International Business News

India, EU in new bid to clinch free-trade deal

AFP, *New Delhi*

India and the European Union are to hold a fresh series of free-trade talks next month in Brussels in a bid to clinch a deal by the end of the year, an official said.

Chief negotiators for India and its largest trading partner will meet at the European Union headquarters in Brussels in August as part of a push to conclude negotiations on the India-EU free-trade pact by December.

"We hope we will keep that (December) date," Daniele Smadja, the head of India's delegation to the EU, said late Friday.

"Concluding the FTA negotiations will send a clear signal of engagement on both sides. It would boost both trade and investment between EU and India. We need to seize the opportunity -- a one-in-a-lifetime for both of us."

As part of the drive to wrap up talks, the two sides will meet in Brussels in the last week of August, she said. Around the same time, Indian Commerce Minister Anand Sharma and the EU Trade Commissioner Karel De Gucht will meet on the sidelines of an international meeting in Vietnam, she added to reporters.

India and the 27-member EU have been negotiating the market-opening pact since June 2007 to boost bilateral commerce.

Magna shareholders OK $1b Stronach deal

REUTERS, *Toronto*

Magna International said on Friday that about three-quarters of its subordinate shareholders approved a deal that would pay founder Frank Stronach upwards of $1 billion to effectively give up control of the auto parts maker.

If approved by the Ontario Superior Court in a hearing scheduled for August 12 and 13, the controversial deal would collapse Magna's dual-class share structure and see Stronach give up his controlling class B shares.

In return, the 77-year-old Stronach would be paid 300 million new class A shares, $300 million in cash, control of a new electric car parts joint venture between Stronach and Magna, and four more years of lucrative consulting fees.

Several prominent Canadian pension plans and other institutional investors railed against the proposal, calling the payoff to Stronach "unreasonable" and "fundamentally unfair," adding that it set a bad precedent.

AFP

The photograph taken on Thursday shows an Indian sales promotion assistant stands between Maruti Suzuki cars on display at The Hyderabad International Auto Show 2010 in Hyderabad. India's biggest carmaker Maruti Suzuki reported a surprise 20 percent fall in quarterly net profit yesterday, as the company was pummelled by higher raw material costs.

Disney in talks to buy game startup Playdom

REUTERS, *San Francisco*

Walt Disney Co is in talks to acquire social gaming startup Playdom, according to a pair of media reports.

Playdom builds games that run on social networking sites such as Facebook and MySpace. The company claims more than 38 million monthly active users, and its games include popular titles such as "Mobsters."

The news was first reported on Thursday by tech news site TechCrunch.

The Wall Street Journal said on Friday Disney is discussing a deal to buy Playdom for more than $500 million. The report cited people familiar with the matter.

Playdom declined to comment. Disney did not return calls seeking comment.

Mountain View, California-based Playdom's investors include Lightspeed Venture Partners, Norwest Venture Partners, and Steamboat Ventures, Disney's investment fund.

The company has raised a total of $76 million in funding.

Ratings agencies threaten Hungary with downgrade

REUTERS, *Budapest*

Two top ratings agencies said on Friday they might downgrade Hungary's sovereign debt after its prime minister snubbed the IMF and rejected austerity measures in favour of a pro-growth policy to woo voters.

Moody's placed Hungary's Baa1 local and foreign currency government bond ratings on review, citing increased fiscal risks after the International Monetary Fund and the European Union suspended talks over their 20 billion euro ($25 billion) financing deal with Budapest at the weekend.

Ratings agency S&P said later it revised its outlook on Hungary to negative from stable, while affirming its BBB-/A-3 rating, which is already lower than Moody's.

Prime Minister Viktor Orban, whose centre-right Fidesz party swept into power in April, has spurned warnings that Hungary could face market pressure and currency weakness without support from international lenders.

BANKING

Europe relieved by stress tests

AFP, *London*

Europe sighed with relief Saturday after most of the continent's banks passed financial stress tests, but analysts warned that the exams might not be tough enough to restore confidence in the sector.

The euro fell just after the release of the test results late Friday but made up the lost ground. US stocks also ended slightly higher but European governments face a nervous wait for markets to reopen Monday to get the full global reaction.

Only seven out of 91 banks failed the tests, which were organised in hope of reviving investor confidence in Europe's embattled banking sector.

German state-owned lender Hypo Real Estate, five regional savings banks in Spain and ATEBank of Greece failed the test of whether they could resist a new financial shock. All have been ordered to recapitalise or take state aid.

REUTERS

European Central Bank (ECB) Vice president Vitor Constancio (L) speaks, as Committee of European Banking Supervisors (CEBS) Chairman Giovanni Carosio listens during a news conference in London on Friday. Seven European banks are not strong enough to withstand another recession and would face a capital shortfall of 3.5 billion euros ($4.5 billion), far less than expected, stoking fears the health check was too soft.

The Committee of European Banking Supervisors (CEBS), which carried out the tests, said the seven banks would need about 3.5 billion euros (4.4 billion dollars).

Unicredit chief economist Marco Annunziata said that the results showed that "the bulk of the eurozone banking system is sound, but there are serious questions on whether the tests can be considered sufficiently stringent."

Although the tests were "a first step towards improved transparency," he said that they were "insufficient to bring about the rapid and major improvement in confidence in the European banking system which should have been the main goal of the exercise."

European banks have faced a crisis of confidence in recent months over fears that some may bear huge undisclosed losses on the value of bonds issued by Greece, Portugal and Spain, which have fallen sharply in price since the start of the year.

