Modi promises 'unlimited' reforms to India economy

AFP, *Gandhinagar*

Indian Prime Minister Narendra Modi promised "truly unlimited" reforms Sunday in his bid to transform India's economy into a global powerhouse as he showcased his long-time fiefdom to global political and business leaders.

Speaking at a major investment summit in the western state of Gujarat attended by US Secretary of State John Kerry, UN chief Ban Ki-moon and World Bank supremo Jim Yong Kim, Modi pledged to slash red tape and banish India's reputation as a hard place to do business.

Modi was Gujarat chief minister for 13 years before leading his Bharatiya Janata Party (BJP) to national power last May, and much of his electoral appeal centred around his economic stewardship of the coastal state.

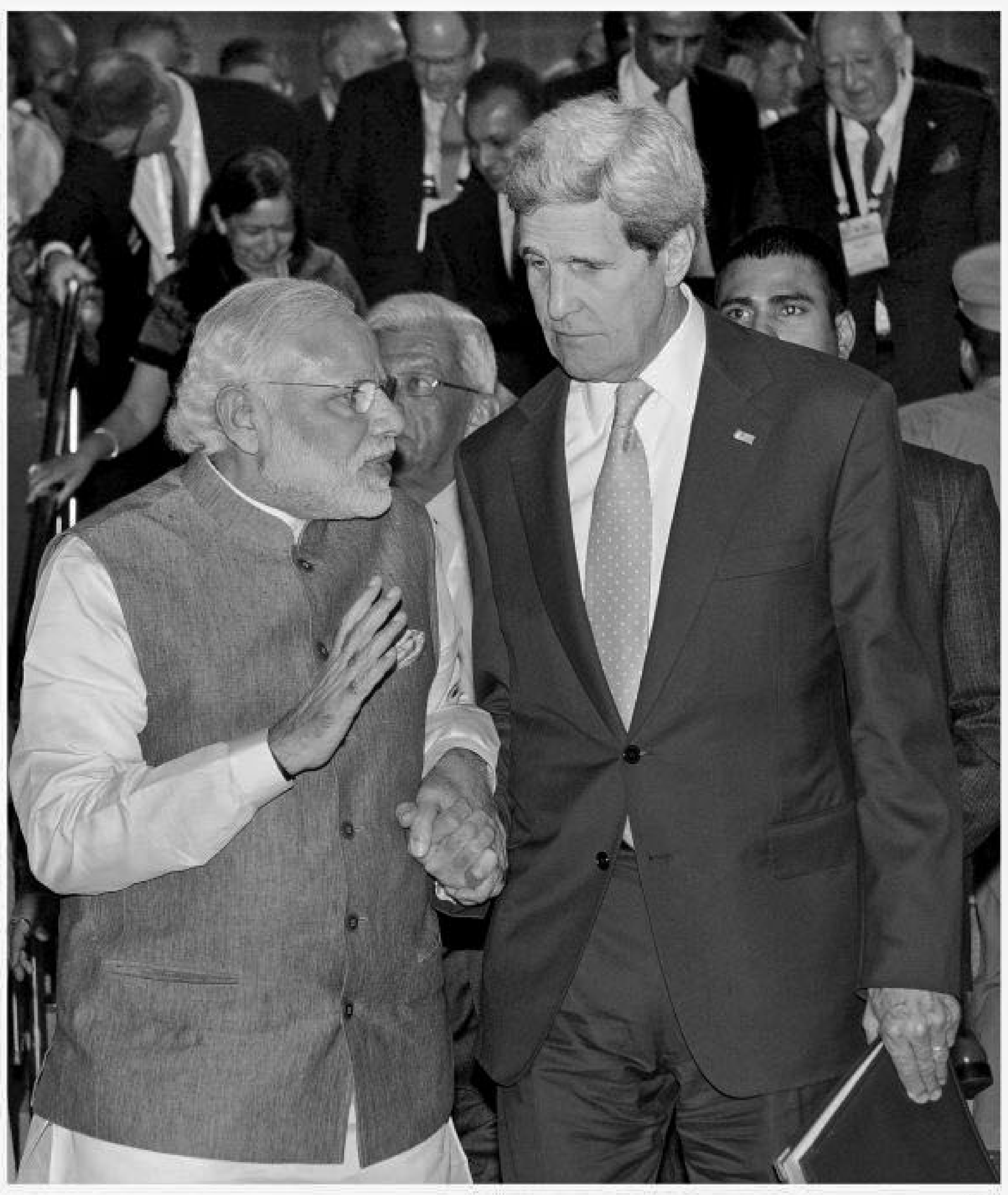
The presence of Kerry and Kim at the summit is seen as a vote of confidence in Modi's efforts to replicate his local success and kickstart growth in Asia's third-largest economy.

