South Africa joins BRICS club to punch above its weight

AFP, *Johannesburg*

South African President Jacob Zuma on Thursday joins a club of the world's most important developing nations at a summit in China, in the latest effort to assert his nation on the world stage.

South Africa has lobbied for years to win a place alongside Brazil, Russia, India and China in a group known as BRIC, which aims to form common positions in global economic forums.

Pretoria sees admission as another feather in its cap, along with its role in the Group of 20 major world economies and its return to the UN Security Council in January.

BRICS is also a way to project South Africa's increasingly confident voice abroad, officials say.

"We are amongst the countries that has become impatient with the misrepresentation in the global politics that has been dominated by the Western world," foreign minister Maite Nkoane-Mashabane told a meeting of business leaders.

"We are coming into saying it is about time that the countries of the south should be listened to," she said. "We are also quite a force to be reckoned with as far as emerging economies are concerned."

How that plays out remains to be seen.

With 49 million people and an economy worth $527 billion, South Africa is dwarfed by even Brazil's two trillion dollar economy, never mind China's.

AFP

Russian President Dmitry Medvedev speaks with his South African counterpart Jacob Zuma in the Chinese city of Sanya yesterday. The world's major emerging powers -- Brazil, Russia, India and China -- welcome South Africa into their fold this week at a summit in China that will seek to give developing nations greater global clout.

South Africa has already shown a willingness to break with its new club on key issues. It was the only BRICS country on the UN Security Council to vote for the no-fly zone over Libya.

That marked a sharp break from former president Thabo Mbeki's nine years in power, when South Africa was roundly criticised for its "quiet" diplomacy over Zimbabwe and for seeking to deflect UN action on Myanmar's military junta.

Zuma, on the other hand, speaks stridently on the troubles in neighbouring Zimbabwe. While voting for the Libyan no-fly zone, he criticised the scale of the NATO bombing campaign and joined an African Union mission to seek a ceasefire.

But South Africa also waffled for months on recognising Ivory Coast President Alassane Ouattara, as violence ungulfed that nation.

And Zuma shrugged off US President Barack Obama's pleas to keep Haiti's exiled former leader Jean-Bertrand Aristide from returning home before elections in the Caribbean nation.

"There has been some level of strategic incoherence in South Africa's record of foreign policy," said Aubrey Matshiqi, an analyst at the Centre for Policy Studies, a think-tank.

After emerging from white-minority apartheid rule, South Africa faced expectations to always take a principled stand on human rights in global matters, but instead is evolving its own way of determining its national interest, he said.

"There are many factors that determine a country's foreign policy. For instance, they have to take into account the country's key strategic interests," he said.

Scott Maxwell, a researcher at the Institute for Security Studies, said South Africa's heightened profile came from its position as a gateway to the rest of the continent.

Foreign investors are increasingly looking to Africa as the next new market, with sub-Saharan Africa expected to be one of the world's fastest-growing regions this year.

South Africa is positioning itself as both the gateway to the continent, and the voice of its one billion people, which gives its opinions an outsized influence -- much of the reason the BRIC countries want to hang in together.

"South Africa is seen by both the East and West as a strategic partner and South Africa is becoming aware that they are being courted," Maxwell said.

"They see that they have leverage, but how they use this recognition and wield that power remain to be seen."

Obama to lay out deficit plans

AFP, *Washington*

US President Barack Obama will Wednesday seek to wrest control of Washington's fevered debate over the economy and bulging deficit, sure to be a dominant theme of his 2012 reelection bid.

The White House says the president will lay out his vision for constraining the fiscal gap, as fresh political battles over spending escalate less than a week after the dramatic climax to a 2011 budget fight.

Advance details of Obama's speech are at the capital's George Washington University are sketchy. But aides hint at some reform of costly health programs like Medicare for the elderly, tax hikes for the wealthy and a trimming of the trillions spent on the military -- all recipes for pitched political conflict.

