WORLD ECONOMY AND BUSINESS

JAL to stay with American Airlines

TOKYO: Japan Airlines, after declaring bankruptcy last month, appeared set on Monday to keep its current tie-up with American Airlines and end talks to defect to the world's biggest carrier Delta.

US giants American and Delta Air Lines have been competing to invest in ailing JAL, which filed for bankruptcy with 26 billion dollars of debt in one of Japan's biggest ever corporate failures.

Both airlines have circled JAL, hoping to benefit from a new US-Japan "open skies" deal to expand their reach in the lucrative Asia-Pacific aviation market. The market last year surpassed North America as the world's largest.

Japanese media had previously said JAL planned to switch to the SkyTeam alliance of Delta and ditch American's Oneworld alliance, which also includes British Airways and Qantas.

But newspapers including the Nikkei business daily, and NHK television, said JAL's new management and the government's Enterprise Turnaround Initiative of Japan believe the switch would be costly and risky.

The embattled carrier feared that a switch to Delta and SkyTeam would confuse its passengers, and may not win anti-trust immunity from US authorities because it would dominate the trans-Pacific market.

A JAL spokesman said: "Nothing is decided on this issue and the reports are based on speculation."

In a statement, American Airlines said that "until JAL officially announces its future alliance plans, it's inappropriate to comment".

In December, Japan and the United States reached a liberalisation deal to replace a 1952 accord that fixed the number of US-Japan flights.—AFP

VANCOUVER: Protestors taking part in an anti-poverty and Olympic demonstration sleep in the doorway following a march in Vancouver, British Columbia, on late Sunday. Several hundred marched through the streets to protest the money being spent on the 2010 Olympic Winter Games which begin here February 12.—Reuters

Toyota readies Prius steps; US, Canada production restarts

TOKYO/DETROIT: Japanese carmaker Toyota Motor Corp said it was preparing a global recall of its new Prius model, risking a fresh dent to its battered reputation for quality and reliability.

As US plants resumed production of eight models involved in an earlier safety recall, the world's largest automaker readied action on the hybrid car in Japan as early as Tuesday.

Steps to fix problems with delayed braking in certain road conditions would follow in the United States, Europe and other markets, a source familiar with the plans said.

Toyota said on Monday it restarted production at six US and Canadian plants "with no issues", a week after halting work, as problems with unintended acceleration spiralled into the recall of over 8 million vehicles worldwide.

The company, which has boosted its green credentials with the low-emission Prius, has said it was discussing with safety authorities worldwide how to resolve a software glitch on the Prius.

Toyota faces further scrutiny on Wednesday, when its North America CEO Yoshimi Inaba testifies to Congress in front of the House Oversight Committee in Washington.

Transportation secretary Ray Lahood and National Highway Traffic and Safety Administration Administrator David Strickland will also testify.

US safety authorities and members of the Obama administration have accused Toyota of responding too slowly to problems related to uncontrolled acceleration that have been linked to up to 19 crash deaths in the United States over the past decade.

Toyota President Akio Toyoda on Friday apologised for the earlier series of recalls. He said the company was rushing to reach a decision on the Prius and was taking the unusual step of bringing in outside experts to review quality controls.

A Toyota Motor Europe spokesman said on Monday that, to date, it had received no reports of problems with the new Prius in the region, but a decision on the next steps for the model, involving discussion with other regions, would be made "very soon".

A US spokesman said the company expected to have a solution early this week but so far had not changed its stance.

Since the launch of the new Prius last May, Toyota has sold around 200,000 of the cars in Japan, 103,200 in the United States and 29,000 in Europe.—Reuters

India's growth points to rate rise, less stimulus

NEW DELHI: India said on Monday its economy would grow 7.2 percent this fiscal year, picking up from a six-year low the previous year and underlining expectations that the central bank will raise rates in coming months.

It also backed the market view that the government could announce steps to unwind its stimulus measures in the annual 2010/11 budget presentation on Feb. 26 as a recovery in Asia's third-biggest economy shows a more solid footing.

