International Business News

Taiwan's high-speed rail firm secures $12b loan

AFP, *Taipei*

Taiwan's debt-ridden high-speed rail company has secured 12 billion US dollars in new funding as part of efforts to pay off earlier loans, an executive said Sunday.

A 382 billion Taiwan dollar (12.0 billion US) syndicated loan, signed on Friday, will be used to pay off existing loans which Taiwan High-Speed Rail Corp obtained at higher interest levels during the project's construction.

The fund -- the biggest syndicated loan in Taiwan history -- will save the company around two billion dollars per year, company vice president Ted Chia told AFP.

Billed as one the largest privately funded transport projects ever, Taiwan High Speed Rail has instead become more famous for its ability to amass enormous debt.

Three years after the much-touted rail system went into operation, it has incurred 70.2 billion Taiwan dollars (2.1 billion US dollars) in losses, or roughly two thirds of its capitalisation.

An abrupt slowdown in the Taiwan economy has meant that the 280,000 daily passengers projected by government reports in the 1980s and early 1990s have now shrunk to a mere 87,000 per day in reality.

JAL won't forge capital tie-up with US carrier

AFP, *Tokyo*

Troubled Japan Airlines (JAL) is unlikely to form a capital tie-up with a US carrier and will limit the partnership to a business tie-up for now, an economic daily reported Sunday.

JAL has been offered financial help by both American Airlines and Delta Air Lines, which are competing to take a stake in the company and increase their respective shares of the lucrative Asian market.

Debt-ridden JAL has studied a capital tie-up with one or other of the airlines as it would limit the amount of taxpayer money needed for an out-of-court rehabilitation.

But the Japanese airline is now expected to file for bankruptcy with a guarantee of public support next week under a rescue plan mapped out by the state-backed Enterprise Turnaround Initiative Corp (ETIC), Japanese media reported.

The ETIC, which is overseeing JAL's restructuring, believes a capital tie-up with a US carrier would complicate the government-led rehabilitation process and narrow the options of the soon-to-be-selected new management, the Nikkei said, citing unnamed sources.

AFP

An Afghan shopkeeper waits for customers in front of his store in Kabul on Saturday. The Afghani currently stands at 48.61 against the US dollar.

Venezuelans clamour to buy goods after devaluation

AFP, *Caracas*

Thousands of Venezuelans descended on local shops Saturday, hoping to buy imported goods before a currency devaluation ordered by President Hugo Chavez ramps up prices.

The firebrand leftist leader announced Friday that non-essential imports would be subjected to an exchange rate of 4.3 bolivars per dollar, a doubling from 2.15 per dollar today.

The higher exchange rate will apply to items such as automobiles, telecommunications, tobacco, beverages, chemicals, petrochemicals and electronics.

That prompted throngs of customers to queue in front of electronics stores, while those who made it inside navigated crowded aisles to grab refrigerators, stereos and other imported goods.

"We decided that today was the day to buy a television before the price explodes," a customer told AFP.

Financial sector 'much better' but still fragile, says expert

AFP, *Basel, Switzerland*

The Financial Stability Board said Saturday the situation in the financial sector had improved but remained still very fragile.

"The situation is much better than one year ago," said Mario Draghi, governor of the Italian central bank and chairman of the FSB, a global watchdog made up of senior representatives of national financial authorities.

"It's improving, but it has many fragilities," he added at a news conference at Bank for International Settlements headquarters.

The Financial Stability Board which is working on a number of steps to strengthen the banking system and avert another financial crisis will present its preliminary conclusions to Group of 20 nations in June, Draghi said.

The G-20 group of major economies was established in 1999 to bring together systemically important industrial- and developing economies to discuss key issues in the global economy.

EXPORT

China overtakes Germany

AFP, *Beijing*

China overtook Germany as the world's top exporter after December exports jumped 17.7 percent for their first increase in 14 months, data showed Sunday, in another sign of China's rise as a global economic force.

Exports for the last month of 2009 were $130.7 billion, data from the General Administration of Customs showed. That raised total 2009 exports to $1.2 trillion, ahead of the 816 billion euros ($1.17 trillion) for Germany forecast by its foreign trade organization, BGA.

China's new status is largely symbolic but reflects the ability of its resilient, low-cost manufacturers to keep selling abroad despite a slump in global consumer demand due to the financial crisis.

December's rebound was an "important turning point" for exporters, a customs agency economist, Huang Guohua, said on state television, CCTV.

"We can say that China's export enterprises have completely emerged from their all-time low in exports," Huang said.

Stronger foreign sales of Chinese goods could help to drive the country's recovery after demand plunged in 2008, forcing thousands of factories to close and throwing millions of labourers out of work.

