Star Business

## International Business News

### Business faces more asset damage: Survey

AFP, *Paris*

Business in general, and the banks, real estate and auto sectors in particular, likely face more damage to their underlying assets amid doubts about the global recovery, a survey showed on Monday.

International accounting firm Ernst and Young said a survey of some 170 financial specialists from several countries found that 47 percent believed asset impairments identified over the past two years were lower than expected.

On that basis, companies, especially in the three sectors named, would likely have to take more impairments, especially since the recovery looked so uncertain, Ernst and Young said.

"More than half of the respondents were unconvinced that the global recovery is under way," it said. "Interestingly, lenders were notably more pessimistic about the state of recovery than other stakeholders."

Some 47 percent of those surveyed said they felt the global recovery was underway but 24 percent did not and 29 percent were uncertain, it said.

"Most believe that the level of impairments to date are below expectations, and that the real estate, banking and capital markets, and automotive sectors are the most likely to experience further impairments," it added.

### India faces sugar, pulses shortages

AFP, *New Delhi*

India's trade minister acknowledged Monday the country faced a shortfall of sugar and pulses, a staple food product for most Indians, after the country's weakest monsoon in four decades.

"There is a shortage of pulses and sugar," Anand Sharma said at a banking summit in New Delhi, adding that he hoped price pressures would ease with a stronger winter crop.

The weak monsoon pushed up food prices by 19 percent in 2009, putting home budgets under strain.

Sugar prices have almost doubled since January last year and are still rising because of a production shortfall, according to government data reported by the Press Trust of India (PTI) news agency.

Potato prices rose 110 percent in January year-on-year, followed by pulses which jumped up 42.21 percent while vegetables were costlier by more than 30 percent in the period.

The government, under pressure to help mitigate the impact of rising prices, has stressed that no one will go hungry due to emergency stocks and imports.


AFP

**Motorists pass an outlet of Carrefour, the world's second biggest retailer, in Jakarta yesterday. The Indonesian subsidiary of French supermarket chain Carrefour had submitted an appeal to South Jakarta district court against an antitrust ruling ordering it to sell its 75-percent stake in a local retailer. The Business Competition Supervisory Commission in November ordered Carrefour Indonesia to sell its stake in Alfa to outside parties after it ruled that the chain dominated more than 50 percent of the market.**

### Chavez vows clampdown on post-devaluation speculators

AFP, *Caracas*

President Hugo Chavez warned Sunday that any price speculation by shopkeepers will trigger business seizures, and called on the National Guard to help people fight price gouging.

"To those gentlemen, let's call them looters of the people... If they want to, go ahead and do it, but we'll take their business and hand it over to the workers," Chavez said on his weekly radio and television talk show "Alo Presidente."

The firebrand leftist president was tackling fallout from his announcement Friday to devalue the local currency for non-essential imports to 4.30 bolivars per dollar -- double the present rate -- but to just 2.60 bolivars for basic goods to help poorer Venezuelans.

"If tomorrow a butcher shop opens its doors with a price increase, report it and let the National Guard step in," Chavez said.

### World economy getting back to normal: Central bankers

AFP, *Basel, Switzerland*

Leading central bankers believe emerging economies are gradually dragging the world economy back to normality after a steep crisis, the president of the European Central Bank said Monday.

"At a global level... there is a confirmation of the progressive normalisation of the economy," said ECB chief Jean-Claude Trichet, speaking on behalf of the central bank chiefs.

During their first quarterly meeting of the year at the Bank for International Settlements (BIS), they concluded that a global economic recovery was underway.

"We are in the recovery mode, that is something that is very much due to the emerging economies," Trichet said.

DETROIT SHOW

# US auto industry gets boost

AFP, *Detroit, Michigan*

A new salesman showed up at the Detroit auto show Monday to make a pitch on behalf of the new owners of General Motors and Chrysler: Transportation Secretary Ray LaHood.

"Today is a new beginning for the automotive industry," LaHood told reporters at an early morning press conference ahead of the show's opening.

"When people have an opportunity to see the kind of products that are now being manufactured and will be on display, they will realize the auto industry is manufacturing products people want to drive."

The US government, which had long held a hands-off approach to the automotive industry, became a major stakeholder last year after loaning GM and Chrysler more than 50 billion dollars to keep them afloat during the economic crisis and finance their restructuring under bankruptcy protection.

LaHood insisted that the products on display and in development, and the fact that GM has begun to repay its loans, will show American taxpayers that it was a good investment that will also pay dividends by helping to revive the flagging economy.

"This industry is one of the pillars of our economy," LaHood told reporters.

"As this industry comes back, the economy will come back, jobs will come back and we'll be on the way to the kind of recovery we're all hoping for."

Speaking in front of a tree-lined track where some 20 electric vehicles were on hand for a test drive, LaHood also expressed his appreciation for the industry's willingness to move forward on developing more fuel efficient vehicles after years of fighting tighter standards.

"We have made progress that was never possible before thanks to the industry and thanks to the leadership of President (Barack) Obama," he said.