Markets have already priced in expectations for a rise in interest rates and the estimate on Monday did little to change that. At 12:41 p.m. (0711 GMT), the yield on the benchmark 10-year bond was at 7.66 percent, below Friday's closing of 7.68 percent.

Still, Rajiv Kumar, chief executive of ICRIER, a Delhi-based think-tank, said the Reserve Bank of India (RBI) would watch the budget before making a decision on interest rates.

"The RBI will probably watch the government action on the stimulus exit in the budget before taking a call on interest rates," he said. The official forecast released on Monday was largely in line with other estimates that point to an economy picking up after growth weakened to a six-year low of 6.7 percent in 2008/09. The economy has rebounded quickly with data showing strength in industrial output, although a damaging drought has hit the agricultural sector.

The Congress Party-led government introduced various stimulus measures during the downturn, including more relaxed repayment schedules for export credit. It has tried to reassure Indians that it would not do anything to jeopardise growth in withdrawing its stimulus. But analysts say that with the economy recovering, it is treading a thin line between supporting the economy and inflaming inflation.

In addition, reduced spending would help eat into its 2009/10 fiscal deficit, which is at a 16-year high of 6.8 percent of GDP.

The Reserve Bank of India (RBI) has already raised bank reserve requirements as it starts to withdraw its crisis measures and it has warned of mounting inflation pressures, setting the stage for rates to rise.

The Central Statistical Organisation forecast said it expected the economy in the year to the end of March to expand 7.2 percent.

It said manufacturing, a key growth driver, would grow 8.9 percent, a sharp pick up from 2.4 percent in the previous year.

Farm output would contract 0.2 percent after the worst monsoon in 37 years, swinging from year-earlier growth of 1.6 percent. Still, the latest forecast is higher than a 2 percent contraction forecast by the prime minister's economic advisory commission in October.—Reuters

Rat, cockroach, flea join 'Poverty Olympics'

VANCOUVER: Demonstrators, as well as mascots of a rat, cockroach and flea, took part in the 'Poverty Olympics' on Sunday to protest at the cost of the 2010 Winter Olympics.

"Six billion dollars for three weeks of competition, it's great for the city but brings nothing to the population as a whole," Robert Bonner, a North American Cree, and a member of one of the community groups involved in the protest, told AFP.

Five days ahead of the opening of the Winter Games, around 12 anti-Olympic groups staged a mock opening ceremony, introduced their mascots and handed out fake tickets.

The protest was also staged to highlight the plight of Vancouver's Downtown Eastside, a neighbourhood widely believed to be Canada's most deprived district, plagued by drug abuse and prostitution.

"The Games have created high rents, leading to the displacement of people from Downtown Eastside who can no longer afford to live there. At the same time we have the lowest minimum salaries in Canada," said Dave Diewert, a member of Streams of Justice, another group taking part in the protest. Anti-Olympics groups claim that the costs of staging the Games, estimated at six billion Canadian dollars, could have financed 12,720 social housing units.—AFP

EU approves Swedish guarantee for loan to Saab

BRUSSELS: The EU's competition watchdog on Monday approved Swedish plans to act as guarantor for an European Investment Bank (EIB) to automaker Saab.

The European Commission ruled that 83 percent of the 400-million-euro (600-million-dollar) loan was in line with temporary EU rules on state aid measures, drawn up to help companies through the economic and financial crisis.

The remaining 17 percent will be provided on market conditions and therefore does not constitute state aid, the commission stated.

In particular, Saab will pay "an adequate remuneration" for the guarantee and provide sufficient securities in case the guarantee would be drawn.

Sweden announced last month that it will guarantee the loan following a decision by US automaker General Motors to sell Saab to Dutch luxury sports car maker Spyker.

As part of the agreement, Spyker will form a new company, Saab Spyker Automobiles, that will carry the Saab nameplate forward.

