

International Business News

India will clock high growth despite recession: PM

AFP, New Delhi

Indian Prime Minister Manmohan Singh has defended his government's economic growth target of between eight and nine percent, despite the global recession, a report said Saturday.

Singh, on his way back from a meeting of the Group of Eight (G8) industrialised nations in Italy, said the world economy would take more time to recover.

"It is not going to be easy but I am convinced ... we should be able to sustain, with a little bit effort, a growth rate of about 8.0 to 9.0 percent notwithstanding the difficulties on the international front," Singh was quoted as saying by the Press Trust of India.

"I am, however, confident that our domestic economic strengths will enable us to return to our earlier path of rapid and inclusive growth."

Singh, 76, is credited with launching India on the path of economic reforms as finance minister in 1991.

India's economy grew by 6.7 percent in the year ended March 31 -- the slowest rate since 2003 and down from nine percent a year earlier, as the effects of the global economic downturn hit home.

India's exports and industrial output contracted sharply between October and March -- despite three stimulus packages.

AIG seeks US govt nod for bonuses

AFP, Washington

Insurance giant AIG is to pay millions of dollars more in executive bonuses, despite a firestorm earlier this year over the issue, and is seeking government blessing to deflect public wrath, The Washington Post said Friday.

The taxpayer bailed-out firm is seeking approval from President Barack Obama's "compensation czar" Kenneth Feinberg, the Post said.

Feinberg is tasked with overseeing bonuses handed out to top executives at companies that received federal money.

Once the world's largest insurer, American International Group is now nearly 80 percent owned by the government under a bailout of some 180 billion dollars, making it the largest single recipient of federal bail-out money.

The millions in corporate bonuses sparked a national furor in March as US taxpayers were buckling under the devastating impact of the financial crisis -- and part of the blame for the global downturn was being laid at the doorstep of financial firms such as AIG.

"Anytime we write a check to anybody" it is highly scrutinized, an AIG official, speaking on condition of anonymity as talks with Feinberg are ongoing, told the Post.



Indian visitors look at the varieties of gold fish in an aquarium at "INFISH-2009" fish festival in Hyderabad yesterday. The three-day fish festival is an initiative of the National Fisheries Development Board (NFDB) to bring fish farmers, consumers and research and development organisations together and to promote fish as a healthy food.

French official industrial output surges in May

AFP, Paris

French industrial output, boosted by auto production, rallied strongly in May after months of retreat, official data showed on Friday.

Overall industrial output rose by 2.6 percent, having contracted by 1.5 percent in April, the statistics agency INSEE reported.

Manufactured output surged by 2.4 percent after eight months of decline and a drop of 0.6 percent in April.

An official close to Economy Minister Christine Lagarde, who asked not to be named, commented: "A low point has been reached in the industrial sector. The industrial climate is stabilising."

At consultants Xerfi, economist Alexander Law said: "This had to happen eventually."

He said: "Production had fallen so far that it could only pick up."

Industrial output over the last three months shows a fall of more than 16.0 percent from the equivalent figure last year.

The rally in May was driven mainly by an increase of production of goods for the transportation sector, and most notably in the auto sector where it rose by 10.2 percent.

China exports down 21.4pc

AFP, Beijing

Chinese exports dropped 21.4 percent year on year in June, customs figures showed Friday, narrowing from May's fall with analysts saying it was too early to predict a recovery for the ailing sector.

The latest plunge was the eighth straight monthly decline, but a less steep tumble than the 26.4 percent year on year fall the previous month.

The latest drop in exports, to 95.4 billion dollars, underlines how the country's crucial manufacturing sector has been hit by a fall in demand from the United States and Europe during the global economic crisis.

Imports tumbled 13.2 percent year-on-year in June to 87.2 billion dollars, the customs data showed.

For the first six months of the year, the trade surplus was 96.9 billion dollars, down 1.3 percent compared to the same period in 2008.

For June alone the trade surplus was 8.2 billion dollars, the official data showed.

