Gaps remain in Greek talks with creditors

REUTERS, *Athens/Brussels*

AFP

Demonstrators gather to show their solidarity towards the people of Greece, near Nelson's Column in central London, on Tuesday.

GREECE'S Prime Minister Alexis Tsipras flew to Brussels to meet Greece's international creditors on Wednesday to try to bridge gaps on key elements of the proposals made by his left-wing government to shore up state finances in return for vital loans.

Athens had proposed increasing VAT, corporate tax and pension contributions in order to meet budget targets, but Tsipras told aides that creditors had not accepted the revenue-raising measures, a Greek government official said.

"This strange attitude can only mean one of two things: either they do not want an agreement or they are serving specific interests in Greece," Tsipras said in a tweet.

Markets reacted nervously to the comments from Athens, but a European Union official close to the talks, who declined to be named, made clear talks were continuing:

"Nothing has broken down, negotiations are going on and the meeting with Tsipras will go ahead as planned."

Still, with time running out before the June 30 deadline when Greece has to repay 1.6 billion euros ($1.79 billion) to the International Monetary Fund or go into default, another EU official close to the talks said major differences remained.

"Positions before the meeting with Tsipras are still apart on many points," the source said, listing pensions, VAT and corporate taxation. "There was not much progress yesterday."

The issue of debt relief, a key demand on the Greek side, had not even been discussed, the official said.

European stock markets gave back some of the gains made this week as doubts returned over Greece. Athens' benchmark ATG equity index, which had risen 15 percent in the last two days, fell 3.6 percent and the Greek bank index dropped 7.2 percent.

Tsipras was to meet the heads of the European Commission, the IMF, the European Central Bank, euro zone finance ministers and the bloc's rescue fund in Brussels around 1100 GMT to hear their official response to Greece's proposals, EU and Greek officials said.

Euro zone finance ministers were due to convene at 1700 GMT to finalise an agreement for the currency area's leaders to approve on Thursday.

Tsipras, who came to power in January on a promise to end austerity, has offered a package of measures based heavily on hikes to VAT and corporate taxes and increases to pension contributions.

European leaders gave a cautious welcome to the proposals as a negotiating basis on Monday, but they have also been criticised as too dependent on growth-sapping tax hikes rather than spending cuts.

Many on the creditor side also doubt whether the Athens government can actually raise the promised tax revenues, because the tax collection system is so weak.

Tsipras must also deal with a backlash from his own leftist Syriza party that could make it harder to get an accord approved in parliament.

Economy Minister Giorgos Stathakis said lawmakers would have to approve the package before Greece's international bailout expires on June 30. Some euro zone parliaments, including leading creditor Germany's, will also have to endorse it before the deadline.

A series of street protests in Athens in recent days, some organised with Syriza's support, have underlined public opposition to yet more belt-tightening.

"There are four people in my household, and we are living on 600 euros a month. Where else does that happen?" said 59-year-old Antonia Methoniou, a cancer patient who took early retirement for health reasons.

Greece has been pushing creditors hard to write off part of its huge public debt, arguing that without it, the economy cannot recover from a crisis that has cut overall output by a quarter and pushed the unemployment rate to 25 percent.

But after months of fruitless and often acrimonious wrangling, there has been no sign from European governments of any willingness to accept a debt write-down, which they would have to explain to their own electorates.

Australia latest US ally to join China-led AIIB

AFP, *Sydney*

Australia said Wednesday it will join the new Beijing-led Asian Infrastructure Investment Bank as a founding member, contributing Aus$930 million (US$719 million) in paid-in capital over five years.

Australia is the latest US ally to sign up to the bank, which has been shunned by Washington and Tokyo, the world's largest and third-largest economies respectively.

The AIIB has 57 prospective members, and will have a paid-in capital of US$20 billion and total authorised capital of US$100 billion, Foreign Minister Julie Bishop and Treasurer Joe Hockey said in a joint statement.

"The decision comes after extensive discussions between the government, China and other key partners around the world," the ministers said.

"There is an estimated infrastructure financing gap of around US$8 trillion in the Asian region over the current decade. The AIIB will be part of the solution to closing this gap." Hockey will seal the agreement in Beijing on Monday.