The Swedish loan is to help Saab produce less polluting and more eco-friendly cars.—AFP

EU extends ABN AMRO state aid probe

BRUSSELS/AMSTERDAM: EU regulators on Monday extended an in-depth investigation into state aid granted to nationalised Dutch banks ABN AMRO and Fortis Bank Nederland and temporarily approved a 6.9 billion euro ($9.4 billion) recapitalisation to finance their merger.

The European Commission, competition watchdog of the 27-country European Union, said it would assess the combined effect of all the aid and the recapitalisation to ensure it did not skew competition.

The Dutch government has committed a total of more than 23 billion euros since Oct. 2008 to the nationalisation and recapitalisation process, making it one of the world's costliest bailouts since the financial crisis began.

The government wants to merge the two companies and eventually privatise the combined group as part of its exit strategy for the banks, which it nationalised in Oct. 2008 for 16.8 billion euros.

The Dutch finance ministry said in a statement: "We are happy with the decision which gives us the opportunity to work further on integration of the banks." The recapitalisation, approved until July 31, includes a guarantee on a 34.5 billion euro portfolio of Dutch mortgage loans and the subscription to a mandatory convertible security of 3.1 million euros.

It also covers the conversion into capital of Tier 2 loans granted to Fortis, a cash payment of 740 million euros and the provision of a counter guarantee on a 950 million euro liability.

The Commission's decision follows the completion on Saturday of the complicated legal demerger of the ABN AMRO businesses owned by the Dutch state from the businesses owned by the Royal Bank of Scotland.—Reuters

Taiwan's exports post strongest growth in 34 years

TAIPEI: Taiwan's exports last month registered their strongest growth in nearly 34 years due to a recovery in global demand for the island's high-tech goods, the government said Monday.

January shipments totalled 21.75 billion US dollars, marking year-on-year growth of 75.8 percent, the best performance since August 1976, the finance ministry said.

Imports in January were 19.25 billion dollars, up 114.7 percent from a year earlier, the best since September 1974 as the island's recovery from the global slump picks up speed.

The month's trade surplus fell 26.8 percent from a year earlier to 2.49 billion dollars.

In January, exports of electronic goods rose 106.0 percent from a year earlier to 6.11 billion dollars, while sales of optical products grew 233.1 percent to 1.75 billion dollars.

Taiwan sold 9.54 billion dollars worth of goods to China and Hong Kong last month, up 157.5 percent from a year earlier, while exports to the US rose 13.7 percent from a year ago to 2.22 billion dollars.

Economists said the trade-dependent island was likely to experience a rebound in exports in coming months, boosting the wider economy.

Citibank economist Cheng Cheng-mount said he expected US-based Apple to need large amounts of Taiwan-made components for its new iPad, while consumer items such as smartphones would continue to attract foreign buyers.—AFP

Chinese mortgage rates up

BEIJING: A major Chinese bank has raised mortgage rates in one of the first signs of how a government lending clampdown is rippling through the economy and could tame turbo-charged growth but spook investors.

Bank of China's decision to roll back mortgage discounts came after banks throughout the country aggressively called in loans in the second half of January to fall into line with a directive from Beijing to slow lending.

Regulators have also issued banks with strict lending quotas and began demanding daily notification of loan volumes in order to avoid an uncontrolled credit surge, local media reported.

"If loans are called back, and, more importantly, if it is increasingly difficult to get new credit, it will be bad for the real economy," said Zhang Lei, an analyst with Bohai Securities in Tianjin.

That, to a certain extent, has been the government's game-plan after annual economic growth leapt to 10.7 percent in the fourth quarter, stoking fears about overheating and inflation.

But the liquidity tightening has weighed on investors worldwide, who fret that it will curb demand from an economy that has led the way out of the global financial crisis.

Property prices across China rose 7.8 percent year on year in December and soared even higher in parts of some major cities, driving the government to use taxes and credit controls to let the air out of an incipient bubble.