Kim predicted that Modi's government was on the verge of lifting millions of Indians out of poverty, while Kerry said the world's two largest democracies could make huge strides together.

Modi said his right-wing BJP government had already introduced a slew of initiatives since ending a decade of rule by the left-leaning Congress.

"In a very short span of seven months, we have been able to change the atmosphere of despair and uncertainty," he told the crowd of thousands of business leaders and foreign government ministers.

"Since day one, my government is actively working to revive the economy. My government is committed to create a policy environment that is predictable, transparent and fair."



AFP

Left, **Indian Prime Minister Narendra Modi and US Secretary of State John Kerry talk during the Vibrant Gujarat Global Summit 2015 in Gandhinagar in India.**

But Modi said he was planning even greater, unspecified reforms to make it easier to do business in India and revive the flagging economy, which is struggling through the worst slowdown in decades.

"We are planning to take a quantum leap. It is not limited to one sector or region, it is truly unlimited," he said. "We want to do this is a cleaner and greener way."

Under the previous Congress government, investors frequently complained about a hostile business climate in India, frustrated by bureaucracy and corruption.

In contrast, Gujarat won a reputation as India's most investor-friendly state during the era of 'Modi-nomics' -- even if critics say he tilted the playing field in favour of big business through tax breaks and subsidies.

Kerry told the gathering the United States has looking forward to stronger trade and diplomatic ties between the world's two largest democracies, with American companies primed for more investment.

"I can't think of a moment in all my years in public life when our destinies are converging as significantly as they are today," said Kerry, who is due to visit a Ford auto plant in Gujarat during his trip.

"This is a relationship where we believe we can turn sustainable growth into opportunities we have not seen before," he told the crowd.

Kerry's visit to India, his second in six months, comes a fortnight before US President Barack Obama is due in New Delhi as Washington seeks to warm up sometimes frosty ties.

It is only a year since Washington ended a de facto boycott of Modi, who was blacklisted following deadly communal riots in Gujarat in 2002.

Modi received a rapturous reception from members of the diaspora on a visit to the US last autumn and a number of Indian-origin bosses, including MasterCard's Ajaypal Singh Banga, are attending the Gujarat summit.

At the opening session, World Bank president Kim hailed Modi as a "visionary leader" and forecast India's growth would hit 6.4 percent this year and even faster next.

"We project that India will a bright spot in an otherwise mediocre global economic outlook," Kim told the summit.

He said Modi's government must press on with reforms, including by slashing bureaucratic red-tape and simplifying taxation by introducing a national goods and services tax.

As well as simplifying labour rules, Modi has made manufacturing a priority of his leadership, echoing his time in Gujarat.

In his address, he promoted his 'Make in India' campaign launched in September to fire up a manufacturing sector that is lagging behind China.

BANK ASIA

A Rouf Chowdhury, chairman of Bank Asia, distributes blankets among cold-hit people in Sirajdikhan, Munshiganj recently. Aminul Islam, additional managing director, was also present.

Weighing the costs for Europe if Greece exits the euro

AFP, *Paris*

A Greek exit from the eurozone would certainly come at a cost to Europe, but just how expensive would it be?

The amount Athens owes its partners is equivalent to just a tiny fraction of the eurozone's economy, but some analysts are still worried that a 'Grexit' could ultimately cost Europe its single currency.

Global markets plunged at the beginning of last week, seized by a fresh bout of fears that Greece may be forced to leave the euro.

A snap election in Greece on January 25 could bring to power the far-left Syriza party, which wants to abandon the austerity policy imposed by the EU and IMF as part of the country's 240-billion-euro ($282 billion) international bailout.

The market selloff was triggered by media reports indicating that if a new government in Athens reversed course, Germany was ready to let Greece leave the European club of common currency users.

Most analysts doubt it would come to that, but if it did Athens would be hard pressed to repay its bailout loans and would likely default.

"A Greek default on its around 240 billion euros in rescue loans would send another shock wave to the (euro) area," said Guy Verhofstadt, president of the liberal ALDE group in the European Parliament.

