

International Business News

Obama proposes measures to shore up small businesses

AFP, Washington

US President Barack Obama called Saturday for new steps to support America's small businesses, saying they are key to rebuilding the economy on a new, stronger foundation and creating jobs.

"These companies represent the essence of the American spirit - the promise that anyone can succeed in this country if you have a good idea and the determination to see it through," Obama said in his weekly radio address.

The president said last year, his administration had taken measures that supported over 47,000 loans to small businesses and delivered billions of dollars in tax relief to small business owners. But he argued that more must be done.

Obama said he had proposed taking 30 billion dollars from the Troubled Asset Relief Program (TARP) fund originally used for bailing out Wall Street investment banks and create a new Small Business Lending Fund that will provide capital for community banks on Main Street.



A Sri Lankan model displays local designs at a fashion show sponsored by global banking giant HSBC in Colombo on Friday. Banking giant HSBC will open a branch in Sri Lanka's former war zone of Jaffna next week, becoming the first foreign bank to do so since the end of the country's long ethnic conflict, the central bank said.

US, Canada end trade dispute over 'Buy American' provisions

AFP, Washington

The United States and Canada ended a year-old dispute Friday as Washington agreed to waive "Buy American" provisions barring Canadian firms from projects under a massive stimulus package.

The controversial US provisions were part of the nearly 800-billion-dollar US stimulus package adopted last year and drew criticism from various countries which branded them as a protectionist measure.

Under a tentative agreement reached between the US and Canada, Washington would provide Canadian suppliers access to state and local public works projects under the American Recovery and Reinvestment Act of 2009 aimed at stimulating the world's largest economy out of recession.

In return, Ottawa will also provide US suppliers with access to construction contracts across its provinces and territories, as well as in a number of municipalities -- seen as a breakthrough by Washington.

Rio mulled \$35b iron ore tie-up with Chinalco

AFP, Sydney

Anglo-Australian miner Rio Tinto in 2008 considered selling state-owned Chinalco a 19.9 percent stake in its iron ore operations under a mammoth 40 billion dollar (35 billion US) tie-up, a report said Saturday.

The deal was drafted just weeks before rival BHP Billiton dropped a hostile takeover bid due to the state of the global economy, The Weekend Australian newspaper said.

Citing a draft memo from Rio Tinto Australia's then-managing director Stephen Creese to the Foreign Investments Review Board (FIRB), the report said the deal involved Rio spinning off its iron ore operations.

"As outlined at our meeting, Robert (Rio) is discussing with Colleen (Chinalco) a confidential proposal that would see Colleen acquire 19.9 percent of Robert's demerged iron ore business and 40 to 45 percent of the remaining business," read the memo, to FIRB member Patrick Colmer.

Telefonica says Venezuelan policies hurting profits

AFP, Madrid

Spain's Telefonica said Friday its 2009 net profits will be diminished by 548 million euros due to Venezuela's rising inflation, the devaluation of the bolivar and other factors in the country.

But the telecommunications group said the loss would be offset by fiscal gains of 591 million euros from a Spanish law that allows firms to deduct from taxes goodwill charges from foreign acquisitions and spread that deduction over a 20-year-period.

In a statement, the telecommunications group said "during 2009 and the first days of 2010 several factors have emerged in the Venezuelan economy which have forced the need to reconsider" its accounts in the Latin American country.

G7 MEETING

Focus on fragile global recovery

AP, Iqaluit, Nunavut, Canada

A crisis in Europe over unsustainable government debts that sparked renewed global market turmoil leapt to the top of the agenda Saturday for global financial leaders meeting half a world away in the Canadian Arctic.

Finance ministers and central bankers from the Group of Seven major industrial countries are also thrashing out differences on banking industry changes amid warnings that unilateral action like US President Barack Obama's plan to break up big banks will further hamper the fledging economic recovery.

Canadian Finance Minister Jim Flaherty, the host of the gathering, is hoping that his choice of the remote town of Iqaluit, population 7,000, where temperatures can dip to 40 degrees below zero in February, would concentrate officials on the task ahead.

