as an independent state.

Since ethnic Albanian-majority Kosovo broke away from Serbia and became independent on February 17, 2008, 60 countries -- including the United States and 22 of the European Union's 27 member nations -- have recognized its independence.

Serbia is backed by ally Russia in its opposition to the secession, which it considers a breach of international law.

"We will do our best to be worthy to be equal to all of the rest of the world," Kosovo's finance minister, Ahmet Shala, said at a news conference at the IMF headquarters.

Protectionism on rise in China,
says EU business group

AFP, Beijing

Chinese protectionism is on the rise, the European Chamber of Commerce in China warned Tuesday, as Beijing moves to fend off criticism that it is favouring its own firms over foreigners.

The chamber said a survey covering 313 European enterprises showed that 43 percent expected local governments to favour businesses in their own areas in hopes of boosting the economy, it said.

"Our question is, 'is protectionism on the rise?' Yes, we see that on the rise," Joerg Wuttke, president of the chamber, told reporters in Beijing.

Many foreign firms are placed at a disadvantage when bidding for projects in China, even though they are based in the country and have invested large sums of money there, the chamber said.

"They don't have the same possibility even though they are... 'built in China, made in China and employing Chinese employees'," Wuttke said.

PONZI SCHEME

AP, New York

Two weeks after Norma Hill and her husband invested their life savings with Bernard Madoff, she came to the then-trusted money manager with news her spouse suddenly died.

Madoff "put his arm around my shoulder and assured me my money was safe and I should not worry," she wrote.

In the end, the widow lost everything.

US District Judge Denny Chin cited Hill's letter as one of the most stirring examples of an "extraordinarily evil" fraud, one worthy of a staggering sentence for Madoff: 150 years behind bars.

The sentence went far beyond the 12 years suggested by Madoff's lawyers and virtually guaranteed that, at age 71, the financier-turned-felon would die while imprisoned. Chin said the term was meant to symbolically fit the crime -- a multibillion-dollar fraud that's been called the largest in history.

"Here, the message must be sent that Mr Madoff's crimes were extraordinarily evil and that this kind of irresponsible manipulation of the system is not merely a bloodless financial crime that takes place just on paper, but it is instead... one that takes a staggering human toll," Chin said.

The sentence capped a 90-minute hearing in an ornate courtroom in Manhattan that turned into a tense showdown between a group of angry, tearful victims and Madoff, who sat silently at a defence table before apologising with a mechanical calm.

"I will turn and face you," he said. "I'm sorry. I know that doesn't help you."

More drama followed the sentencing when Madoff's wife Ruth, often a target of victims' scorn since her husband's arrest, broke her silence by issuing a statement through her lawyer. She said she, too, had been misled.

"I am embarrassed and ashamed," she said. "Like everyone else, I feel betrayed and confused."



AFP

This courtroom drawing shows Bernard Madoff facing Judge Denny Chin during his sentencing on Monday in New York. Madoff was jailed for 150 years, dealt the maximum sentence for his multi-billion dollar scam that ruined Hollywood clients and middle-class pensioners alike.

It was unclear where Madoff, who was returned to a downtown jail, will end up spending time. Chin said he would recommend a facility in the Northeast, but explained that it was up to federal prison officials to determine an exact location and level of security.

The sentencing concluded a stunning fall from grace for Madoff. Clients of the former Nasdaq chairman -- from Florida retirees to celebrities such as Steven Spielberg, actor Kevin Bacon and Hall of Fame pitcher Sandy Koufax -- for decades flocked to him seeking investment returns that defied market fluctuations.

But late last year, Madoff made a dramatic confession: Authorities say he pulled his sons aside and told them of a massive Ponzi scheme.

Madoff pleaded guilty in March to securities fraud and other charges, saying he was "deeply sorry and ashamed." He insisted that he acted alone, describing a separate wholesale stock-trading firm run by his sons and brother as honest and legitimate.

Aside from an accountant accused of cooking Madoff's books, no one else has been criminally charged.