The bank, expected to be operational later this year and based in the Chinese capital, has been viewed by some as a rival to the World Bank and the Asian Development Bank, two institutions under strong US influence.

Its success has caught the US off guard, after it led a high-profile attempt to dissuade allies from taking part, and now finds itself increasingly isolated.

There have been concerns over transparency of the lender, which will fund infrastructure in Asia, as well as worries that Beijing will use it to push its own geopolitical and economic interests as a rising power.

But Hockey said that following "intense negotiations" with China and other prospective founding members, Australia was satisfied with how the bank would be governed.

"We are absolutely satisfied that the governance arrangements now in place will ensure that there is appropriate transparency and accountability in the bank," the treasurer told broadcaster Sky News.

"I have spoken with the Secretary of the US Treasury Jack Lew about it in the last 48 hours and we've also spoken with the Japanese government to address their concerns.

"They (the Americans) understood exactly where we were coming from. It is a significant opportunity for Australia."

The Australian government expects the bank, through its support of Asian infrastructure projects, to help boost the nation's exports -- including minerals,

China to invest $80b in 193 aviation projects this year

REUTERS, *Beijing/Shanghai*

China will invest 500 billion yuan ($80 billion) in 193 major domestic aviation projects this year, the country's aviation regulator said, to meet growing demand from travelers and to bolster growth as the world's second-largest economy slows.

The plan was outlined in prepared remarks to be delivered later on Wednesday by Li Jiaxiang, head of the Civil Aviation Administration of China, at an aviation forum in Beijing. The remarks did not specify details about the projects.

The announcement comes amid a wider effort by Beijing to increase overall infrastructure spending after economic growth slowed to a six-year low in the first quarter. The country's state planner has so far in the first six months approved billions of dollars of railway and airport projects.

China's aviation sector has grown rapidly in recent years, driven by demand from the country's increasingly wealthy middle class. Outbound passenger volumes rose 39 percent year-on-year over the January-May period, Li said.

He added that Chinese airlines now fly 553 routes to 127 cities in 51 nations, and plan to add 83 more routes over the summer and autumn period.

Volkswagen to play catch-up in India with feature-rich subcompact

REUTERS/FILE

Children hold Indian national flags as they sit on a Volkswagen Beetle during a photo-shoot in front of Hari Palace during Independence Day celebrations in Jammu.

REUTERS, *New Delhi*

Germany's Volkswagen AG, Europe's biggest automaker, is betting that the launch of a feature-rich subcompact in India next year will build on its mere 2 percent market share and drive expansion in the quick-growing emerging market.

The new car will fall in the small but burgeoning segment for vehicles shorter than 4 metres, to take advantage of tax breaks, and come with perks usually reserved for high-end models, such as dual airbags and automatic gear shift.

The car will mark a late entry into a segment popular with a growing middle class seeking high-spec yet affordable vehicles. Market leaders Maruti Suzuki India Ltd, Hyundai Motor Co and Honda Motor Co already sell sub-4 metre sedan models.

"That's where we see the better future," Michael Mayer, VW's director of passenger cars in India, told Reuters.

"Developing a car takes some time but in this particular case we took a rapid decision ... to make it come to market as fast as possible," he said in an interview on Tuesday.

Lack of such compact and competitively priced cars has put Volkswagen on a weaker footing in India, where sales fell 14 percent to about 45,000 vehicles in the business year ended March 31. That compared with a market increase of 5 percent, data from the Society of Indian Automobile Manufacturers showed.

Volkswagen hopes the new model, tailored for India and built locally, will reverse the decline.

Once it launches the new sedan Volkswagen would need to weigh expanding its production capacity of 130,000 vehicles a year, Mayer said, indicating its ambition to sell in India and export to other emerging markets, although he did not say where.

Volkswagen, which produced about 107,000 vehicles in the year to end-March, with nearly two-thirds of them exported, plans to increase capacity to 200,000 vehicles by 2018, a company spokesman said.

