

International Business News

Court declares Dutch bank DSB bankrupt

AFP, The Hague

A Dutch judge on Monday declared ailing bank DSB bankrupt after it failed to find a new buyer in the face of client withdrawals this month totalling 600 million euros (900 million dollars), a court statement said.

"The court comes to the conclusion that everything possible was done to save the bank, but that there are no prospects of that being achieved," said a statement from the district court in Amsterdam.

"For that reason, the court declared DSB bankrupt."

On Thursday, the court gave DSB until noon on Friday to find a buyer, but bank boss Dirk Scheringa convinced it to give him until Monday morning -- reportedly for an interested American firm to scrutinise his books.

DSB was placed under administration at the behest of the Dutch central bank (DNB) last Monday, freezing all its activities and client accounts.

Two independent administrators were appointed, who subsequently approached the court with an application for bankruptcy.

The bank, which has about 2,000 employees, has recently been in the news over claims it sold clients insurance policies they did not need and extended mortgages they could not afford, prompting some to lodge claims for damages.

Singapore urges investors to look at Sri Lanka

AFP, Singapore

Singapore is urging local businessmen to explore investment opportunities in Sri Lanka following the defeat of the Tamil separatist insurgency there, a report said here Monday.

"Our business community should take an interest in what's happening, assess the risk and be aware there is a new situation," Foreign Minister George Yeo was quoted by the Singapore Straits Times as saying during a visit to war-scarred Jaffna.

"We have historical ties with Sri Lanka and it is an asset that may achieve some value," he told Singapore media Sunday at the end of a four-day trip to the island.

Yeo said he had a sense of "cautious optimism about Sri Lanka's future" as it emerges from four decades of war between the central government and the Liberation Tigers of Tamil Eelam (LTTE).

Government forces overran the Tigers' last jungle holdout in northeast Sri Lanka in mid-May, ending their struggle for an independent Tamil homeland, one of Asia's longest-running ethnic conflicts.



AFP

In a picture taken on October 18, 2009 a Chinese comic performs on stilts outside a cotton shop in Beijing. China is the largest producer and consumer of cotton, accounting for 29 percent of the world's production and 43 percent of the world's use of milled cotton, as the National Bureau of Statistics said total cotton output reached 7.6 million tonnes annually and the total cotton planting area was 5.59 million hectares.

GE, Vivendi in talks over future of NBC Universal

AFP, Washington

US manufacturing giant General Electric and French media conglomerate Vivendi are in talks over Vivendi's minority stake in television and movie company NBC Universal, The Wall Street Journal reported Monday.

Citing people familiar with the matter, the newspaper said the two sides were about 500 million dollars (335 million euros) apart over what Vivendi should be paid for the stake.

That stake is a key element in a potential deal that could give US cable operator Comcast control of NBC Universal and eventually usher GE out of the entertainment business, the report said.

GE currently owns 80 percent of NBC Universal and Vivendi has 20 percent.

For months, GE and Comcast have been discussing a potential tie-up involving NBC Universal, according to The Journal.

In the deal being considered, Comcast would pay cash and merge its cable networks with NBC Universal for a 51-percent stake in the enlarged company, the paper said.

Taiwan delays informal China trade talks

AFP, Taipei

Informal trade talks between Taiwan and China scheduled for this week have been delayed, as Taipei officials will be busy answering budget questions in parliament, the government said Monday.

The negotiations, expected to take place on the mainland, are now likely to be put off until the end of the month, said Huang Chih-peng, director of Taiwan's Bureau of Foreign Trade and the head of the island's delegation.

"The government budget is under review in parliament, so we decided to postpone the discussions until the end of this month," he told AFP.

ECONOMY

Storms delay Philippines recovery

AFP, Manila

Powerful storms that claimed nearly 1,000 lives in the Philippines have also taken a heavy toll on the nation's economy, with the Southeast Asian nation expected to take years to recover.