Those measures, plus the lending clampdown, have started to bite, with property transaction volumes falling steeply and prices starting to ease in some cities.—Reuters

Hyundai Heavy picked for $1.16bn Goliat vessel

OSLO: South Korea's Hyundai Heavy Industries won on Monday a $1.16 billion deal to build a production vessel for the Goliat field in the Barents Sea, raising Norwegian concerns about local competitiveness.

Goliat, the first offshore oil development in Norway's Arctic region, is expected to come on stream in November 2013 with a floating production storage and offloading (FPSO) unit based on a cylindrical design by Sevan Marine, the Sevan 1000.

Italian oil and gas producer Eni holds 65 percent of the licence and Norway's Statoil holds the rest.

Hyundai Heavy won the contract for engineering, procurement, construction and transportation of the vessel in a competitive tender process, trumping a joint bid from Norway's Aker Solutions and Samsung Heavy Industries.—Reuters

Eco City launches electric London taxi

LONDON: Britain's Eco City Vehicles has launched an electric prototype of the Mercedes Vito taxi, which will it trial later this year to test its suitability for use as part of London's iconic black taxi fleet.

"The eVito is the first all-electric wheelchair accessible taxi with a 25-foot turning circle to be launched in the world and a major step towards our goal to become a leading supplier of niche eco-friendly vehicles," said CEO Peter DaCosta.

The firm, which sells and services cabs, said on Monday it developed the Mercedes eVito alongside its manufacturing partners Penso, Mercedes Benz UK and Zytec Automotive.

Since its launch in 2008, the Mercedes Vito has proved to be a serious competitor to Manganese Bronze, the maker of London's traditional black taxis.

Eco City said last year the Vito now has a 30 percent share of new black cab taxi sales in London.—Reuters

Indonesia sells $850m worth of Islamic bonds

JAKARTA: Indonesia has sold more than 850 million dollars worth of Islamic bonds to domestic retail investors, three-times more than its target, officials said Monday.

The bonds, or sukuk, will mature in three years and pay 8.7 percent, finance ministry director for debt Rahmat Waluyanto told reporters.

"The government earlier targeted to sell three trillion rupiah (318 million dollars) worth, as we're conservative. But we managed to sell 8.033 trillion rupiah," he added.

A total of 17,231 investors took part, he said.

"About 9,055 investors bought up to 100 million rupiah worth of sukuk. The top investor bought 25 billion rupiah worth. It seems that our investors are quite prosperous," Waluyanto said.

As Islamic law forbids interest payments, sukuk generate returns by other means such as lease payments on securitised underlying assets.

Indonesia is the world's most populous Muslim-majority country with around 90 percent of its 234 million people following the Islamic faith.

But it has lagged other countries such as Malaysia and Persian Gulf nations in developing an Islamic finance sector. Islamic bonds comprise only about five percent of outstanding corporate bonds issued in Indonesia, whereas in Malaysia sukuk account for around a third or more. Jakarta sold its first sukuk in 2008 in a local-currency deal, and launched a 650-million-dollar global sukuk last year. Waluyanto said the government planned to sell its second global sukuk later this year.—AFP

SAP CEO eased out

FRANKFURT: SAP AG shouldered aside its CEO of just seven months, surprising a market he failed to win over during his tenure and leaving investors wondering where the world's top business software firm heads next.

SAP announced Leo Apotheker's abrupt departure late on Sunday, replacing him with immediate effect with a new management team expected to inject a clearer sense of direction at the helm.

"This step comes as an absolute surprise," DZ Bank analyst Oliver Finger told clients in a research note. "(It) should increase short-term uncertainty about SAP's future strategy" and hit the firm's shares.

The stock was down 1.8 percent at 1144 GMT, while the DAX index rose 0.4 percent and the DJ Stoxx tech index was down 1.1 percent.

