

International Business News

IMF sets central bank meeting in Shanghai Monday

AFP, Washington
The International Monetary Fund on Friday said it will hold a high-level conference of central bank governors in Shanghai next week to discuss ways to address the global financial crisis.

The IMF said the conference, scheduled for Monday, would include central bank chiefs and other officials from Asia, Africa, Europe, and North and South America.

The People's Bank of China will host the conference, to be co-chaired by the head of the central bank, Zhou Xiaochuan, and IMF managing director Dominique Strauss-Kahn, the Washington-based institution said in a statement.

The US Federal Reserve was expected to be represented by Kevin Warsh, a member of the central bank's policy-setting Federal Open Market Committee.

The Shanghai conference follows on the heels of last week's IMF and World Bank annual meetings, where leading finance officials discussed steps to strengthen the global economy's recovery from the worst recession since World War II and the global financial system.

"The conference is part of the ongoing international examination of the policy challenges posed by the global financial crisis," the IMF said.

HSBC scraps talks over Nedbank purchase

AFP, London
Global banking giant HSBC announced on Friday that it had scrapped talks with British insurer Old Mutual over the purchase of a majority holding in South Africa's Nedbank.

"HSBC Holdings plc announces that discussions with Old Mutual plc about the possible acquisition of a majority stake in Nedbank Group Limited have not been successfully concluded and have ended," HSBC said in a brief statement.

"Notwithstanding this, HSBC remains committed to the South African market and to growing its business in South Africa."

A company spokesman added that the Nedbank purchase was not in line with its strategy.

"It didn't meet our acquisition criteria," he told AFP, but refused to elaborate further on why the deal collapsed.

Shortly beforehand, Old Mutual had released a separate statement which also revealed the news.

"Old Mutual plc has been informed today that HSBC will not proceed with a partial offer for Nedbank following the expiry of the agreed exclusivity period," the insurance company said.



People visit the Paris auto fair yesterday in Paris. AFP

Sony Ericsson posts Q3 profit

AFP, Stockholm
Mobile phone manufacturer Sony Ericsson reported a third quarter running of net profits on Friday following dramatic restructuring after a bad patch last year.

But its sales for the quarter fell far below expectations.

The Japanese-Swedish group, the fifth-biggest player in the global sector, said that in the three months ending in September, it had made a net profit of 49 million euros (69 million dollars), compared to 193 million in the red in the same quarter last year.

The company's sales however slipped by 1.0 percent to 1.60 billion euros, it said in its earnings statement.

The outcome fell far short of the figures expected by analysts who in a poll by Dow Jones Newswires had forecast a net profit of 67 million euros on sales up 13 percent at 1.87 billion.

Sales and the net outcome had plunged in 2009. Last year the company launched a programme to reduce costs involving an extra loss of jobs amounting to nearly 2,000 cuts.

The difficulty for Sony Ericsson, as for Nokia in neighbouring Finland, has been sudden steep competition from Canadian RIM (Blackberry) and especially from American Apple (iPhone), forcing the company to refocus its business on the high end of the handset market.

Russia's Aeroflot in privatisation programme

AFP, Moscow

Russian airline Aeroflot will be included in a forthcoming programme of privatisations, Finance Minister Alexei Kudrin told the country's parliament on Friday.

"We will carry out a big programme of privatisation," Kudrin said, cited by the RIA Novosti news agency.

"It concerns shares in oil companies to a lesser extent. It also concerns shares in several other companies, from Aeroflot to Svyazinvest" telecoms group.

The announcement in July of the large-scale privatisation programme, which will be the first since the 1990s, "has received very great attention from Russian and foreign investors," Kudrin said.

The finance minister said in September that Russia hopes to earn 50 billion dollars in the next five years from privatisations.

The Russian authorities announced at the end of July that they had drawn up a list of 11 companies that would be partly sold between 2011-2013, with the state still retaining a controlling share.

