

International Business News

India needs to plan exit from stimulus measures: IMF

AFP, Mumbai
 India's government must plan an "appropriate" exit from its economic stimulus programme, a top IMF official said Friday, as economic recovery for Asia's third-largest gathered pace.

The comments by John Lipsky, the International Monetary Fund's first managing director, came as official data showed that India's industrial output in December climbed at its strongest pace in nearly 20 years.

"There is no simple, fit-all solution. India will have to think of an appropriate path of exit... it will be a challenge," Lipsky told reporters in Mumbai.

India's industrial production, exports and services are rising, aided by stimulus measures introduced in late 2008 to help the country out of the global economic slowdown.

The measures currently account for some 12 percent of GDP, while the central bank has injected 120 billion dollars into the economy since October 2008 by slashing rates and taking other measures to boost business.

"I am sure the (Indian) government is thinking of an exit path over the medium-term," Lipsky said, while attending an international banking conference.

Japan's Shinsei Bank, Aozora to scrap merger plan

AFP, Tokyo
 Mid-sized Japanese lenders Shinsei Bank and Aozora Bank are likely to scrap plans to merge by October because of differences over business strategy, news reports said Saturday.

Shinsei and Aozora, which have been hit hard by the global financial crisis, announced in July a planned merger of equals that would create the nation's sixth-biggest commercial bank.

But the negotiations eventually ground to a halt, with Shinsei seeking to expand its retail operations while Aozora is more keen on working with regional banks, the Nikkei economic daily said without naming its sources.

The two sides were unable to agree on even such fundamental matters as integrating their systems or naming the new bank, it said.

The private Asahi network also reported the two lenders remained at odds over a business strategy for the merged bank and system integration.

Shinsei Bank said in a statement on Saturday that it had no comments on the reports. Aozora Bank could not be immediately reached for comment.



AFP
 This photo obtained February 11, courtesy of Minnesota Public Radio/American Public Media, shows a billboard along Interstate 35, in Wyoming, Minnesota portraying an image of former US President George W Bush and reads 'Miss me yet?'. Office manager Beverly Master of Schubert and Hoey Outdoor Advertising in Minneapolis says the message was purchased by a group of small business owners and people from the Twin Cities area who want to remain anonymous.

US retail sales start new year on positive note

AFP, Washington
 US retail sales opened the year with a surprisingly strong lift, official data showed Friday, suggesting consumers are spending more despite high unemployment amid a fragile economic recovery.

The Commerce Department reported that seasonally adjusted retail sales increased 0.5 percent to 355.8 billion dollars in January.

The monthly increase in retail and food-service sales was better than the 0.3 percent forecast by most analysts and followed upwardly revised numbers for the previous two months.

"Consumers opened their wallets a little wider and that is good news for the economy," said Joel Naroff of Naroff Economic Advisors.

The Commerce Department revised the decline in December sales to a scant 0.1 percent, from a drop of 0.3 percent, and the November sales increase was raised 0.2 point to 2.0 percent.

France backs German for ECB chief, reports say

AFP, Berlin
 France supports Bundesbank chief Axel Weber becoming European Central Bank president when Frenchman Jean-Claude Trichet steps down in late 2011, German media reports said on Friday.

While Germany managed to get the ECB based in the German city of Frankfurt, the bank's two presidents so far have been a Dutchman and a Frenchman, the late Wim Duisenberg and Trichet.

Chancellor Angela Merkel is therefore thought to be gunning for a German to take the job this time, and France has now signalled to Berlin that it supports Weber, Spiegel magazine and the Welt am Sonntag weekly reported.

Weber's chances are also seen as high because Berlin did not push its own candidates in late 2009 for either of the two big jobs created by the European Union's Lisbon Treaty, EU president and foreign policy chief.

AUTOMOBILE

Toyota woes could hurt US ties

AP, Tokyo

As pressure intensifies for Toyota's chief to testify before Congress about the automaker's safety lapses, Japanese political leaders and experts worry that the problem -- if handled poorly -- could damage ties between the two nations.

Relations between Washington and Tokyo are already strained by a dispute between the two governments over the relocation of a key US Marine base on the southern island of Okinawa.