The European Union's Belgian presidency said: "The aggregate results of the tests show a high degree of resilience in the EU banking sector as a whole, reflecting the efforts undertaken over the last years by the banks and some governments to restore confidence in the European banking sector."

Belgian Finance Minister Didier Reynders, speaking for the EU, told AFP the results were "positive because we have been transparent and the tests were quite strict."

Spain's Finance Minister Elena Salgado insisted the results were "satisfactory" despite the failure of the five savings banks.

"The Spanish financial system has overcome the financial crisis very well," she declared.

IMF managing director Dominique Strauss-Kahn said the tests were "a major undertaking and represent an important step toward improving transparency and bolstering market confidence."

Some analysts however said the checks failed to shed much light on the real state of the banking sector.

The report spared all banks examined in debt-laden Portugal. Greece, which sparked fears for the stability of the entire eurozone and was rescued by an EU-IMF bailout, also got off lightly with just one bank failing.

Neil MacKinnon, an economist at VTB Capital in London, said it "looks like a whitewash and the initial reaction is one of scepticism on the part of the markets."

ING bank analyst Chris Turner said the CEBS announcement "does not appear to have uncovered any 'skeletons in the closet'," but added: "Whether it goes far enough remains to be seen."

The tests measured the banks so-called Tier One core capital and measured it against outstanding assets, such as loans. A key test was the effect a government debt crisis would have on balance sheets which hold large amounts of government bonds.

To pass the tests, banks had to have a minimum ratio of 6.0 percent, above the 4.0 percent normally required by regulators. The CEBS calculated the seven risk banks would see this ratio fall below six percent.

The banks were also tested to see how well they would fare in the event the economy slumped back into recession.

The CEBS estimated that the total potential damage to balance sheets at the 91 banks -- which account for 65 percent of the European banking market -- would be 566 billion euros (727 billion dollars) over two years if certain tough conditions hit.

"Any positive impact on sentiment will be limited by the fact that the tests were not particularly stringent," said analyst Jennifer McKeown with consultants Capital Economics.

"The 'adverse' economic scenario incorporated a return to only a very mild recession next year. What's more, the prospect of an outright sovereign default (which is what has worried markets most) has not even been considered," she added.

TOURISM

Unique coral reef spurs Mexico battle

AFP, *Cabo Pulmo, Mexico*

A 20,000 year-old coral reef, the only one in the Gulf of California, is at the centre of a dispute over a huge tourist development, which could draw thousands to a remote part of Mexico.

At the moment, most only hear about Cabo Pulmo, where pristine beaches meet a turquoise sea, by word of mouth.

US tourist Lenny McCarl said he discovered the village thanks to his girlfriend's family, during a visit in June.

"I like the little niche up here. You drive two hours outside of Cabo San Lucas and you're only 80 miles (130 kilometers) away, but there's no houses, there's just a villa here, a villa there," McCarl said, standing on the beach.

The site is less than two hours north of Cabo San Lucas and its luxury hotels and Hollywood celebrity-owned mansions, which have transformed the south of the peninsula in the past few decades.

The village also lies next to the site for one of Mexico's largest tourist development projects.

A wire fence marks out some 4,000 hectares (10,000 acres) destined to include several thousand hotel rooms and condominiums rising in five stages over 25 years.

The 500-million-dollar plan includes a tourist town "where school children will parade on the plaza," a jet port for private planes and golf courses.

Locals and environmental groups say the scale of the project is bound to impact on the land as well as the sea -- with runoff from golf courses, desalinisation facilities and large yachts in a new marina.

"The government is blocking its ears and allowing a project like this, right on the limit of the marine reserve. As if there'll be no damage beyond an imaginary line," said Enrique Castro, whose family has lived in the area for five generations.

Commercial fishing is now banned and locals have spent 15 years changing their habits to try to preserve the reef under a government plan hailed as an example of conservation by ecologists.

Activities still revolve around the marine-rich Gulf of California, once nicknamed the "world's aquarium" by French explorer Jacques Cousteau.

Spanish company Hansa Urbana has meanwhile gathered permits to start building the Cabo Cortes development, including requirements for protecting the environment.

AFP

The file photo shows fish at the Cabo Pulmo National Marine park beach in Baja California State, Mexico. The 20,000 year-old coral reef at Cabo Pulmo, the only one in the Gulf of California, is at the centre of a dispute over a huge tourist development.

Such measures, including a ban on lights on the beach to avoid disturbing endangered turtles, water recycling and solar power, make the project 40 percent more expensive, representative Sergio Tabansky told AFP in Mexico City.

More than 60 percent of the land would be left for conservation, Tabansky said, admitting the eco-friendly label was also a good selling point.

"We want to help Mexico by giving jobs to Mexicans," Tabansky added, as the country struggles to emerge from one of its worst economic crises in years.

The H1N1 swine flu and the global crisis contributed to a drop of 1.1 million tourists in 2009 compared with the previous year, and a two-billion-dollar loss in revenues, the tourism ministry said recently.

Promotions and development plans are again picking up in a country which hosts some 22-23 million foreign tourists each year.

"Development is inevitable. What we can avoid are the (bad) terms under which we develop, right?" said Alejandro Gonzalez, who manages the Cabo Pulmo marine park for the government.

A handful of security guards patrol the vast site for Cabo Cortes on quad bikes for now, as the crisis has slowed construction.

Juan Castro, a former diver for pearls, and other locals hope the delay will buy them times to stop it completely.

"If the government allows this development, we can say that the government is the only one responsible for whatever damage is done to the reef," Castro said.

"It's the heritage of humanity. It's not mine, it's not yours."