Sales of subcompact sedans and subcompact SUVs made up a sixth of the 2.6 million cars sold in India last year, market researcher IHS says, with such sales likely to double to nearly 1 million by 2020.

The sub-4 meter segment benefits from a lower excise duty rate of 12 percent, aimed at encouraging smaller cars, to rein in traffic congestion, versus up to 30 percent on bigger cars.

The preference for the sedan body shape makes subcompact sedans unique to India, Mayer said, adding that it also presents a challenge: squeezing high-end features into a small car and making it look good, while keeping costs low.

To contain costs Volkswagen plans to produce the vehicle on the same production line as its Polo hatchback and Vento sedan, Mayer said. "We must find smart solutions," he said.

BlackBerry cuts losses in Q1

AFP, *Ottawa*

Blackberry on Tuesday posted a first quarter loss of $28 million, cutting in half the financial deficit the smartphone maker posted during the same period last year.

However, the results still fell short of what analysts had been expecting.

Revenues in the three months ending May 31, 2015 dropped 32 percent to $658 million. This marked a sharp decline from two years ago when BlackBerry was bringing in about $3 billion per quarter.

The number of its handsets sold in the period compared to a year earlier, meanwhile, fell from 2.6 million to 1.1 million. BlackBerry's North American sales, which represent 43 percent of its revenues, have remained relatively steady from quarter to quarter.

But its European, Middle East and African sales plunged in the last year, according to the company's latest financial statement.

Its Asian and Latin American sales also fell, it said.

REUTERS

Blackberry CEO John Chen speaks to reporters following their annual general meeting for shareholders in Waterloo, Canada on Tuesday.

Wal-Mart to impose charges on suppliers as its costs mount

REUTERS

WAL-MART Stores will begin charging fees to almost all vendors for stocking their items in new stores and for warehousing inventory, raising pressure on suppliers as the world's largest retailer battles higher costs from wage hikes.

The company said it started informing suppliers about the fees and other changes to supplier agreements last week. The changes, which also include amended payment terms, will affect 10,000 suppliers to its US stores.

While the chain has sometimes imposed such fees in the past, they were not applied uniformly. Some but not all suppliers were charged, spokeswoman Molly Blakeman said without providing details.

The changes are aimed at bringing "consistency to the collection of allowances related to the growth of our business and suppliers' use of the Walmart supply network," it said in a letter to suppliers, a copy of which was seen by Reuters.

The new agreements mean a larger number of vendors will likely start paying fees, passing some of

REUTERS

A family shops at the Wal-Mart Supercentre in Springdale, Arkansas.

the retailer's costs onto suppliers, analysts said. It was unclear how much money Wal-Mart would receive as a result of the changes.

For instance, Wal-Mart is seeking to charge a food supplier 10 percent of the value of inventory shipped to new stores and to new warehouses, both one-time charges, and 1 percent to hold inventory in existing warehouses, according to a copy of amended terms seen by Reuters.

It is not clear from the document whether the one-time charges apply only to the initial shipment or cover a certain period of time. Currently, the supplier is not charged anything, the document shows.

The move marks a shift of sorts by Wal-Mart, which unlike other retailers has sought to limit such fees in return for demanding suppliers give it the lowest price, said Kurt Jetta, head of consumer and retail analytics firm Tabs Group Inc.

"It is not the way Walmart has done business in the past," Jetta said. "This approach suggests that they are seeking areas to offset their increased investment in wages, as well as offset their lack of organic revenue growth."

The fees for new stores and for warehousing goods are a way of sharing the costs of growth and keeping prices low, Wal-Mart spokeswoman Deisha Barnett said: "The changes we have outlined will help us ensure that we are operating at everyday low costs that yield everyday low prices."

The company said late last year it planned to open between 260 and 290 new stores in the fiscal year to January 2016.

Wal-Mart executives have indicated changes were coming. In April, US division head Greg Foran told analysts that the company was looking at investments in marketing and other areas of the supplier relationship to squeeze costs.

While Wal-Mart has achieved three straight quarters of same-store sales growth in the United States, its margins have been weighed down by big investments in its e-commerce operations and a move to increase wages for half a million workers earlier this year.