But the family, including his wife, and brokerage firms who recruited investors have come under intense scrutiny by the FBI, regulators and a court-appointed trustee overseeing the liquidation of Madoff's assets.

The trustee and prosecutors have sought to go after assets to compensate thousands of victims who have filed claims against Madoff. How much is available to pay them remains unknown, though it's expected to be only a fraction of the astronomical losses associated with the fraud.

The \$171 billion forfeiture figure used by prosecutors merely mirrors the amount they estimate that, over decades, flowed into and out of the principal account to perpetrate the Ponzi scheme. The statements sent to investors showing their accounts were worth as much as \$65 billion were fiction.

The investigation has found that in reality, Madoff never made any investments, instead using the money from new investors to pay returns to existing clients -- and to finance a lavish lifestyle for his family. The actual loss so far has been put at \$13.2 billion. But the judge said that was a conservative

Madoff victims
Wall Street fraudster Bernard Madoff scammed some of the world's top banks, charitable institutions, politicians and Hollywood stars

Individuals

- Larry King
CNN talk show host
- John Malkovich
Hollywood actor
- Jeffrey Katzenberg
DreamWorks Animation chief executive
- Pedro Almodovar
Spanish director
- Frank Lautenberg
US Senator
- Alicia Koplowitz
Spain's richest woman
- Mort Zuckerman
Owner, New York Daily News, US News & World Report
- Kevin Bacon
Hollywood actor
- Fred Wilpon/Saul Katz
Owner/co-owner of New York Mets baseball team

Banks/investment groups

- HSBC
- BNP PARIBAS
- FORTIS BANK
- Santander
- RBS
- Man Group Investment Fund
- EM Hedge Fund
- Luxalpha fund

Charitable groups

- Wunderkind Foundation
Filmmaker Steven Spielberg's charitable foundation
- Elle Weisel Foundation for Humanity

2008/09 AFP

estimate and noted that even Madoff told his sons in December it was a \$50 billion fraud.

Chin announced the sentence with Madoff standing at the defence table, wearing a dark suit, white shirt and a tie, and looking thinner than his last court appearance in March, when he was first jailed. He gave no noticeable reaction when the sentence was announced.

He also showed no emotion though he looked down earlier in the hearing as he listened to nine victims spend nearly an hour labelling him a "monster," "a true beast" and an "evil low-life."

"Life has been a living hell. It feels like the nightmare we can't wake from," said Carla Hirshhorn.

"He stole from the rich. He stole from the poor. He stole from the in between. He had no values," said Tom Fitzmaurice. "He cheated his victims out of their money so he and his wife Ruth could live a life of luxury beyond belief."

Sheryl Weinstein, a certified accountant, said Madoff was effective because he seemed normal.

"But underneath the facade is a true beast," she said. "He should not be given the opportunity to

blend so seamlessly into our society again."

When asked by the judge whether he had anything to say, Madoff slowly stood, leaned forward on the defence table and spoke in a monotone for about 10 minutes. At various times, he referred to his historic fraud as a "problem," "an error of judgment" and "a tragic mistake."

He claimed he and his wife were tormented, saying she "cries herself to sleep every night, knowing all the pain and suffering I have caused," he said. "That's something I live with, as well."

The jailed Madoff had already taken a severe financial hit: Last week, a judge issued a preliminary \$171 billion forfeiture order stripping Madoff of all his personal property, including real estate, investments, and \$80 million in assets his wife Ruth had claimed were hers. The order left her with \$2.5 million.

The terms require the Madoffs to sell a \$7 million Manhattan apartment where Ruth Madoff still lives. An \$11 million estate in Palm Beach, Fla, a \$4 million home in Montauk and a \$2.2 million boat will be put on the market as well.

RETAILING

AFP, New Delhi

At first glance, the Indian Coffee House in New Delhi looks more like a decrepit school cafeteria than a venerable gathering spot for the city's intelligentsia.