Cuts will be with a "scalpel and not a machete," they say, seeking to safeguard Obama's core aspirations for education and energy reform, and portraying the slashing approach of conservative Republicans as extreme.

Republicans meanwhile are challenging the president with new boldness, after claiming what many commentators scored as a victory in securing $39 billion in new spending cuts in a last-gasp deal averting a government shutdown last week.

"The buzz continues to build about the president's much anticipated 'budget do-over' speech," said Eric Cantor, the number two Republican in the House of Representatives.

"He will outline his plan to hike taxes on families and business owners in order to get a grasp on our deficit and debt crisis."

Republicans frequently use painful US debt figures -- a projected annual deficit of 1.6 trillion dollars this year and a cumulative public debt of 14.27 trillion dollars as a political weapon.

But Democrats hit back that the last Democratic president Bill Clinton bequeathed budget surpluses to George W. Bush, who they say ran up debt with tax cuts for the rich and wars that were not paid for.

The president's political goals Wednesday seem two-fold: to seek leverage in a short-term row in extending the US debt ceiling; and to define the coming campaign debate over spending.

Japan supply uncertainty looms for Toyota

REUTERS, *Detroit*

Toyota Motor Corp on Monday warned that the uncertain supply of parts from Japan could threaten its output of vehicles through July, the latest sign of trouble for the global auto industry stemming from the massive Japanese earthquake a month ago.

Ford Motor Co, meanwhile, said it would slow or shut down production in Asia in the last week of April and into May at its factories and joint ventures in the region, a step it said it did not expect would cut into second-quarter earnings.

The evidence of deeper and long-running output disruptions because of a shortage of key parts -- including semiconductors -- from Japan comes as major automakers grapple with complications caused by parts factories that have been shuttered or are running with limited power in Japan.

"Today we have good levels of inventory, but inventory will be getting tighter," Toyota's US sales chief, Bob Carter, told Toyota dealers in an email sent on Sunday.

"Toyota will be producing new vehicles at significantly reduced levels," Carter's note said. "What we don't know are vehicle production levels for May through July. The potential exists that supply of new vehicles could be significantly impacted this summer."

The slowdown of production could limit Toyota's ability to capture market share on its fuel-efficient lineup this summer when US average gasoline prices are expected to top $4 per gallon, analysts have said.

In 2008, Toyota's sales for its Prius hybrid and small-car lineup, including Corolla, spiked when gas prices surpassed $4 per gallon.

As a way of explaining the complexities faced by Toyota and other automakers with the ongoing Japan-related parts shortages,

REUTERS

The interiors of a Toyota car damaged by the March 11 earthquake and tsunami is seen in Ishinomaki, northern Japan on April 3.

Carter said delivery of about 800,000 auto parts have been affected by the earthquake and its aftermath.

For its part, Ford said in a filing with US securities regulators that the uncertainty surrounding the supply of components from Japan could affect its results, repeating a warning it had made 10 days earlier.

"Because the situation in Japan continues to develop, supply interruptions related to other materials and components from Japan could manifest themselves in the weeks ahead," Ford said in its filing.

"Should the supply of a key material or component from Japan be disrupted and an alternate supply not be available, we could have to reduce or temporarily cease production of vehicles," it said.

Ford's production in Asia includes its joint venture in China with Changan, and a plant operated in Thailand in a joint venture with Mazda.

The expected slowdown in vehicle production in both Japan and North America comes at a time when vehicle inventories at US dealerships are dwindling and auto sale prices are being pushed higher for consumers.

CNW Research said on Monday that early April US auto sales are showing the highest average transaction prices in relation to the manufacturers' suggested retail price since 1996.

The average transaction price is the actual price to consumers of a new vehicle after manufacturer and dealer discounts and incentives.

General Motors Co Chief Financial Officer Tim Ammann told analysts last week the impact of the Japan crisis might push vehicle prices higher and allow GM to cut back incentives.

GM had about 60 days supply of vehicles with its US dealers before the March 11 earthquake, slightly leaner than the corresponding levels for Toyota and Honda Motor Co.