AFP

In this file picture taken on June 2, 2009, Chinese workers prepare for their shift at the Yangshan container port in Shanghai. China's exports went up 17.7 percent in December to snap a 13-month falling streak, the government said yesterday, cementing the Asian power's new status as the world's biggest exporter.

Boosted by a 4 trillion yuan ($586 billion) stimulus, China's economic expansion accelerated to 8.9 percent for the third quarter of 2009 and the government says full-year growth should be 8.3 percent.

Economists and Germany's national chamber of commerce said earlier the country was likely to lose its longtime crown as top exporter.

China is best known as a supplier of shoes, toys, furniture and other low-tech goods, while Germany exports machinery and other higher-value products. German commentators note that their country supplies the factory equipment used by top Chinese manufacturers.

China surpassed the United States as the biggest auto market in 2009 and is on track to replace Japan as the world's second-largest economy soon. China passed Germany as the third-largest economy in 2007.

China's trade surplus shrank by 34.2 percent in 2009 to $196.07 billion, the customs agency said. That reflected China's stronger demand for imported raw materials and consumer goods while the United States and other economies are struggling and demand is weak.

The United States and other governments complain that part of China's export success is based on currency controls and improper subsidies that give its exporters an unfair advantage against foreign rivals.

Washington has imposed anti-dumping duties on imports of Chinese-made steel pipes and some other goods, while the European Union has imposed curbs on Chinese shoes.

The US and other governments also complain that Beijing keeps its currency, the yuan, undervalued. Beijing broke the yuan's link to the dollar in 2005 and it rose gradually until late 2008, but has been frozen since then against the US currency in what economists say is an effort by Beijing to keep its exporters competitive.

The dollar's weakness against the euro and some other currencies pulls down the yuan in markets that use them and makes Chinese goods even more attractive there, adding to China's trade surplus.

Even though China overtook Germany as top exporter, the customs agency said total 2009 Chinese trade fell 13.9 percent from 2008.

Commodities were among China's key imports, the agency said, with the country bringing in 630 million tons of iron ore last year, up 41.6 percent from the previous year, and 200 million tons of crude oil, an increase of 13.9 percent, as prices for both commodities fell.

Economists say China has been rushing to build up stockpiles at bargain prices since crude oil and other commodity prices plunged in 2008. That motive, more than a revival in actual industrial demand, has driven its recent import boom of oil, copper and other metals.

COMPANIES

Indian firms set to report rising profits

AFP, *Mumbai*

Indian firms are expected to announce a sharp rise in profits when the quarterly reporting season kicks off this week, aided by improving business and a low base from the depths of the financial crisis.

The 30 companies that make up Mumbai's benchmark Sensex index are forecast to announce a year-on-year increase in net profit of between 15 and 20 percent for the quarter ending December, analysts told AFP.

"We have definitely turned the corner. Earnings will be robust, aided by the low base effect of the December 2008 quarter," said Hitesh Agrawal, head of research at Mumbai's Angel Broking.

India's economy grew by a faster-than-expected 7.9 percent in the three months to September, picking up pace from the previous quarter when it expanded by 6.1 percent.

"Demand across sectors is picking up and business confidence is high. The economy has been boosted by foreign capital inflows and government stimulus packages," said Jigar Shah, senior vice president of Kim Eng Securities India.

Infosys Technologies, the Bangalore-based pioneer of India's flagship software sector, announces its profits Tuesday, the first index heavyweight to report earnings.

TCS, the largest software exporter, announces its earnings on January 15 and rival Bangalore-based Wipro on January 20.

India's largest oil exploration firm Oil and Natural Gas Corp (ONGC) takes its turn on January 21 and the country's largest passenger car maker Maruti Suzuki India will be centre stage on January 23.

The improved business sentiment in India is reflected in the Mumbai stock exchange which vaulted by 80 percent over 2009 -- its biggest annual gain in 18 years -- after it had declined 52 percent in full-year 2008.

Such has been the force of the revival that India's government and central bank now face a tricky balancing act in fighting inflation and keeping economic recovery on track.

Analysts say that any monetary policy action in coming months is likely to be mild to avoid snuffing out the recovery.

"The RBI could make a 'calibrated exit' from the current overtly accommodative monetary policy," Edelweiss Securities analyst Siddharth Sanyal said in a latest report to clients.

A hike in rates or the cash reserve ratio -- the amount which commercial banks have to keep aside as deposit -- would take place during the first quarter of calendar year 2010, the Edelweiss report said.

Finance Minister Pranab Mukherjee in December said he expected India to grow between 7.5 and 8.0 percent for the year to March 2010.

Shah and Agrawal said the recovery would mean Indian companies had to cope with rising input costs from metals, commodities, fuel prices and financing -- if the expected tightening of monetary policy materialises.