"I don't think we are seeing any signs of significant recovery in the export sector this year," said Stephen Green, an economist at Standard Chartered, speaking in Beijing.

WORLD ECONOMIES

Is G8 taking a back seat?



Italian Prime Minister Silvio Berlusconi, French President Nicolas Sarkozy, Russian President Dmitri Medvedev, US President Barack Obama and UN Secretary General Ban Ki-moon applaud during an unveiling of a commemorative plaque after a meeting of the Group of Eight (G8) and participating African countries during the G8 summit in L'Aquila, in central Italy, on Friday. G8 leaders, including an Africa-bound Barack Obama, vowed to stand by the world's poor despite the downturn.

AFP, L'Aquila, Italy

The G8's days as the world's top economic policy forum appeared numbered on Friday as leaders, including US President Barack Obama, endorsed moves towards a more inclusive system.

The eight big industrialised democracies still plan to meet in a year's time in the wild Canadian region of Muskoka, 90 minutes outside Toronto, but by then the grouping could well have taken a back seat to other bodies.

Leaders of the G5 -- emerging economic giants Brazil, China, India, Mexico and South Africa -- are pushing to be involved in the big global decisions and the heads of the Group of Eight are increasingly seeking their help.

"I think we're in a transition period. We're trying to find the right shape that combines the efficiency and capacity for action with inclusiveness," Obama told a news conference on the final day of the G8 summit in Italy.

"And my expectation is that over the next several years you'll see an evolution and we'll be able to find the right combination. The one thing I will be looking forward to is fewer summit meetings."

That will be music to the ears of leaders like Brazil's President Luiz Inacio Lula da Silva, who has been lobbying hard for G5 inclusion at the top table.

In L'Aquila this week the G5 were invited along, as was Egypt, and held a meeting of what was thus the G14. Then -- with Australia, South Korea and Turkey -- everyone met once again as the Major Economies Forum.

But the key decisions on global warming, protectionism and trade talks were made on day one within the narrow G8 group: Britain, Canada, France, Germany, Japan, Russia and the United States.

All that will change at the end of September in Pittsburgh, when Obama will host a G20 meeting of all the major world economies -- developed and emerging -- to address the key issues of the global financial crisis.

Some think things should always be that way.

"I don't know how you can convince a country with a billion people like India to fight against climate change if you only invite them to the end of a summit to settle the bill," France's President Nicolas Sarkozy said.

Some leaders, however, are con-

cerned that if too many voices end up around the table, decision making will become impossible, and the annual summits will drag on without anything getting done.

Japan, which opposed Russia joining the G7 to create the G8 a dozen years ago, has been the group's main champion, and Prime Minister Taro Aso warned on the last day of the latest summit that it still plays a vital role.

"It's true that the G8 alone will not be able to resolve all the problems in the world that need resolution," Aso told reporters.

"At the time of the economic and financial crisis that started last year we need the contribution of India, China and Brazil," he conceded, while insisting that the G8 still had a leadership role to play.

"It's precisely because we need today in the world to address probably a greater number of countries that I think that the importance of the G8 is increasing," he argued.

Sweden's Prime Minister Frederik Reinfeldt, who represented the presidency of the European Union in L'Aquila, shared his concerns.

"In the G8 we were only 10 at the table,"

he said. "To be very open, those were the best discussions because those were real discussions.... Many more leaders have come for the meetings, but those tend to be statements."

And, even if the G8 were to expand, how many more countries would qualify?

"One point I did make in the meeting is that what I've noticed is that everybody wants the smallest possible group, smallest possible organisation, that includes them," Obama said.

"So if they're the 21st largest nation in the world, then they want the G21, and think it's highly unfair if they've been cut out."

The G8 will therefore probably continue to exist -- and summit agendas will still resemble lists of mathematical formulae with meetings of groups like the "G8 + G5 + 1" -- even if in future its role begins to diminish.

"I think increasingly a lot of the discussions will be in the wider economic context of the G20," said Britain's Prime Minister Gordon Brown.