The United States was represented by Treasury Secretary Timothy Geithner and Federal Reserve Chairman Ben Bernanke. The G-7 consists of the United States, Japan, Germany, Britain, France, Italy and Canada.

The discussions were focusing Saturday on developments in the global economy, banking reform and proposals to grant further debt relief for earthquake-ravaged Haiti.

The meetings were scheduled to conclude with a joint news conference.

In a break from the usual routine, several of the international visitors ventured out on the ice for a dogsled ride immediately after flying in to the tiny outpost Friday. Flaherty planned to keep the tone of the rest of the gathering equally casual, telling reporters that more chats were planned for the fire-side than around a formal table.

But in a contrast with the casual scene setting here, developments in Europe provided a sobering reminder that G-7 policymakers still face major hurdles repairing a broken global economy.

The Portuguese parliament's defeat of a government austerity plan triggered renewed concerns that it and other countries like Greece and Spain were having



Canada's Finance Minister Jim Flaherty goes for a snowmobile ride in Iqaluit, Nunavut, Canada, as Canada plays host to the G7 Finance Ministers in the northern community. The meeting of the Group of Seven industrialised nations is the biggest event ever to hit this town of 6,000 on the southern tip of Baffin Island.

trouble tightening budget controls to manage their budget deficits, a development that could threaten the economic recovery in Europe.

Stocks fell in Asia and Europe, while the Dow Jones industrial average clawed back to a small gain after suffering the largest single-day drop in seven months, on worries about the global economy.

"I think we have to be very mindful of the failure or potential failure of domestic economies," Flaherty told reporters before talks formally started with a working dinner on Friday.

On the issue of banking reform, the other G-7 countries were expected to press Geithner to explain the announcement by Obama last month that the United States would seek tougher rules to prevent risky actions by big banks from toppling the entire financial system.

British Treasury chief Alistair Darling has led calls for more coordinated action on reform, warning that the U.S. proposal does not address the biggest threat of the links between banks that can quickly transmit loan troubles at one institution, like a virus, to the entire system.

Flaherty was diplomatic when asked about the concerns over Obama's unilateral move, but acknowledged finding ways of working together was an issue facing the group.

"Several countries have made banking sector proposals that are not entirely consistent, so it's a good reason to gather, a good reason to talk about it," he said.

Flaherty said that G-7 countries agreed on the need to continue with government stimulus programs to prevent the world from plunging back into recession.

However, Germany and France have

expressed concern about how long stimulus aid should be maintained. They worry about soaring budget deficits and the risk of inflation.

Obama presented a budget plan Monday that would boost job-creation efforts and raise the U.S. budget deficit to a record \$1.56 trillion this year. British Prime Minister Gordon Brown is also stressing government stimulus even though critics point out that the country's budget deficit as a share of its gross domestic product could reach 12 percent this year.

In Japan, where the economy has struggled for two decades, the government unveiled more stimulus spending last week.

Also planned for discussions was China's refusal to allow its currency to rise in value against the dollar, which critics see as a blatant effort to manipulate trade by making Chinese goods cheaper.

AUTOMOBILE

Media criticise Toyota chief for response

AP, Tokyo

Japanese media sharply criticised Toyota's president Saturday for what they called a delayed and unconvincing explanation for the massive car recall that has sullied the world's biggest automaker, a Japanese corporate icon.

Akio Toyoda, the founder's grandson appointed to lead Toyota Motor Corp last June, emerged late Friday to apologise and address criticism that the company mishandled a crisis over sticking gas pedals. But he stopped short of ordering a recall for Toyota's iconic Prius hybrid over separate braking problems.

Toyoda's appearance before reporters at a company office in the central Japanese city of Nagoya made front pages of the country's leading newspapers -- but won no praise.

"Words are not enough," the top Nikkei business daily commented in an editorial. "The company's crisis management ability is being subjected to severe scrutiny."