Germany stands to lose the most if Greece fails to pay up: some 56.5 billion euros according to calculations by Eric Dor, director of economics research at France's IESEG School of Management, based on EU data. That works out to 699 euros per resident. For France the total cost comes to over 42.4 billion euros, or 644 euros per resident.

For Italy the cost would be 37.3 billion euros, Spain 24.8 billion, the Netherlands 11.9 billion, Belgium 7.2 billion, Austria 5.8 billion, Portugal 1.1 billion and Ireland 300 million.

While the headline numbers are huge, they are minuscule in comparison to the eurozone economy. The 195 billion euros that Greece owes its partners is equivalent to just four percent of 2013 eurozone government spending. Moreover, the loans were scheduled to be repaid over many years.

And eurozone banks, which were once considerably exposed to Greece, are no longer so. JPMorganCazenove recently calculated that the eurozone lenders it covers have only about 5.0 billion euros in exposure to Greece.

Looming power blackouts threaten South Africa's economy

AFP, *Pretoria*

South Africa's capacity to generate electricity is shrinking due to ageing power plants, latest statistics show, and the continent's most developed economy could face rolling blackouts for years to come.

New data released by Statistics South Africa highlight how the beleaguered state power utility Eskom, which generates around 95 percent of the country's electricity, is unable to meet demand.

Electricity production dropped 1.4 percent from January through November last year compared with the same period in 2013.

In November, Eskom had to introduce power cuts across the country to prevent a collapse of the grid after a coal storage silo collapsed.

The outages escalated in December when swathes of the economic hub of Johannesburg were repeatedly plunged into darkness.

Eskom, which relies on its ageing coal stations for supply, has warned of a high risk of more "load shedding" until March at least.

But analysts predict that the blackouts could continue for two more years until new power plants come on stream.

That would be bad news for South Africa as one of the BRICS group of emerging economies considered to have huge potential, along with Brazil, Russia, India and China.

Last year's outages cost companies millions of dollars in lost production and business and battered South Africa's already-struggling economy, which was expected to grow by 1.4 percent in 2014.

Growth is forecast to rise to 2.5 percent this year, but that is still well below South Africa's potential, and the impact of power cuts will be more widespread this year.

"This year it's a different situation. It's negatively affecting the retail sector, it's much more across the board and it's much more immediate," said Dennis Dykes, chief economist at Nedbank.

"Unfortunately it certainly has the potential of hurting growth, anything between half a percent to one percent of GDP," said Dykes. "It is a real constraint on the economy."

Senior Eskom spokesman Andrew Etzinger summed up the situation: "The grid is tight, and we are vulnerable."

"There is a medium risk of load-shedding on the grid at the moment and that will continue until the end of summer (March)," he added.

In an effort to help slash usage, Eskom has posted energy conservation tips on its Twitter account.

"Open windows and doors to allow a cool breeze to circulate through the house" instead of turning on the air conditioning, says one tweet.

"Only boil the amount of water in your kettle that you need for the number of cups of tea or coffee you are making," reads another.

The news of more blackouts comes after Eskom said the launch of a new power unit will be delayed until February, one of a series of missed deadlines that has exacerbated the shortfall.

The power company has embarked on massive schemes to build three coal-fired stations which will see the country's generation and transmission capacity grow by 17,000 megawatts from the current 40,000 MW.