Political tension rose a notch Thursday when a Republican in the House of Representatives said he would support issuing a subpoena to compel Toyota President Akio Toyoda to appear before congressional committees later this month to examine the company's string of safety problems.

Toyota said Toyoda is expected to visit the US in early March, but the company declined to confirm Japanese media reports that he would attend the Washington hearings. Toyota's North American head, Yoshimi Inaba, will appear before the committees, the company said.

Even before the world's biggest automaker announced its latest recall Tuesday of nearly 440,000 Prius and other hybrids, bringing its global total to 8.5 million vehicles for faulty gas pedals and brakes, Foreign Minister Katsuya Okada expressed concern about that the problem could become a political headache.

Further underscoring Toyota's woes, the automaker said Friday it is recalling about 8,000 Tacoma pickup trucks from the 2010 model year to fix a problem with the front propeller shaft that could cause the vehicle to lose control.

"I'm worried," Okada said last Friday. "It's not just the problem of one company but a diplomatic issue," noting that the fiasco comes at a particularly difficult time for the automobile industry, including General Motors Corp's bankruptcy filing.

Japan has also been criticised for its tax incentive programme for "green" cars that Washington said unfairly excluded American vehicles. The program has since been expanded to include more US cars.

So far, there's no sign that Toyota's recall has become a contentious issue between the Obama administration and the Tokyo government.

But it could become prickly if the hearings in Washington go badly - if, for example, Toyota executives come across as aloof or US politicians come down in a way perceived in Japan as excessively harsh.

"This is Toyota's problem, but if it's mishandled, it could spread to other areas," said Yoshinobu



AFP
 Customers check Japanese auto giant Toyota Motor's hybrid vehicle Prius at the company's showroom in Tokyo on Thursday. Toyota recalled the Prius for its brake problem. Japan's corporate titans once seemed unstoppable, but now Toyota is in crisis, Japan Airlines is bankrupt and a host of other companies are in trouble, adding to the nation's long economic malaise.

Yamamoto, professor of international relations at Aoyama University in Tokyo.

To demonstrate responsibility, Toyoda himself needs to appear before the congressional committees, experts say. He also plays a key role as the representative of Japan Inc's flagship company.

"The final authority needs to be there and explain the situation and say what the company is doing to resolve the problems," said Yamamoto.

Economy and trade minister Masayuki Naoshima urged Toyoda to at least make a public appearance in the United States -- Toyota's biggest market.

"The head of the company needs to give an explanation properly (in the US)," he said.

The recall problems have erupted at a time when Tokyo's ties with Washington have soured under the new government of Prime Minister Yukio Hatoyama, which swept into power last year after decades of rule by the staunchly pro-US conservatives.

Hatoyama has put on hold a plan to relocate Futenma Marine airfield to a northern part of Okinawa island because of local opposition and environmental

concerns, thereby delaying a broader plan to reorganize the 47,000 American troops based in the country under a security pact.

But Tsuneo Watanabe, a senior fellow at the Tokyo Foundation, predicts that leaders in both governments will remain level-headed, not wanting to see a revival of the trade wars of the 1980s and '90s.

"Both sides recognize the importance of the security relationship and don't want to upset that," he said.

The governors of four US states that are home to Toyota manufacturing plants defended the company Wednesday in a letter to the leaders of the two House committees and asked that Toyota get "a responsible and fair response from the federal government." It was signed by the governors of Alabama, Indiana, Kentucky and Mississippi.

The governors said the federal government had an "obvious conflict of interest because of its huge financial stake in some of Toyota's competitors" -- a likely reference to the US government's 60.8 percent stake in GM following its bankruptcy reorganisation.

Japanese -- while surprised by

Toyota's quality problems -- have voiced similar suspicions and wonder if the timing of Toyota's woes have anything to do with it overtaking GM as the world's biggest automaker in 2008. Some see a new wave of Japan-bashing that periodically cropped up in the '80s during Japan's rapid expansion into the US market.

Comments by Transportation Secretary Ray LaHood telling drivers of recalled Toyota cars to leave them parked -- which he later retracted -- also fed into this.

The confluence of events "does present a very good opportunity for conspiracy theories," said Koichi Nakano, a political science professor at Sophia University in Tokyo.