ANALYSIS

Delhi Games undermines 'Brand India'

AFP, New Delhi

India's Commonwealth Games ended on a triumphal note, but analysts say the event still fell short in its bid to showcase the strengths and aspirations of an emerging global power.

In the end, India's efforts to parade its rapid economic progress were undermined by the parallel reality of an often chaotic and bureaucratic nation.

An impressive last-ditch, round-the-clock effort to put the Games back on track was largely successful, but only after shambolic preparations and months of negative publicity had raised the humiliating spectre of cancellation.

"I feel satisfied and relieved that this has gone off well, because we started off since the past two months on a rather cynical note," Delhi's chief minister Sheila Dikshit said as the sports were completed.

But several analysts argued that relief at having staved off looming disaster was a sentiment that highlighted India's weaknesses, rather than its strengths.

"It's a classic example of management by crisis, which is precisely the sort of stereotype of India that these Games were supposed to dismantle," said Robinder Sachdev, head of the New Delhi-based Imagindia Institute think-tank.

"The idea of being able to 'get it right in the end' is an image India neither needs or wants to perpetuate in corporate boardrooms overseas," Sachdev told AFP.

"If it wants to grow, it has to prove that large scale projects can be planned and executed on time and on budget," he added.

The final cost of the 12-day event has been estimated at around six billion dollars -- the most expensive Commonwealth Games ever -- and Sachdev estimated that it could cost billions more in lost investor confidence.

Poor infrastructure is a drag on Indian growth and the haphazard implementation of a major upgrade of Delhi's transport system underlined the difficulties in executing large projects to high standards.

A footbridge next to the main stadium collapsed days before the opening ceremony, a train link to the airport remained unopened, and many new venues, metro



A dog crosses the finish line before the morning session of the Track and Field competition of the XIX Commonwealth Games in New Delhi on October 9. Monkeys at the cycling, dogs at the athletics, bugs at the tennis and birds of prey at the hockey. The Commonwealth Games might sometimes be short of spectators, but never of wildlife. AFP

stations and road flyovers were shabbily finished.

Newspapers were filled with stories about treadmills hired for 20,000 dollars,

toilet paper bought for 80 dollars a roll, and contractors feasting on the multi-billion-dollar budget.

Samuel Paul, founder of the Bangalore-

based Public Affairs Centre, which lobbies to improve government standards in India, said the Games had exposed India's problems with governance, transparency and accountability.

"The norms of conduct that should be found within an organisation are not in place, and the Games have shown that," Paul said.

"All this is not unexpected, but what amazes me is the systematic problems that exist even at the highest levels," he added.

Under the headline "I declare the games shut. Let the audits begin", Times of India columnist Rajesh Kalra on Thursday called for all venues to be sealed for a count of what had actually been delivered against what had been paid for.

"The list of mismanagement, misappropriation of funds, nepotism, favouritism, goes on and on," he said.

Foreign media coverage of the Games, which had been extremely critical in the run-up to the opening ceremony, was far more positive in its final verdict.

Despite the incompetence displayed by the organisers, Delhi had picked up the pieces and shown that "even the biggest mess can be cleaned up", The Sydney Morning Herald said.

"They've pulled it off admirably and deserve better than the carping, nit-picking and borderline racism that has masqueraded as informed coverage of the Games," wrote journalist Peter Hanlon.

Fears of a possible terrorist attack were assuaged by a sometimes suffocating security operation involving 17,000 paramilitary troopers and 80,000 police.

A strong performance by host nation athletes was also an enormous source of pride for a country where international sporting achievement has largely been limited to the cricket field.

As to whether the whole event was worth it, analysts said the enduring legacy of the Games -- in terms of infrastructure, image and prestige -- would only become apparent with time.

"If we really learn lessons from this and if it leaves public opinion more demanding of our business and political leaders, then yes, I think then it will have been worth it," said Sachdev.