"Companies have to get proactive as input costs will start to rise," Agrawal told AFP, forecasting Sensex companies to show a 20-percent profit growth in the three months to December.

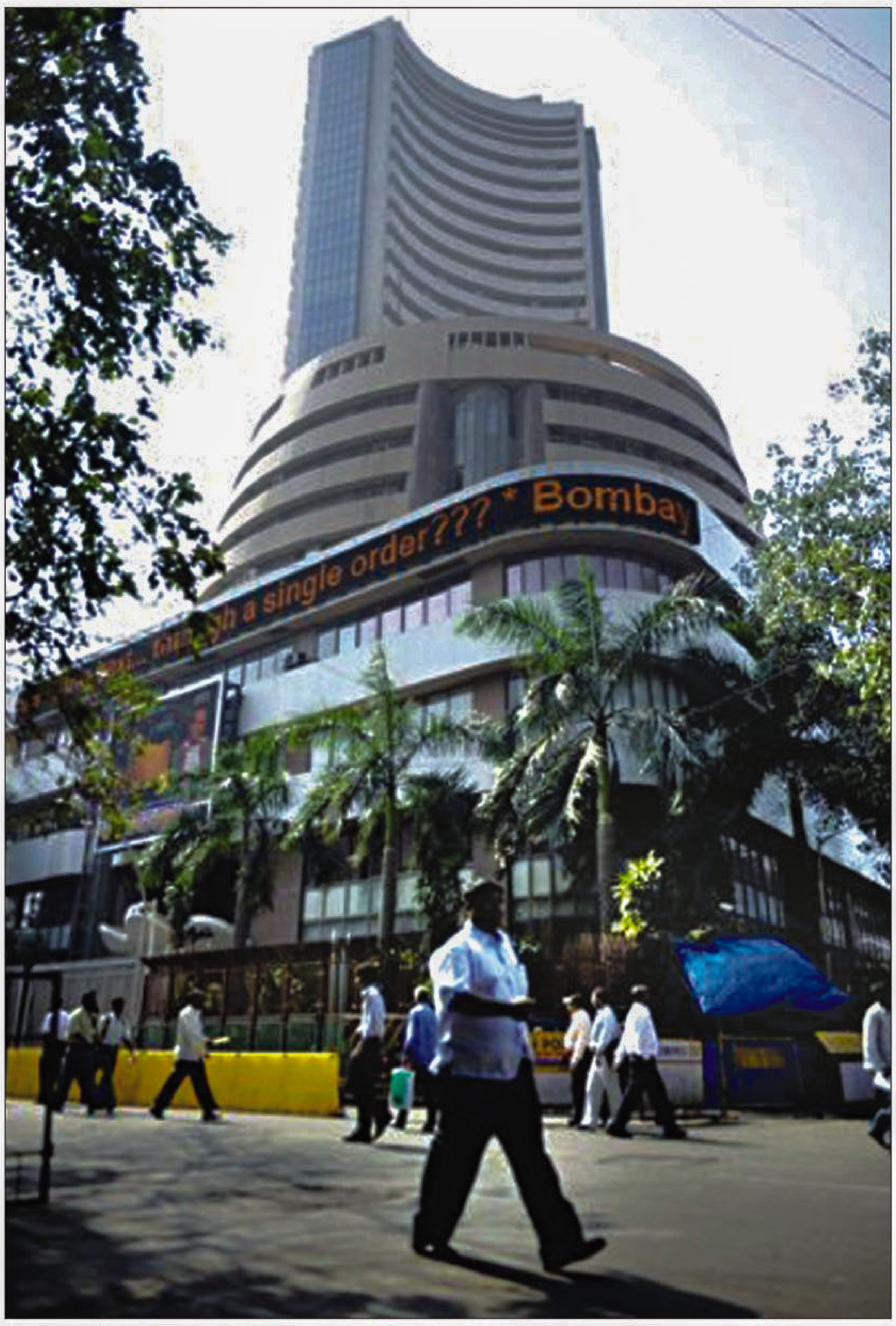
India was better insulated from the direct impact of the global turmoil that hit growth in 2008 and early 2009 due to its strong local demand base.

Sectors such as automobiles, steel, cement and infrastructure could report the strongest results thanks to robust domestic demand, analysts say.

The auto sector has been one of the most robust, showing record sales and export growth last year. Its growth has been fuelled by several new car launches and cheap finance.

Japanese-controlled Maruti Suzuki India, South Korea's Hyundai Motor and India's Tata Motors have all announced higher sales of cars and sports utility vehicles last year, pointing to renewed buoyancy in the Indian economy.

Car sales in December leapt 40 percent from 2008 levels, according to industry data.



AFP

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