On Friday, the automaker said it plans to voluntarily disclose problems beyond what the automaker is legally required to reveal. Details of the plan for more openness would be announced in the future.

"We're trying to be proactive," said spokeswoman Ririko Takeuchi. "Some consumers are worried, so even if the information doesn't rise to the level of a recall, we are taking this step to restore the company's credibility."

Even the company's decision this week to recall the Prius - its

showcase "green" car -- signals that it is serious about fixing its image, analysts said. In the past, the problem -- a glitch in the antilock brake that can be easily remedied by reprogramming the computerized braking system -- may have been dealt with through a service campaign that notifies owners to get a fix done at their convenience.

Toyota also declined to accept a Japanese government energy efficiency award given to its Prius, saying the honour is not appropriate for a car hit by massive recalls.

In Washington, pressure is building for Toyoda to make an appearance in front of the House Oversight Committee on Feb 24 and the House Energy and Commerce Committee on Feb 25.

Rep Darrell Issa of California, the top Republican on the Oversight Committee, said Thursday that Toyoda should meet with lawmakers and said that if necessary Congress should compel Toyoda's testimony.

"If we are not receiving the cooperation and transparency this committee and the American people are demanding from Toyota, I would fully support the issuance of a subpoena," Issa said.

LIFESTYLE

'Wall Street of Roses' does brisk Valentine trade

AFP, The Hague

The world's biggest flower auction was abuzz this week as hardnosed buyers vied in the Dutch town of Aalsmeer over 150 million blooms destined to warm lovers' hearts worldwide this Valentine's Day.

"Alongside Mother's Day, the week of Valentine's Day is the most important week of the year for us," commercial director Albert Haasnoot of Aalsmeer, dubbed the Wall Street of Roses, told AFP amid the hub-bub leading up to February 14.

Around him, hundreds of traders were doing brisk business in the million-square-metre auction building, taking their eyes off their computers only to glance up at the giant trading screens.

A flood of information flashes past the screens like on any trading floor: variety, quality, price per stem -- while roses, tulips and chrysanthemums in a dazzling array of colours await transportation in vast, cooled storerooms.

Aalsmeer, south of the capital Amsterdam, has more than 800 varieties of roses alone. The flowers sold here are grown mainly in the Netherlands, but also imported from Kenya, Ethiopia and Israel.

"Our sales have risen to 35 million euros (48 million dollars) for the week, about 50 to 60 percent higher than normal," Haasnoot said as rising demand in the days leading up



AFP
 Workers prepare for the flower auction in Aalsmeer, the Netherlands, for Valentine's Day. The world's biggest flower auction was abuzz this week as hardnosed buyers vied in the Dutch town of Aalsmeer over 150 million blooms destined to warm lovers' hearts worldwide this Valentine's Day.

to Valentine's Day caused prices to skyrocket.

A batch of Red Naomi, large, red roses, had just sold on the floor for 1.70 euros per stem.

"Red roses can be two or three times

more expensive" at this time of year, said exporter Alexander Brussee, who comes to Aalsmeer to buy flowers for resale to florists and wholesalers, mostly around Paris.

Following on a tough year on account of the global economic crisis, Valentine's Day

couldn't have come at a better time for the flower sector.

"People are a lot more careful with their money," complained Brussee.

About 80 percent of the flowers at Aalsmeer, of which red and pink varieties are the most popular at the moment, are destined for abroad, mainly for Germany, Britain and France.

But local flower sellers are clients too. Aalsmeer florist Michelle van der Linden has just bought 600 red roses.

"Everyone wants red roses for Valentine's Day," she said. "It is the colour of love, of passion."

During the course of the week, more than 50,000 trucks will depart from Aalsmeer with their precious cargo.

The Netherlands is the world's biggest flower exporter, with sales of flowers, bulbs and trees contributing about 35 percent to the Netherlands' trade surplus in 2008.

Greenhouses cover an area of more than 60 square kilometres (24 square miles) in the small country, and more than a billion tulip bulbs are exported each year.

The Dutch tulip mania of the early 1600s is often said to have been the world's first recorded speculative economic bubble.

A total of 300 million flowers are expected to be sold in the week leading up to Valentine's Day in the six centres of the FloraHolland auction company, of which Aalsmeer is one.