"Utterly too late," the nationwide Asahi newspaper said of Toyota's delayed reaction since the crisis arose Jan. 21 with a global recall of millions of vehicles. "The entire world is watching how Toyota can humbly learn from its series of recent failures and make safe cars."

At his first news conference since the recall of 4.5 million cars, Toyoda promised to beef up quality control and said he would head a special committee to review quality checks, go over consumer complaints and listen to outside experts to develop a fix.

Toyota's failure to stem its widening safety crisis has stunned American consumers and experts who had come to expect only streamlined efficiency from a company at the pinnacle of the global auto industry.

"Toyota needs to be more assertive in terms of providing consumers comfort that the immediate problem is being addressed ... and that it can deal with these crises," said Sherman Abe, a business professor at Hitotsubashi University in Tokyo.

It took prodding from the US government for Toyota to recall the vehicles, about half of them in North America, for gas pedals that can stick and cause sudden acceleration.

Asked if he should have acted more quickly, Toyoda replied in hesitant English:



Japan's auto giant Toyota Motor President Akio Toyoda bows during a press conference at the company's Nagoya office in Aichi prefecture, central Japan on Friday. Toyoda said he was "deeply sorry" for the recall of millions of cars around the world due to faulty accelerator pedals.

"I will do my best."

The company name is spelled and pronounced differently from the founding family name because Toyota was considered to have a luckier number of brush strokes when written in Japanese.

Toyoda is the second successive Toyota president to apologise for car defects. The first, Katsuaki Watanabe, shocked a news conference in 2006, bowing low to the group before promising to improve quality.

Toyoda bowed as he greeted reporters, but not in apology. He told the hastily called news conference that the company had not decided what to do about problems in the

braking system of the Prius gas-electric hybrid. The high-mileage, low-pollution car is a leader in its field and a symbol of Toyota technology.

Toyoda and Shinichi Sasaki, who oversees quality control, offered no new explanations for the braking problem.

Prius drivers, mostly in the US but some in Japan, have complained of a short delay before the brakes kick in - a flaw Toyota says can be fixed with a software programming change. The lag occurs as the car is switching between brakes for the gas engine and the electric motor -- a process that is key to the hybrid's increased mileage.

Japan's transport ministry has received nearly 80 complaints, including reports of five accidents involving no injuries, from Prius drivers in the past four days regarding possible brake problems, the Tokyo Shimbun newspaper reported Saturday, without citing sources. The ministry, which had received 14 complaints by the end of January, will urge Toyota to investigate the accidents, the newspaper said.

Officials at the ministry and with Toyota could not be reached for comment Saturday.

Toyota has acknowledged receiving dozens of complaints about the Prius in Japan.

Toyota spokesman Mike Michels said Friday that the company continues to weigh options on how to handle repairs of the problem, and it is communicating with the National Highway Traffic Safety Administration in the US.

Among options are a campaign to notify Toyota owners to bring their cars in for repairs, or a full-fledged safety recall. Michels said he could not say when Toyota would make a decision.

The automaker said it fixed the programming glitch in Prius models that went on sale since last month, but it has done nothing on 270,000 Prius cars sold last year in Japan and the US.

The lack of action has raised questions about whether there is a bigger problem, but Sasaki denied any cover-up.

There is high-level government concern in Japan about Toyota's quality fiasco. Cabinet ministers have expressed alarm and urged the company to move more quickly.

Prime Minister Yukio Hatoyama earlier this month ordered Industry and Trade Minister Masayuki Naoshima to convey the message. Consumer affairs minister Mizuho Fukushima also called Toyota's reaction "too slow". Transport Minister Seiji Maehara, who oversees auto regulation, has urged Toyota to consider a recall for the Prius brake problem.

No sense of crisis was apparent in Japan outside of media and government circles, however. The Toyota story was published on Saturday's front pages, but most national newspapers gave more prominence to news such as the government's planned dispatch of troops to Haiti, an ongoing political funds scandal, the government's budget deficit and global warming.