"Also in the context of the G14 there will be a number of security and other issues. But I believe that the Canadians will call the G8 meeting next year and that the French will follow the year after," he added.

AUTOMOBILE

Reborn GM vows to rev up

AFP, Detroit, Michigan

A reborn General Motors pledged Friday to drive itself to renewed profitability as the new firm emerged from bankruptcy under a government-backed plan.

The automaker transferred its main assets to a new government-financed company under a plan supported by the administration of President Barack Obama and the Canadian government.

The fast-track plan is similar to the one used to rescue Chrysler, which came out of bankruptcy last month.

"Today marks a new beginning for General Motors, one that will allow every employee, including me, to get back to the business of designing, building and selling great cars and trucks and serving the needs of our customers," said Fritz Henderson, who remains GM president and chief executive.

"Starting today we want to take that intensity, the decisiveness and the speed of these last several weeks and then transfer it from the battlefield triage of the bankruptcy process to the day-to-day operation of the new company."

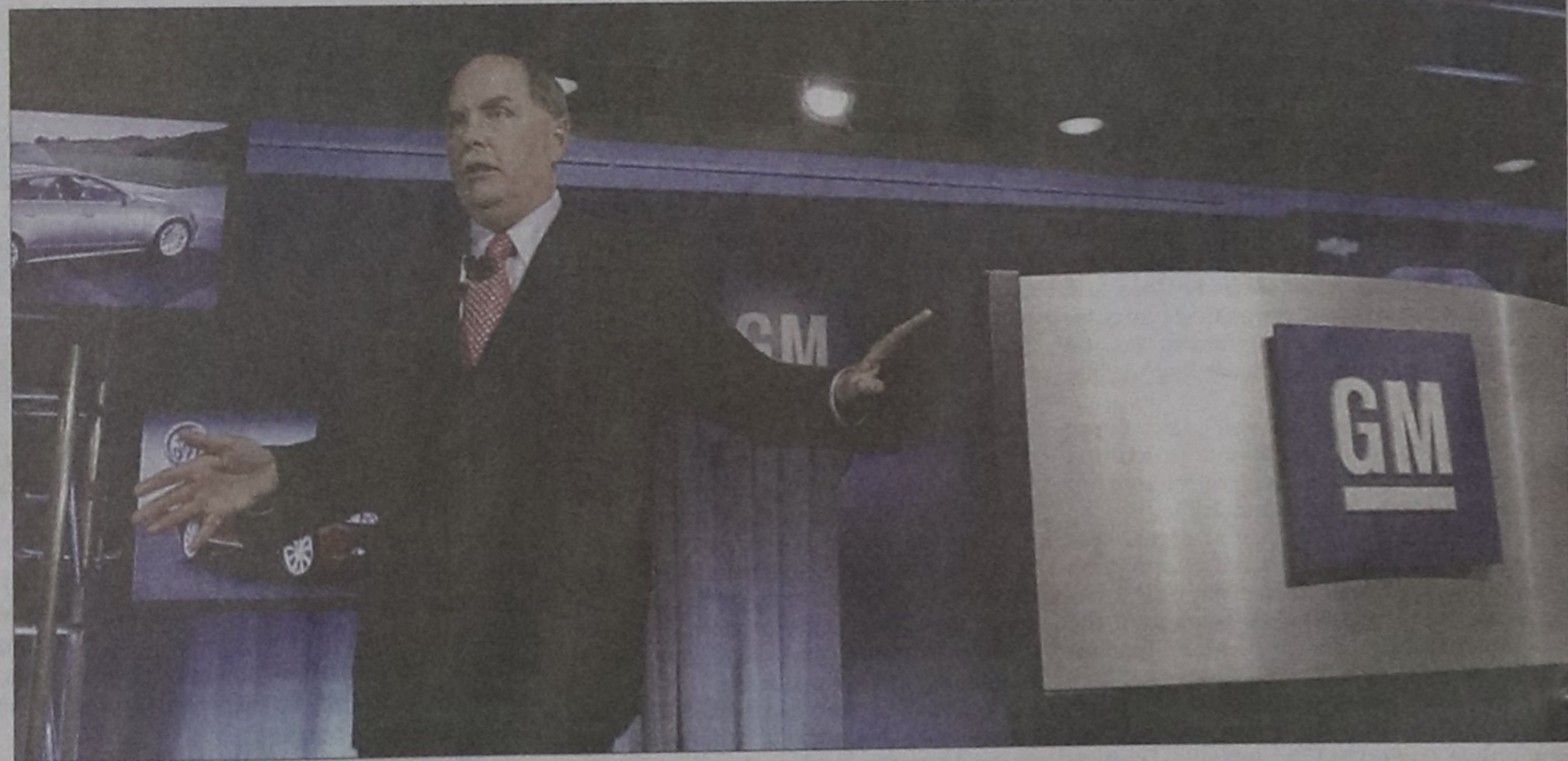
The "new GM" will be a leaner, smaller company after having shed tens of thousands of workers, eliminated or sold storied brands, shuttered scores of factories and rewritten its labor contracts to slash costs.