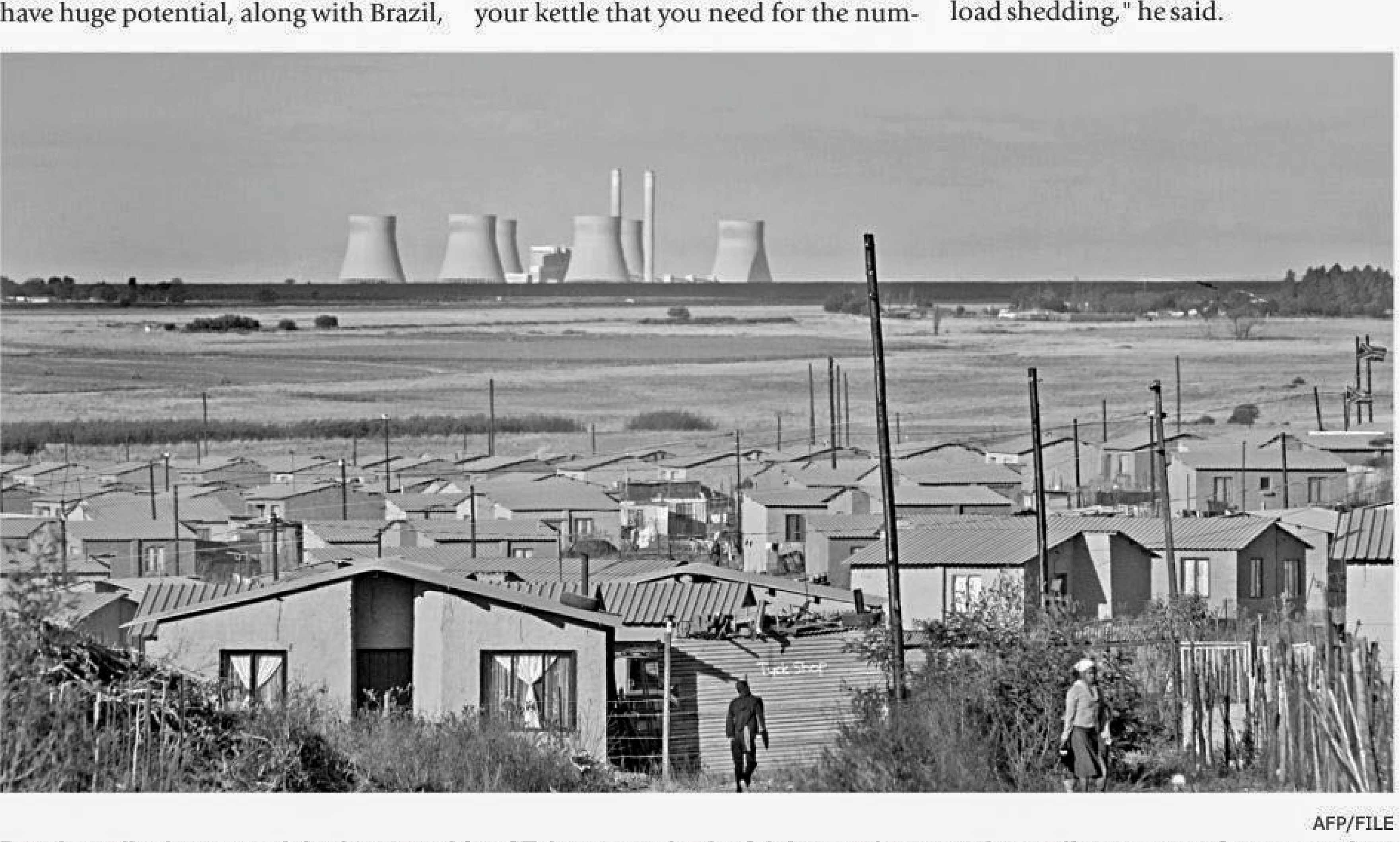
South Africa already has one nuclear power station and the government has also announced plans to build eight nuclear reactors worth up to $50 billion to add 9,600 megawatts of generating capacity.

To avoid outages, Eskom has been deferring maintenance on its old fleet of power stations, leading to a vicious cycle of breakdowns.

"It's like when you have a car and you don't service it, eventually it will fail and this is what is happening," said energy analyst Chris Yelland.

"You cannot keep the lights on at any cost forever," he said, predicting that South Africa will experience load shedding for at least the next two years while it waits for new power stations to come on stream and join the grid.

"You've got to balance the need to keep the lights on with the need to do proper maintenance, which means load shedding," he said.



AFP/FILE

People walk along a path in the township of Telmas, a suburb of Johannesburg, as the cooling towers of a power plant are pictured in the distance.

AirAsia tipped to surmount first major crisis

AFP, *Kuala Lumpur*

Until Flight QZ8501 went down everything had gone right during a spectacular 13-year run of success for AirAsia, which unlocked a booming market of budget travellers in the region.

But as long as no serious safety lapses emerge, analysts say the robust and media-savvy business built up by the Malaysia-based group should help overcome its first major reversal.

Flight QZ8501 operated by Indonesia AirAsia -- the group's Jakarta-based affiliate -- crashed in the Java Sea on December 28 en route to Singapore from Surabaya with 162 aboard. All are believed dead.

From the start, AirAsia's colourful boss Tony Fernandes publicly took responsibility, visited victims' families, and vowed to find out what happened.