Kelley Blue Book analyst Alec Gutierrez said in a report on Monday that the Japan parts shortage would tighten vehicle supply across the board, pushing prices higher.

EU fines Unilever, P&G for detergent price-fixing

AP, *Brussels*

EU regulators on Wednesday fined consumer products companies Procter & Gamble and Unilever a total of euro315.2 million ($456 million) for price-fixing on powdered laundry detergent together with Henkel in eight EU countries.

U.S.-based Procter & Gamble Co. has to pay euro211.2 million ($306 million), while British-Dutch company Unilever NV was fined euro104 million ($150 million). Both companies had their fines reduced because they agreed to settle the case with the Commission and cooperating with the investigation.

The three companies are the leading producers for washing powder in Europe, the Commission said. Unilever makes laundry detergents including OMO and Radiant; Procter & Gamble owns the Ariel and Tide brands; while Henkel produces Persil.

The cartel was started when the companies were in joint talks on how to cut down on packaging, said the EU's Competition Commissioner Joaquin Almunia.

"They used this environmental initiative to agree on market share and to agree on not reducing the prices even if the packages were smaller," Almunia said.

The cartel lasted from Jan. 2002 until March 2005 and covered Belgium, France, Germany, Greece, Italy, Portugal, Spain and the Netherlands, the Commission said.

Unilever said the fine falls below provisions already made in the company's 2010 results.

Credit cards trump cash in S Korea

AFP, *Seoul*

"Do you have any of the credit cards listed here? You can get up to 20 percent discount," a restaurant cashier asks a diner settling her bill, indicating a wall chart.

Kim Lee-Soo, 22, shuffles quickly through a stack of cards in her bulging wallet. After passing on five or six of them, she finally finds one that matches the list and claims the full discount.

It's a typical scene in South Korea, where people use plastic to pay for everything from a highway toll to a single cup of coffee -- earning a variety of discounts and even income tax rebates in the process.

"I use credit cards most of the time and the small amount of cash I carry is only for emergency use," said businesswoman Lee Chae-Hwan, 38.

Office worker Moon Seon-Young, 42, uses cash only in places like traditional markets.

The process began in 1999 as part of a government drive to fight corruption and tax evasion centred on the underground "black" economy. It gave tax breaks to encourage consumers to use credit cards and threatened tax audits for businesses which refused to accept them.

Now the country of around 49 million people has 117 million credit cards, almost five for each economically active person, the central bank says.

Card transactions were worth 517.4 trillion won ($475 billion) last year, a 6.6 percent rise on 2009, according to the Financial Supervisory Service.

South Koreans' usage of credit cards as a percentage of total consumption reached 54.9 percent in the first half of 2010 compared to 34.6 percent in the US and 43.9 percent in Britain, Seoul's Credit Finance Association says.

The bubble burst in 2003, with 3.7 million defaulters on loans and the government forced to step in to bail out card companies. The firms tightened measures when issuing cards but spending continued to increase.

Lavish rewards for cardholders are the main reason, according to Lee Jae-Youn, a senior research fellow at the Korea Institute of Finance.

"In Korea, users don't have to pay a membership fee, and rewards for using credit cards such as discounts in shops are incomparably large compared to those in other countries," Lee told AFP.

Card companies also give holders "point cash", a small percentage of each settlement, which is saved in the cardholder's account and can be spent like cash.

Good infrastructure for electronic transactions in one of the world's most wired societies, and the convenience factor, also swell usage.

"I use a credit card or debit card instead of cash because using a card raises my credit status and allows me to pay large sums in instalments," said businessman Kim Chang-Hwan, 28.

There are also the tax breaks. The government recently caused a stir when it announced it was considering dropping these this year. It later agreed to extend the policy for an unspecified period.

AFP

A customer pays his restaurant bill with a credit card in Seoul. South Koreans' usage of credit cards as a percentage of total consumption reached 54.9 percent in the first half of 2010 compared to 34.6 percent in the US and 43.9 percent in Britain, Seoul's Credit Finance Association says.