SAP said it was returning to its traditions of split leadership with Bill McDermott, head of the field organisation, and Jim Hagemann Snabe, product development chief, both already members of the SAP executive board, taking the helm.—Reuters

Kuwait 4-year plan could boost economy: Moody's

KUWAIT CITY: Kuwait's 104-billion-dollar development plan which parliament passed last week could boost the Gulf state's non-oil economy if implemented correctly, Moody's Investors Service said on Monday.

"This plan could potentially boost the country's non-oil private sector economy and support the construction sector, which has been under pressure in recent years," said Moody's in a statement.

"However, the efficient implementation of the development plan remains in question given that the country's cumbersome bureaucracy has prevented authorities from meeting much lower spending targets," it added.

Parliament in OPEC's fourth largest producer overwhelmingly passed the four-year development plan, the first in 25 years, with the aim to boost spending on long-delayed mega infrastructure projects.

The plan includes such projects as developing the new Silk City business hub at an estimated cost of 77 billion dollars, as well as a major container harbour and a 25-kilometre (16-mile) causeway.—AFP

Greek unions promise strikes, euro jitters persist

• Spain vows to press ahead with pension reform

ATHENS: Greek civil servants threatened on Monday to stage more strikes in protest at government austerity measures, heightening fears debt-laden members of the eurozone may struggle to deliver on promises to tackle stretched budgets.

The euro was mired near 8-month lows against the dollar and the bonds of economically weak members of the 16-nation currency bloc remained under pressure as investors continued to fret about their ability to service their debt.

In Spain, the government of Prime Minister Jose Luis Rodriguez Zapatero said it was sticking with a plan to raise the retirement age despite the threat of union protests there which would mark the end of a period of relative social harmony.

Markets are worried that unrest in Greece, Spain and its western neighbour Portugal could hamper the ability of governments there to rein in soaring deficits, swollen by a deep economic downturn and billions of euros in stimulus spending.

If they fail to do so, pressure on their stock and bond markets is likely to rise in a vicious circle which could force the bloc to bail out one of its members or even push a country out of the 11-year old currency union.

"Markets are unwilling to give the benefit of the doubt at this stage and seem set to continue the pressure," said Charles Diebel, head of European rates strategy at Nomura.

The euro was stuck below $1.37 against the dollar and the British pound hit an 8-1/2 month low against the greenback as jitters about the health of eurozone members highlighted Britain's own grim fiscal position, analysts said.

The yields on Greek government bonds compared to benchmark German issues widened after the warning from Greek unions that more strikes were forthcoming, while Spanish and Portuguese bonds were also under pressure.

Prime Minister George Papandreou is putting the finishing touches on a deficit-cutting plan, endorsed by the European Commission, to pull Greek finances back from the brink.

His socialist government has promised to tighten one of Europe's leakiest tax systems and freeze public sector wages in a bid to slash Greece's deficit from 12.7 percent last year to below the EU's 3 percent ceiling by 2012. The government's emergency tax reform and wages bills are expected to be unveiled this week and become law by the end of the month, but details have angered Greece's powerful unions.

"We will strike on Wednesday to defend our dignity, to put an end to our sacrifices on the altar of financial markets. These are pointless sacrifices," Spyros Papaspyros, president of the ADEDY public sector union, told a news conference.

ADEDY said it would decide on Thursday after the government presents the bills whether to call another strike in early March or join one on Feb. 24 by the GSEE private sector union.

In a positive sign for the government, opinion polls at the weekend suggested most Greeks back its economic policy and consider the fiscal measures necessary and fair. In Spain, however, where unemployment is nearing 20 percent, public opposition to Zapatero's fiscal plans is growing.

A poll in left-leaning newspaper Publico showed 49 percent of Spaniards would support a general strike against the government's plan to raise the legal retirement age to 67 from 65 and consider cutting pension payments as the population ages.

Spanish unions are due to hold protest marches at the end of the month, but Zapatero's labour minister vowed on Monday to press ahead with the austerity plans. "The government has sent a proposal on pensions to parliament and we're not going to withdraw it, with demonstrations or without them," Celestino Corbacho told El Mundo newspaper.—Reuters