GM will keep four key brands -- Chevrolet, Cadillac, Buick and GMC -- and will have a total of just 34 US nameplates by 2010. Several brands owned by the old GM, including Saturn, Hummer, Opel and Pontiac, have been shed or are being sold.

The chairman of the new GM is Edward Whitacre, who headed telecommunications giant AT&T.

"I intend to play an active role," Whitacre told reporters after the announcement.

"I'll be more active than most



Fritz Henderson, president and CEO of the new General Motors Company, holds a press conference to discuss the details of GM's emergence from Chapter 11 bankruptcy at GM world headquarters in Detroit, Michigan on Friday. As part of its new plan, GM will cut approximately 4,000 more white-collar employees including 450 top executives.

chairmen," said Whitacre, who has no experience in the automobile industry but spent 18 years at the telecom giant.

"I need to make sure value is created... We have to pay the government back."

GM is also removing layers of management -- reducing the number of US executives by 35 percent and overall US salaried employment by 20 percent by the end of this year.

"GM is fortunate to get another shot, most likely its last one," said Michelle Krebs, an analyst with the research firm Edmunds.com.

"Its biggest challenge remains the same one it has faced of late; that is, convincing consumers -- now also GM's reluctant shareholders -- that the company truly

is changing and understands what type of vehicles the marketplace demands."

Sean Maher at Moody's Economy.com said GM "still faces a difficult year."

"The company does not expect to turn a profit in 2009 and is unlikely to do so until US new vehicle sales rise substantially above their current depressed pace below 10 million per year," he added.

Once the world's largest corporation, General Motors sold more vehicles than any other automaker from 1931 through 2007, after which it lost the crown to Japan's Toyota.

The new GM emerges just weeks after a similar government-backed effort to rescue number-

three US automaker Chrysler under a plan that gave Italian automaker Fiat a large stake and operational control.

For GM, the new firm will be unencumbered by the bulk of the massive debt load it racked up during years of bleeding balance sheets.

GM entered bankruptcy protection on June 1 with liabilities of 172.8 billion dollars and emerged with 48.4 billion in debt.

The US government -- which has provided some 50 billion dollars in financing -- received a 60.8 percent stake in the new firm called General Motors Company.

Canada, which provided 9.1 billion dollars in loans, has an 11.7 percent stake and a United Auto Workers union retiree healthcare

trust fund holds 17.5 percent.

Canadian Industry Minister Tony Clement said officials are "confident that the company will now be in a position to operate a sustainable and viable business that will keep production, innovation and jobs in Canada."

Creditors holding about 54 percent of GM bonds agreed to a plan that would swap 27.1 billion dollars in debt for a 10 percent stake and warrants allowing them to buy an additional 15 percent stake.

Obama, whose auto taskforce spearheaded the GM restructuring plan, has said his administration has no intention of nationalising the automaker over the long term and will not be participating in its day-to-day operations.