Such actions are critical in restoring trust, experts say, and stand in stark contrast to Malaysia Airlines' fumbling, tight-lipped handling of the still-unsolved disappearance of Flight MH370 last March with 239 aboard.

"This is an excellent case of a crisis being handled well, to show your customers that things are being taken care of in a hands-on manner, and that the executives are not just sipping their coffees in a cosy office," said Daniel Tsang, an aerospace analyst with Aspire Aviation.

"While some passengers may avoid taking (AirAsia) flights in the short-term, AirAsia's low-cost proposition will keep drawing in first-time fliers to the airline."

If investigators uncover safety negligence on the airline's part, however, it could deeply undermine confidence.

The cause is not yet known, but the plane's Indonesian pilot had requested a course change from air traffic controllers shortly before the crash to avoid a storm.

Indonesian officials in turn have raised questions about Indonesia AirAsia, saying it did not have a license to fly the route that day, but Fernandes has rejected the claim.

Yet even if any safety lapses are pinned on the carrier, aviation analysts said AirAsia could mitigate the impact with an aggressive and public campaign to address shortcomings.

AirAsia would need to "be upfront about safety lapses, own up to error, lay out ways to avoid future (accidents), and move on", said Terence Fan, an aviation expert at Singapore Management University.

"Unless serious lapses at the airline were found, an airline typically bounces back in a few months in terms of traffic."

Taking to Twitter, Fernandes last week vowed all the facts will come out. "We never hide," he declared.

Shukor Yusof, founder of Malaysia-based aviation research firm Endau Analytics, said he would be surprised if a systemic AirAsia safety problem was found. "AirAsia does well in cost-cutting but not to the extent of foregoing safety," he said.

Knowing the plane's fate also means AirAsia can bring closure to families, so muting long-term criticism. In contrast, the failure to find MH370 has left many victims' kin alleging a cover-up by Malaysia Airlines and Malaysia's government.

A former record industry executive, Fernandes, 50, took over heavily indebted AirAsia in December 2001. He turned it into a roaring success with its rock-bottom fares and a playful image embodied by its baseball cap-wearing boss, who has been called Asia's Richard Branson.

With its corporate motto declaring "Now everyone can fly", it has won over tens of millions of travellers in a burgeoning Asian middle class previously confined to more expensive regional flag carriers, snagging several awards as the world's best budget carrier.

"Certainly AirAsia will recover as it is a very good airline and this tragedy will not impact its growth," said AirlineRatings.com editor Geoffrey Thomas.

Volvo to sell Chinese-made cars in US

REUTERS, *Beijing*

Volvo Car Group plans to export a Chinese-made midsize sedan this year to the United States, and is starting to weigh the possibility of building a vehicle factory in the United States, people familiar with the Chinese-owned automaker's plans said.

Both moves would be significant for the auto industry and Volvo's parent, Zhejiang Geely Holding Group Co. So far, global automakers have chosen not to ship vehicles made in China to the US market in any significant numbers, and efforts by Chinese automakers to export vehicles to the United States have foundered.

Volvo is also behind rivals BMW and Mercedes in establishing production in the United States, which insulates the German brands from currency fluctuations.

Volvo might also export a large "strategic, flagship" sedan based on a newly developed underpinning technology, said the executives, who work for Zhejiang Geely. That car would be shipped out of China in addition to the Volvo S60L, a long wheelbase version of the S60 sedan Volvo began producing in the southwestern China city of Chengdu more than a year ago.

The moves are aimed at reviving Volvo's momentum in the US market where volume last year fell 8 percent from 2013 to 56,371 vehicles. The US market, which has long been Volvo's largest market, was replaced by China last year. China bought 81,221 Volvos in 2014, up 33 percent.

More broadly, the moves are part of Geely's turnaround strategy for Volvo which has struggled to go beyond being a brand with an annual volume of less than a half-million vehicles. Thanks to its focus on China where the brand expanded its distribution network and product portfolio, Volvo sales volume is on the rise. It sold a total of 465,866 vehicles globally last year, up 9 percent from 2013.

"The S60L offers class-leading rear space, something that has been consistently demanded by US customers. It will be made at Volvo's plant in Chengdu, China, and will be on show for the first time at this year's North American International Auto Show in Detroit," said David Ibison, a Gothenburg, Sweden-based Volvo spokesman. "The S60L forms just one part of our US revival plan."

Ibison said Volvo plans to launch seven new products by 2018 and increase US sales to around 100,000 cars a year in the medium term. He declined to elaborate.