The twin storms that pounded the main Luzon island with record rains over the past month caused billions of dollars in damage, and the government has said it will have to go further into debt to fund the reconstruction effort.

"This crisis is by no means over. In some ways the hard work is just starting," the United Nations' humanitarian chief, John Holmes, warned last week as he toured some of the devastated areas of the nation's capital.

Indeed, just ending the flooding that still consumes whole districts on the outskirts of the capital, Manila, will take months, officials say, and tens of thousands of business people and farmers have lost their livelihoods.

Tens of millions of dollars are going to have to be spent on repairing roads, bridges and other vital infrastructure across Luzon, while badly damaged hospitals and schools will also have to be repaired or rebuilt.

Finance Secretary Margarito Teves said the government's budget deficit may balloon to 300 billion pesos (6.4 billion dollars) this year to meet the damage bill, up from a deficit target of 250 billion pesos before the storms.

The Philippines sold one billion US dollar bonds on Friday to raise much-needed funds, and President Gloria Arroyo said last week the government would have to raise more money in the coming months.

Teves also warned economic growth this year could fall to 0.4-1.4 percent because of the storms, from an earlier forecast of 0.8-1.8 percent, although the downgraded target has yet to be made official.

Tropical storm Ketsana



AFP

Residents are sitting on the roof of their flooded house near Dagupan City of Lingayen province in the Philippines. Powerful storms that claimed nearly 1,000 lives have also taken a heavy toll on the nation's economy, with the Southeast Asian nation expected to take years to recover.

dumped the heaviest single day of rains in more than four decades on Manila and surrounding areas on September 26, killing 420 people and causing nearly 100 more deaths from ensuing disease outbreaks.

Typhoon Parma hit northern Luzon exactly a week later and hovered over the region for a week as a tropical storm, triggering landslides and floods that left at least 438 people dead.

The government said the storms caused at least 22.83 billion pesos in damage to agriculture and infrastructure.

But it acknowledged that was a conservative assessment which did not include the thousands of homes and businesses that were

devastated.

In one flooded Manila district, fruit vendor Rey Rendaya, 52, represented countless other small businessmen when he said the flooding would push him further into debt.

"This business has no insurance and the capital I used to open this up was from a loan shark," Rendaya said as he hammered into place a rusted corrugated tin roof that he salvaged from the flood debris.

Meanwhile, tens of thousands of farmers north of Manila -- one of the country's rice bowls -- are equally distressed after losing their rice crops just days ahead of harvest.

The Philippines, already the

world's biggest importer of rice, will have to buy more to cover the storm-induced shortfall, according to Agriculture Secretary Arthur Yap.

Nevertheless, there are some reasons for optimism. One of the strongest is that the nation's vital export sector was largely spared.

"There weren't that many industries that were hit," said the head of the country's export industry association, Sergio Ortiz-Luis.

Of particular relief was that the factories pumping out electronic products, which account for half the nation's exports, were not badly affected, according to Ortiz-Luis.

Meanwhile, government planners are looking to the fertile regions of the Visayas in the cen-

tral Philippines and Mindanao in the south, both of which escaped the storms unscathed, to make up for the reduced output in Luzon.

The Philippines is also counting on its old economic saviour -- the nine million Filipino workers overseas who remit money back home to help relatives and friends.

"Because of the storm damage, a lot of remittance companies have experienced a strong inflow of dollars back to the Philippines," said Nestor Aguila of DA Market Securities.

Before the storms hit, remittances for the first eight months of 2009 had already risen 3.7 percent year-on-year to 11.34 billion dollars, according to official figures.

AUTOMOBILE

Soviet-era Avtovaz teeters on the brink

AFP, Moscow

Chronically overstaffed, billions of dollars in debt and unfashionable -- the economic crisis cruelly exposed the deficiencies of Avtovaz and left Russia struggling to save its biggest carmaker without throwing money away.

Prime Minister Vladimir Putin has vowed he will not allow the maker of the famed Lada car to collapse, a situation which could provoke a social catastrophe in Avtovaz's home region where it currently employs 100,000.

