International Business News

Sarkozy to seal major deals for French firms in Kazakhstan

AFP, Paris

French President Nicolas Sarkozy leads a high-powered business delegation to Kazakhstan on Tuesday to seal a string of lucrative deals on Caspian oil and gas, satellite technology and defence.

The contracts worth several billion euros in total will be the crowning moment to France's two-year diplomatic drive to upgrade economic ties and give French businesses a major stake in the Central Asian giant's energy boom.

A French presidential aide said Sarkozy's visit to Kazakhstan will "strengthen the economic partnership in a very concrete manner" with the signing of deals.

Oil giant Total and GDF Suez are to formalise a venture worth one billion euros (1.5 billion dollars) to develop the Khvalynkskoye gas field in the Caspian Sea, said the aide who asked not to be named.

Kazakhstan is set to announce on Tuesday the awarding of a contract worth up to 1.2 billion euros to the Spie Capag consortium, owned by construction giant Vinci, to build a pipeline for the Kashagan oil field.

The pipeline would bypass Russia and allow deliveries directly to Europe.

Kazakhstan has long been courted by Western governments for its energy wealth and also as an alternative supplier to Russia, the source for 25 percent of the gas sold to European Union countries.

Brazil switches roles with helping hand for IMF

AFP, Istanbul

Brazil, an emerging economy, said on Monday that it will spend 10 billion dollars (6.8 billion euros) on buying IMF bonds to boost the fund's power to help countries through the global crisis.

It was the first time that Brazil, Latin America's economic giant, has lent money to the 186-nation International Monetary Fund.

"We have gone from being debtors to creditors," Brazilian Finance Minister Guido Mantega said ahead of IMF and World Bank annual meetings, which begin Tuesday.

On Friday, the head of the IMF, Dominique Strauss-Kahn, called for a "substantial increase" in resources from members so that the fund could act as a credible lender of last resort to provide stability to the global monetary system.

The Brazilian finance minister said that the bilateral arrangements for the purchase were nearly concluded to "provide substantial immediate financing to the fund."

"This is a historic moment for us. It is the first time in history that Brazil is lending resources to the IMF and therefore to the international community," Mantega said in a briefing to a few reporters in Istanbul.

AFP

This photo taken on September 28, 2009 shows Chinese-Myanmar Than Than Win (L) and her daughter May Su Aung (R), as they sit in their fabric shop in the Chinese market in Mandalay. The enterprising Chinese are largely responsible for the economic revitalisation of downtown Mandalay, now rebuilt with apartment blocks, hotels and shopping malls, returning the city to its role as the trading hub connecting lower and upper Myanmar, China, and India.

Moscow airport set for privatisation

AFP, Moscow

One of Moscow's main international airports is set to be privatised next year as part of a new government drive to sell shares in state firms, Russian financial daily Vedomosti reported on Monday.

The state-owned airport, opened in 1959 and then extended for the 1980 Olympics, is included in a draft plan for privatisations in 2010, an airport official close to the board of directors and government sources said.

The transport ministry supports the idea of selling Sheremetyevo, Svetlana Kryshtanovskaya, an aide to the chairman of Sheremetyevo's board of directors and Transport Minister Igor Levitin, told Vedomosti.

A Sheremetyevo representative declined to comment to Vedomosti.

Government officials announced a new privatisation drive last month. First Deputy Prime Minister Igor Shuvalov said in a television interview that "now is the time that we can return" to privatisation."

Eurozone business activity rises in September: Survey

AFP, Brussels

Private sector business activity in the 16-nation eurozone grew in September with manufacturing and services each gaining on initial estimates, a closely-watched survey showed on Monday.

The final purchasing managers' index (PMI) for the 16 countries using the single currency, compiled by data and research group Markit, rose to 51.1 points from 50.4 in August when it ended 14 months of decline. The flash estimate pegged it at 50.8.

The services index rose from 49.9 points to 50.9 the previous month, beatint the 50.6 flash figure and topping the emblematic 50-point boom-or-bust line to indicate a return to growth in this segment for the first time in 16 months.

Chris Williamson, chief economist at Markit, said the results "show France and Germany continuing to expand which, combined with slower rates of decline in Italy and Spain, raise hopes of a tentative return to growth" across the eurozone for the third quarter just ended.

FINANCIAL CRISIS

IMF takes on greater global role

AFP, Istanbul

The International Monetary Fund has taken on an enhanced global role to promote lasting economic recovery in the world, with its 186 member nations pledging to keep stimulus support of growth in place.

The IMF's steering committee meeting in Turkey's commercial capital, Istanbul, on Sunday endorsed a recovery plan agreed at the Group of 20 (G20) summit last month amid the worst global economic crisis since World War II.

"We are off to the right start," IMF chief Dominique Strauss-Kahn said on Sunday, adding that this was "a unique opportunity to reshape the post-crisis world, to usher in a new era of collaborative global governance."

Japanese Finance Minister Hirohisa Fujii said: "After going through the financial storm, I expect that the IMF will play increasingly important roles to effectively develop a more solid and stable global financial system."

The meeting in Istanbul took place after the IMF said that growth had returned to the global economy but that the crisis was not yet over because of rising unemployment in many countries and a very weak banking sector.

The International Monetary and Financial Committee (IMFC) vowed to maintain stimulus spending "until a durable recovery is secured" and act "to revive credit, recover lost jobs, and reverse setbacks in poverty reduction."

Mario Draghi, governor of the Bank of Italy and chairman of the Financial Stability Board, a new watchdog for the global financial system, warned IMFC members that the financial system remains "fragile".

