OECD criticises European plan to tax internet giants

The OECD said Wednesday that a proposal by leading European nations to tax the revenues of US internet giants was at best an interim option until a global solution is found.

"A tax of revenue would be an interim solution," said Pascal Saint-Amans, director of the OECD's Centre for Tax Policy and Administration during a hearing at the French parliament.

France, Germany, Italy and Spain have adopted a common position to explore options compatible with EU law to tax internet giants based on the revenues they generate in their countries.

Big EU countries have become increasingly frustrated that internet giants such as Amazon, Apple, Facebook and Google escape paying much in taxes by basing and often billing their operations through low-tax EU states such as Ireland.

Corporate taxes are based on profits, with each country setting its own rates, as well the base on which the tax is calculated.

Generally speaking, "taxes on revenues, they're daft" as they can result in loss-making firms being forced to pay, said Saint-Amans, citing the example of streaming film and TV platform Netflix, which is still posting losses as it expands and invests in producing content. (AFP)

Hyundai Motor says India tax reforms a 'setback'

South Korean auto giant Hyundai Motor says that fresh changes to India's new national tax had shaken industry confidence in the country with firms already struggling to boost sales.

The Indian government launched a new national goods and services tax in July to replace more than a dozen separate levies and transform the $2 trillion economy into a single market for the first time.

The goods and services tax (GST) sets out four different rates of between five and 28 per cent for businesses instead of the one originally envisioned.

However, the government has made several changes to the tax regime regarding some products including sports vehicles, and luxury and hybrid cars, which auto makers complain have forced them to alter their pricing strategies.

"The recent rolling back to multiple rates with pre-GST classification has come as a setback to the industry, shaking the confidence of auto manufacturers," Hyundai said in a statement.

"We expect the coming festive season (Diwali) will witness low customer sentiment on new purchase decision.

"Further, in the absence of consistent and long-term policy the investment for new products and new technology will be adversely impacted," it added. Auto makers have also complained about a recent government push to switch cars to electric by 2030. (AFP)

German, Italian bond sales add to supply glut

Eurozone bond yields hold gains as Austria shocks markets

LONDON, Sept 13, (RTRS): Euro zone government bond yields were close to the highs hit on Tuesday after Austria said it would sell 3.5 billion euros of 100-year debt and other borrowers in the bloc lined up bond sales.

Bond yields tend to rise when there is a lot of supply in the pipeline and this week is particularly crowded as government and government-backed borrowers rush to access the market before the next European Central Bank meeting.

"I think everyone expects the ECB is going to announce tapering in October so they are trying to get their deals done now," said ING strategist Martin van Vliet.

"But the sell off in long-dated bonds really accelerated yesterday afternoon after Austria announced the deal size," he said.

Austria on Tuesday became the first euro zone country to sell 100-year bonds publicly via a syndication, and the 3.5 billion euro deal size dwarfed previous efforts.

Belgium and Ireland have sold "Century bonds" in the past, but only through a private placement, and for 50-100 million euros each.

On Wednesday, most euro zone government bond yields hovered around the highs hit on Tuesday.

The yield on Germany's 10-year government bond, the benchmark for the region, was unchanged at 0.40 percent after recording its biggest daily rise since early July on Tuesday. It is now well over the 0.286 percent low hit as recently as Friday.

The Netherlands sold 10 billion euros of bonds via auctions on Tuesday. On Wednesday, Germany sold over 2.4 billion euros of 10-year bonds, while Italy sold 8 billion euros of bonds of various tenors.

The European Investment Bank is to sell 3 billion euros of bonds maturing in December 2023, according to a banker working on the deal.

"The high-duration supply is causing indigestion in euro rates markets with weaker euro and firmer risk sentiment adding to the downside in Bunds," analysts at Commerzbank said in a note.

Lingering concerns about potential tapering in the European Central Bank's bond-buying stimulus also cast a shadow over bond markets after a report on Friday that rate-setters agreed last week to start reducing the bond purchases, with a decision likely at their next policy meeting on Oct 26.

EU to race UK for free trade deals

STRASBOURG, Sept 13, (RTRS): The European Union wants to launch and conclude free trade negotiations with Australia and New Zealand in the next two years, European Commission President Jean-Claude Juncker said on Wednesday, opening up a potential race with Britain.

If Juncker's timeframe is achieved, the EU could nip in ahead of the UK, which is also courting both countries but cannot negotiate independent trade deals until it leaves the EU in March 2019.