A congressional delegation led by House Speaker Nancy Pelosi was also expected to tour the show Monday and a host of new electric, hybrid and small cars were to be among the highlights.

But while the new vehicles are impressive, they still represent only a tiny fraction of the actual industry, cautioned IHS Global Insight analyst Rebecca Lindland.

"They're going to try to show the visiting dignitaries -- the people from Washington who are going and the journalists and American consumer -- that they are quote unquote listening so they're bringing out more green cars," Lindland told AFP.

"But if you look at the sales numbers, hybrid vehicles went from 2.4 to 2.7 percent of the market last year."

While there's a lot of talk about green cars, consumers simply do not want hyper hybrids and the industry will have to focus on improving the fuel efficiency of their standard offerings, she said.

GM vice chairman Bob Lutz, who has long railed against the fact that Washington did not offer the auto industry the same kind of support received by rivals in Asia and Europe, welcomed the newfound attention.

"Since they basically own two US automobile companies, they probably would logically think that it's a good thing to see how their investment is doing," Lutz told reporters Sunday.

"It took the financial failure of the American automobile industry to make the whole country aware of the importance of the American automobile industry... but I personally very much welcome where we are at."

GM chairman Ed Whitacre last week acknowledged that the automaker had a lot of work to do to repair its "strained" relations in Washington.

AFP

**US Transportation Secretary Ray LaHood speaks to the media standing near a Volkswagen Golf during the first press preview day at the 2010 North American International Auto Show at Cobo Center in Detroit, Michigan yesterday.**

ACQUISITION

# Heineken to buy Mexico's Femsa for $5.5b

AP, *Amsterdam*

Heineken NV said Monday it will buy the beer-making operations of Mexico's Femsa in an all-share deal that values the maker of Dos Equis, Tecate and Sol beers at $5.5 billion (3.8 billion euros), excluding debt.

Heineken said the buy cements its position as the world's second-largest brewer by sales, will help it grow in Mexico and Brazil, and will strengthen its position in the US imported beer market.

Femsa Cerveza had sales of 2.6 billion euros ($3.8 billion) and operating profits of 618 million euros in 2008, Heineken said. Including debt, the acquisition is worth $7.6 billion (5.3 billion euros).

"Through this deal we become a much stronger, more competitive player in Latin America, one of the world's most profitable and fastest growing beer markets," said Heineken Chief Executive Officer Jean-Francois van Boxmeer.

Shares rose 4 percent to 34.25 euros in Amsterdam.

Analyst Kris Kippers of Petercam Bank praised the move, saying it skewed the company's profile toward growth markets, which now make up 40 percent of its operations. He estimated the combined company is currently valued at 12 times its 2010 earnings, compared with an industry average of around 15 times.

The price Heineken paid for Femsa, when taking account of savings on shared costs and new sales opportunities makes it "a great acquisition for Heineken," he wrote in a note on the deal.

He added that by paying in shares Heineken had not damaged its balance sheet at a time of economic uncertainty and upgraded his rating on shares to "Buy" from "Add."

The acquisition is Heineken's second major buy in the past two years, as it bought Scottish & Newcastle operations worth 10.2 billion euros in May 2008. Heineken still trails Anheuser-Busch InBev SA as the largest brewer by sales, and leads SABMiller Plc.

Many analysts had expected SABMiller to win the race to buy Femsa, though Heineken already owned 17 percent of Femsa's Brazilian operations and had a deal to distribute its brands in the US.

Heineken said it expects the deal to close in the second quarter, pending approval from regulators and shareholders.

Under the deal, Femsa -- formally Fomento Economico Mexicano SAB de CV -- will take a 12.5 percent stake in Heineken NV and a 14.9 percent stake in its parent, Heineken Holding NV.

Those shares are valued at $5.5 billion, and Heineken is assuming Femsa debt and pension obligations of $2.1 billion.

Heineken's unusual holding structure allows descendants of the Heineken family to control Heineken NV, and the company said Monday they have agreed to the deal. A trust holding 39 percent of Femsa shares has also agreed, Heineken said.

Heineken forecasts cost savings from combining the companies' operations to amount to 150 million euros per year by 2013. It said the acquisition will begin adding to Heineken's per-share earnings "after two years."

Heineken was the best-selling imported beer in the US for years before being surpassed by Corona Extra -- owned by Femsa's larger Mexican rival Grupo Modelo -- in the late 1990s.

The top two brands still account for more than 40 percent of the US import market. Modelo Especial is in third place and Femsa's Tecate in fourth. Corona Light, Dos Equis and Heineken Light are also among the top 10 imported brands, according to trade magazine Beer Marketer's Insights.

In Brazil, Femsa sells Kaiser, Bavaria Clasica and Xingu in addition to brands previously mentioned, and in Mexico it also sells Carta Blanca and Indio.


AFP

**Heineken CEO Jean-Francois van Boxmeer said it would acquire Mexico's Fomento Economico Mexicano (Femsa) brewery through an all-share transaction. The buy cements Heineken's position as the world's largest brewer by sales.**