Everything about the cafe -- from the shabby, outdated furniture to the rickety ceiling fans and mostly greying male customers -- suggests visitors have stepped into a time warp.

The atmosphere is a stark contrast to the shiny outlets that have popped up across India in recent years -- with their sophisticated marketing, piped music, flatscreen televisions, wireless Internet access and aura of international modernity.

As the ceiling fans rotate lazily above fly-spotted monochrome photographs hanging crookedly on the walls, it is clear why the Indian Coffee House, and others like it, are struggling to compete in the fast-changing retail coffee industry.

While definitive figures are difficult to come by, the sector is believed to be worth between 100 million and 150 million US dollars a year, growing at an annual rate of up to 30 percent.

Young, urbanised Indians who can afford to splurge on high-priced lattes and espressos have swapped the old-world charm of traditional outlets for more upscale coffee chains, both home-grown and imported, such as Barista, Costa Coffee and Cafe Coffee Day.

The chains have aggressively targeted the brand-conscious 15-35 age group in this traditional tea-drinking nation, where coffee consumption is now around 94,000 tonnes a year, up from 55,000 tonnes in 1991, Coffee Board of India figures show.

By contrast, Indians consumed 810,000 tonnes of tea in 2008, up from 520,000 tonnes in 1991, according to the Tea Board of India.

Bidisha Nagaraj, president of marketing at Cafe Coffee Day, India's largest retail cafe chain,



AFP

A waiter stands by patrons at The Indian Coffee house in New Delhi. At first glance, the Indian Coffee House in New Delhi looks more like a run-down school cafeteria than a venerable gathering spot of the city's intelligentsia.

says modern coffee shops are "positioned as a social hub and aimed at consumers who are young and young at heart".

The company operates almost 800 outlets in 112 cities across the country with 2007 revenue of 76.3 million dollars, according to consultancy firm Technopak Advisors.

It has more than tripled its presence in the last four years and plans to have more than 1,000 stores nationwide by 2010.

Nagaraj welcomed the continued survival of traditional cafes, saying they "have been the pioneers of creating coffee culture in the country".

But she said "we need varied players addressing different target audiences with different formats".

One of Cafe Coffee Day's main competitors, Italian-owned Barista, has more than 200 cafes in

31 cities and is planning to add another 300 in the next three years.

Vishal Kapoor, head of marketing and product development at Barista, said the sector shows no signs of saturation or slowing demand.

"India has a capacity for 5,000 cafes at the current point in time. In the organized segment we've got only about 1,100 to 1,200 cafes, so I think there's great hope for all of us without eating into each other," he said.

"When we get into a new town, the entire idea is that even if I have to start with one store, to ramp it up to two to three stores."

The comparatively smaller chain of Indian Coffee Houses -- mostly limited to larger cities -- cannot compete with higher-priced outlets offering innovative fare and slick ambiance.

The most expensive item on the Indian Coffee House menu is mutton biryani at less than two dollars. Most patrons are stubbornly resistant to any change in format or price -- which seems to be ensuring that it remains uncompetitive.

Described by one newspaper as "the thinking man's favourite haunt" in the central shopping district of Connaught Place, the cooperative management of the storied cafe has been threatening to close it for years because of low profits.

"We only make 7,000 rupees (148 dollars) a day, and that is not enough" to pay for rent, utilities and renovations, said manager Pratap Singh.

Several similar cafes around the city have closed recently, but the demise of the Connaught Place

venue would signal the end of an era, said some of its die-hard adherents.

"This is the last vestige of intellectualism in the city," says K. Gopal Pandey, referring to India's leading thinkers, revolutionaries and politicians who have frequented the place since it first opened in a tent in the 1950s.

"There is no other place for retired people to relax," says R.B. Pathak, 70, a retired civil servant who has been coming for almost 40 years.

Barista's Kapoor said retail cafe chains have a large enough clientele to limit themselves to one social demographic.

"Each of us have our own market. We target young executives and working people. It's a place where the young generation spends a lot of time," he said.