Juncker said there was a good chance that the EU would agree the main elements of a new free trade with the Mercosur countries of Argentina, Brazil, Paraguay and Uruguay and of an updated trade partnership with Mexico by the end of this year.

"And today, we are proposing to open trade negotiations with Australia and New Zealand," Juncker told EU lawmakers.

"I want all of these agreements to be finalised by the end of this mandate. And I want them negotiated in the fullest transparency," he added. The current Commission's term of office runs until Oct 31, 2019.

The EU is seeking to capitalise on new trade opportunities in response to a more protectionist "America First" stance from the United States under President Donald Trump.

"We will not miss any opportunity to step in. Whatever space the Americans leave behind, the Europeans will occupy," a senior US official said.

Juncker said, however, that while Europe favoured open commerce, it needed reciprocity from its trading partners.

"We have to get what we give," he said.

The European Union was not a group of "naive free traders" and would always defend its strategic interests.

UK pay puzzle deepens

Unemployment falls to 4.3 pct, lowest since 1975

LONDON, Sept 13, (RTRS): Britain's job market is defying the Brexit blues but wages are still in the dumps, data showed, suggesting the Bank of England will tread carefully on Thursday with any signals about when it may finally raise interest rates.

The sub-inflation pay growth could also add to the pressure on Prime Minister Theresa May to raise public sector wages, a day after she agreed to ease seven years of salary constraints — but only modestly and only for some state workers.

Wednesday's data underscored how the economy is no longer following the once widely agreed rules on the link between job creation and pay growth, creating a headache for the government in Britain and other rich economies around the world.

Britain's problem is all the more acute because inflation looks set to hit a five-year high of 3 percent soon, caused in large part by the fall in the value of the pound since last year's shock referendum decision to leave the European Union.

The Office for National Statistics said the unemployment rate unexpectedly fell to 4.3 percent in the three months to July, helped by the strongest job creation since 2015. That took the jobless rate further below the 4.5 percent level which the BoE has said would probably force employers to step up their pay increases to hire staff.

But wages rose by a modest annual 2.1 percent, weaker than a median forecast of 2.3 percent in a Reuters poll of economists and the latest in a long line of disappointing earnings figures.

The value of the pound fell on Wednesday as investors took the wage data as a sign that the BoE, which is due to make its latest policy announcement at 1100 GMT on Thursday, was unlikely to significantly strengthen its message that a rate hike could come sooner than financial markets have been thinking.

"Today's wage data suggests all is still not right in the economy," Ed Monk of fund manager Fidelity International said.

Only two BoE policymakers have been voting for an immediate rise in rates from a record low of 0.25 percent back to 0.50 percent, their emergency level for almost all of the decade since the global financial crisis.

They say the fall in unemployment will push up prices and inflation soon.

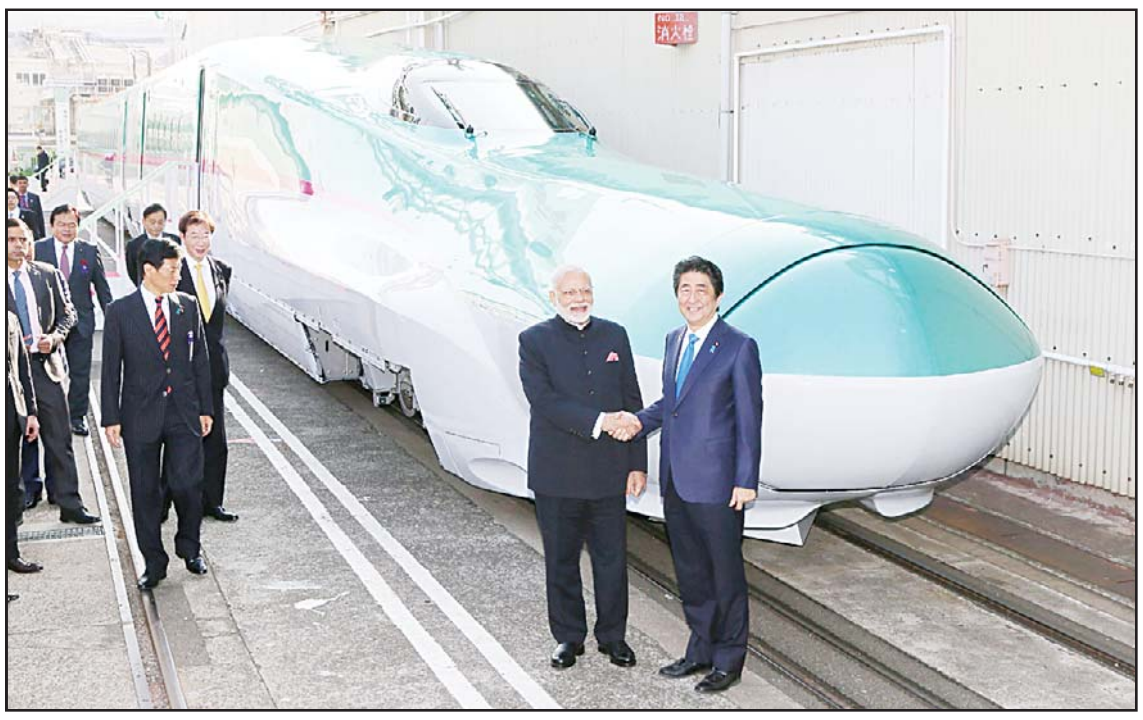
Some economists say BoE chief economist Andy Haldane will join the minority of dissenters this week, signalling a shift in thinking at the central bank that could lead to a rate hike at its subsequent meeting in November.