The IMFC also approved a G20 plan to increase voting rights by at least five percent for under-represented countries in the IMF, a measure seen as helping the group's legitimacy as emerging markets take the lead in recovery.

The IMF last week forecast emerging and developing economies would grow 5.1 percent in 2010 -- in contrast with just 1.3 percent in advanced economies.

China's economy was projected to grow by 9.0 percent next year and India's by 6.4 percent -- far ahead of 1.5 percent expansion in the US economy.

But Bernice Romero, director of international aid agency Oxfam, called the reform in voting rights "shameful" because it did not go far enough and said that "rich countries are still making decisions for the rest of the world."

Argentinean Finance Minister Amado Boudou agreed, saying: "There will be no 'new IMF' without a more representative and democratic governance structure.

"To achieve this goal, the voice and representation of developing countries, including the poorest, must be significantly increased."

China's deputy central bank governor, Yi Gang, said successful governance reforms, including a "significant" quota realignment, were key to "the capacity of the fund to deliver" by enhancing its legitimacy and effectiveness.

Strauss-Kahn also called for a "substantial increase" in resources from members to reduce imbalances between countries that build up huge reserves and others that accumulate giant deficits and to promote future growth.

He said this could be achieved if the IMF pooled reserves that members could tap as a guarantee against financial shocks and gave the example of new Flexible Credit Lines agreed with Colombia, Mexico and Poland this year.

"I think it's very important for the post-crisis world," he said.

"If you want to avoid countries, including China, to build such big reserves, contributing to global imbalances, we need to find another system."

In an earlier speech to central bank governors in Istanbul he said more than a trillion dollars may be needed in order to put such a system in place.

AFP

Dutch Princess Maxima (R) shakes hand with International Monetary Fund (IMF) Managing Director Dominique Strauss-Kahn before a special event during the IMF and World Bank Meeting in Istanbul yesterday. The IMF announced yesterday a worldwide project to collect data on access to financial services in a bid to help policies aimed at reducing poverty.

ELECTRONICS

Taiwan LCD makers eye China

AFP, Taipei

Taiwan's producers of liquid crystal displays know that venturing into the Chinese market is risky, but they are also fully aware they have no choice, analysts said.

Even though they are major revenue earners, the island's LCD makers got off to a late start, struggling for years to match stronger Japanese and Korean rivals, and they hope China will give them the leverage they need to catch up.

"We're eager, if the government can give the go-ahead," said Hsiao Ya-wen of AU Optronics, the world's third-largest flat panel maker after Samsung Electronics Co and LG Philips Co.

AU Optronics currently operates two Chinese module plants -- low-end facilities that do not give away much know-how -- and announced in June plans for a third one in a joint venture with Sichuan Changhong Electric Co.

It could soon see its activities move to a whole new level. Economics Minister Shih Yen-hsiang told parliament last week Taiwan may relax curbs on high-tech investments in the mainland by local LCD companies.

A bigger role in China could be a huge boon for makers of LCDs -- used in everything from cell phones to computers and e-books -- due to the strong appetite among the mainland's newly rich for cutting-edge electronic products.

The interest runs both ways, with AU Optronics vice president Paul Peng confirming recently that his company had received invitations from several Chinese city governments to set up plants once the high-tech curbs are eased.

But analysts also see risks that may face Taiwanese panel makers once they are permitted by the government to open up "eighth-generation" production plants in the mainland, introducing sensitive technologies.

"Chinese companies may ditch Taiwanese partners once they acquire their badly needed cutting-edge LCD know-how," said Nancy Liu, an analyst with Taiwan's quasi-official Industrial Technology Research Institute.

Liu added the same concerns are factors for Seoul and Tokyo while considering whether to share their state-of-the-art technologies.

But in Taipei the concerns are all the more serious, because Taiwan and China were arch foes for decades after they split at the end of a civil war in 1949.

However, ties between Taipei and Beijing have been warming fast since Ma Ying-jeou of the China-friendly Kuomintang party was elected president last year on a promise to boost trade and allow in more Chinese tourists.

"It would be a very good opportunity for local flat panel makers," said Alex Huang of Mega International Investment Services.

"It would allow them to get close to their Chinese clients in addition to reducing costs."

AU Optronics is a prime example of how the entire industry is still burdened by having joined late.

The company started from scratch in 1996 and merged with a Taiwanese company in 2001 and another one in 2006, fast becoming the leading flat panel maker here. But it faces intense competition from abroad.

"The huge number of patent rights owned by the Japanese and Korean makers have formed high barriers for the latecomers," said Liu of the Industrial Technology Research Institute.

They may have to pay high royalties for the patent rights owned by the industry leaders or face infringement charges, she said.

The huge demand from the Chinese market may not just help Taiwan's LCD makers with their long-term problem of narrowing the gap with rivals, but also the more immediate issue of coping with the global crisis.

Taiwan's screen manufacturers were hit harder by the worldwide economic downturn than their Japanese and Korean competitors.

"Local panel makers are short of brand names like Sharp, Samsung and LG," said Liu.

In order to meet overseas demand, the three global brands purchased panels from Taiwan suppliers, but slashed orders when the economic meltdown bit and demand slumped late last year.

As a result, the utilisation rate of Taiwanese makers tumbled to below 40 percent while their Korean rivals still enjoyed a comfortable 80 percent utilisation rate, according to Liu.

"But they would be able to ensure outlets for their products if they can secure orders from China by making products there," she said.

AFP

This photo taken on October 1 shows a couple looking at liquid crystal display (LCD) television sets at an electronics shop in downtown Taipei. Taiwan's producers of LCDs know that venturing into the Chinese market is risky, but they are also fully aware they have no choice, analysts said.