REFORM

Slow reforms a concern for KL car industry

AFP, GURUN, Malaysia

In a sprawling industrial complex in Malaysia's far north, hundreds of workers meticulously assemble shiny Peugeot 207 cars destined for sale in Southeast Asia, Australia and South Africa.

At the 156-million-dollar Naza Automotive Manufacturing facility, located on a former rubber plantation in Kedah state, which borders Thailand, popular Kia models are also being readied for export to Indonesia.

The plant is a dream come true for Malaysia's government, which in recent months has also successfully wooed other big automakers such as Toyota and Volkswagen to establish assembly operations.

But experts warn that a failure to accelerate tentative steps towards industry liberalisation will blight Malaysia's ambitions to rival Thailand as a regional automotive hub.

The 207 assembly line in Gurun is operated by some of the plant's 800-strong workforce under the eye of French engineers who provide technological know-how as part of a deal struck in July with PSA Peugeot Citroen.

The plant produces 20,000 cars a year but plans to boost that to its full capacity of 50,000 over the next three years, with more Peugeot and Kia models in the works thanks to strong demand from healthy Southeast Asian economies.

Volkswagen, Europe's biggest vehicle manufacturer, has partnered with state conglomerate DRB-HICOM to begin producing Volkswagen cars in Malaysia from 2012 and the two parties are negotiating details of the production plan.

Toyota, which currently produces its Camry model in Thailand, has said it will also assemble the model in Malaysia within the next two years -- a move that will create jobs and new business for local parts manufacturers.

The government has said that another five foreign automakers are keen on manufacturing in Malaysia -- a step up from less-



Workers put together a car frame on the assembly line in the northern Malaysian town of Gurun. The 207 assembly line in Gurun is operated by some of the plant's 800-strong workforce under the eye of French engineers who provide technological know-how as part of a deal struck in July with PSA Peugeot Citroen. AFP

demanding assembly operations -- but is giving few details.

Malaysia has Southeast Asia's largest passenger car market and has in the past jealously guarded its auto industry with the aim of promoting the locally made Proton.

High protection levels mean the industry currently operates at only 50 percent of its full production capacity of one million cars a year.

But under reforms announced a year ago aimed at attracting much-needed investment, foreign firms are now allowed full ownership of ventures producing cars above 1.8 litres and a price tag of 150,000 ringgit (48,400 dollars).

Under the new policy, by 2020 the government will dump the

controversial "approved permit" vehicle import licensing system, which has been criticised as fostering corruption and hampering competition.

But critics say that liberalisation must go much further, removing prohibitive duties and opening up the small- and medium-car sectors where Proton and Perodua operate.

"The obstacle is the government's policies," said Aishah Ahmad, president of the Malaysian Automotive Association.

"Thailand has totally opened up and provides better incentives. Whatever the auto players want, the (Thai) government is ready to provide," she told AFP.

"Malaysia must be able to con-

vince world-class manufacturers that they are really opening up."

But Trade Minister Mustapa Mohamed defended national policy.

"Although the playing field is uneven, the sector has been liberalised over the years. I like to see more investments and more critical auto components made in Malaysia," he told AFP recently.

"I'd like to see an industry that is more competitive," he said, while adding that Malaysia would encourage foreign carmakers to produce luxury vehicles.

But Ahmad Maghfur Usman, a senior analyst with OSK Research, said that volumes of luxury cars made in Malaysia "will be miniscule".

"For Malaysia, protectionism for local players such as Proton and Perodua is the key issue. With this, there won't be any competition in the small and mid segment," he said.

Prime Minister Najib Razak has urged Proton, which has a reputation for poor quality and unimaginative design, to forge a partnership with a foreign player but negotiations have so far been fruitless.

Proton was formed 25 years ago as part of an ambitious national industrialisation plan. But its market share has slumped in recent years as it struggles to compete against Japanese, South Korean and European competitors.