The government has already handed Avtovaz 25 billion rubles (800 million dollars, 540 million euros) in aid but analysts and even officials say the carmaker needs radical restructuring and tens of thousands of job cuts to secure its future.

Handing more state help to Avtovaz "without solving the problems of restructuring its production capacities, debts and creating an effective product strategy... will put into doubt the possibility of the company continuing its production activity," Deputy Industry and Trade Minister Andrei Dementiev warned last week.

In a stark assessment of the carmaker's problems posted on the ministry website, he said at the start of next year Avtovaz would have 76.3 billion rubles of debt, excluding 9.8 billion rubles owed to suppliers.

Avtovaz's history goes back to 1966 when it was founded as a joint venture between the Soviet Union and Italian car giant Fiat to build an adapted version of the Fiat car for the Soviet and other European markets.

The first cars then rolled off the production line in 1970.

Known as the Zhiguli in the



AFP

Supporters of the carmaker's independent trade union Yedinstvo (Unity), attend a rally in Togliatti on Saturday. Hundreds took to the streets of Tolyatti, home to Russia's largest carmaker Avtovaz, to protest mass layoffs at the ailing manufacturer and demand that its management steps down.

Lada abroad, the vehicle was sneered at by some but won admiration and success even in the West for its low price and practicality.

Between 1970-2002, the company churned out an astonishing 21 million cars, according to its official history. It accounts for one percent of Russia's gross domestic product (GDP).

Its factory, designed by Fiat, stretches over 600 acres on the banks of the Volga River in the city of Tolyatti -- named after an Italian communist leader. Hundreds of thousands of other jobs at suppliers depend on the factory.

In 2007, hoping to reap the

Europe's fastest growing car market, Renault bought a 25 percent stake in the company for one billion dollars in a deal personally backed by Putin.

But then demand slumped dramatically for cars in Russia as consumers cut back amid the economic crisis and those who could afford to buy a new vehicle opted for more fashionable foreign brands.

The company said in late September it would cut 27,600 jobs -- a third of its workforce -- and Putin warned Renault it would have to help the company or risk seeing its stake diluted.

"The announcement about sacking 27,000 people was a red

has led to real moves towards reconstruction that will change the situation in Avtovaz and in the city," said Sergei Udaltov, deputy director of the Avtostat analytics agency.

"The government can't admit that 30,000 or 50,000 people are going to lose their jobs, that would cause a social explosion."

In a sign of the angry mood in Tolyatti, hundreds of workers took to the streets Saturday for an officially-sanctioned but rare protest against the mass lay-offs.

Avtovaz's current staffing is geared to producing over 600,000 cars a year but in 2009 it will only produce half that figure, said its

deputy chief executive Grigory Khvorostianov quoted by the RIA Novosti news agency.

Sales of its cars will only reach 128,000 units in 2009, said Dementiev.

In his extraordinarily frank assessment of the company's prospects, Dementiev warned that the company's strategy on models was "risky" and that the partnership with Renault had not corresponded to its needs.

"Now we see that they are becoming more realistic towards Avtovaz," said Mikhail Pak, an auto analyst at the Aton investment firm.

"They have acknowledged -- at least informally -- that the company should be restructured, otherwise it doesn't matter how much money you put into it, it will still be no use."

Acknowledging that in the current market conditions a restructuring of Avtovaz's debts is "impossible", Dementiev said the only option for the firm was to issue 60 billion rubles worth of bonds to be bought up by state bank VEB.

But VEB believes this should only take place as a last resort action, he warned.

In an embarrassing leak for the government, the press also quoted a memo from Dementiev saying that Avtovaz currently carried "all the signs envisaged under the legislation for bankruptcy."

The government rapidly emphasised that had it been written two weeks ago and the ministry had since changed its position.

Along with Renault, the other shareholders in Avtovaz are the state through the Russian Technologies corporation and the Trioka Dialog brokerage.