However, most economists do not expect a rate rise until 2019. They think inflation will move only a little higher before slowly fading next year as Britain's economy is subdued by the approach of its divorce from the EU in 2019.

In real terms, wages have been falling since April and dropped by an annual 0.4 percent in the three months to July.

Part of the weak wage growth reflects a seven-year policy of public-sector wage restraint to help cut government borrowing.

Britain's government — aware of the frustration among many voters over their squeezed spending power — partially eased its grip on pay on Tuesday when it said it would no longer limit wage rises for police and prison guards to the 1 percent cap for the public sector.



This file photo taken on Nov 12, 2016 shows India's Prime Minister Narendra Modi (2nd right), and his Japanese counterpart Shinzo Abe (right), shaking hands in front of a Shinkansen train during their inspection of a bullet train manufacturing plant in Kobe, Hyogo prefecture. As India's premier Narendra Modi and his Japanese counterpart Shinzo Abe prepare to break ground on the country's first bullet train project this Sept 14, experts say the collaboration could signal a massive leap for its overburdened and deadly railways. (AFP)

Collaboration could signal massive leap for deadly railways: experts

Modi, Abe get India's first bullet train going

NEW DELHI, Sept 13, (AFP): As India's premier Narendra Modi and his Japanese counterpart Shinzo Abe prepare to break ground on the country's first bullet train project Thursday, experts say the collaboration could signal a massive leap for its overburdened and deadly railways.

India's colonial-era rail network carries some 22 million passengers daily, making it one of the busiest in the world. But it is also among the most dangerous.

A government report published in 2012 said almost 15,000 people were killed every year in rail accidents, describing the deaths as an annual "massacre" due mainly to poor safety standards.

Modi has pledged to invest billions of dollars to modernise the country's crumbling railway infrastructure, which is plagued by delays, and the bullet train was one of his key election promises ahead of a landslide victory in 2014.

As New Delhi and Tokyo seek to forge closer ties to combat China's growing regional influence, the project offers a diplomatic and economic boost.

The premiers will lay the foundation for the bullet train network in the western city of Ahmedabad — connecting Modi's home state of Gujarat with India's financial capital Mumbai.

Japan is a pioneer in high-speed rail transport — with its Shinkansen bullet train ranked among the fastest in the world.

With projected top speeds of up to 350 kms (217 miles) an hour — more than double the maximum speed offered by the fastest trains operating in India — it will reduce travel time between the two cities from eight hours to at most three-and-a-half hours.

The new train, which will have a capacity of 750 passengers, is also expected to be safer than the country's creaking rail network, the world's fourth largest by distance.

Modi recently replaced his railway minister after a series of derailments, including one last month in which at least 23 people were killed in northern Uttar Pradesh state. Nearly 150 died in a similar accident in November.

The agreement for the 508-km network was signed in 2016, with plans to make it operational by December 2023.

Nearly 85 percent of the total project cost of $19 billion will be provided by Tokyo in soft loans, with repayment over 50 years.

Abe's visit to Ahmedabad comes ahead of Modi's 67th birthday on Sunday and many have dubbed it as part of his practice of "birthday diplomacy".

The right-wing Hindu nationalist leader hosted Chinese President Xi Jinping in Gujarat on his birthday in 2014.

"India's relation with Japan is designed to balance China's hegemony," Rajrishi Singhal, a Mumbai-based independent policy consultant, told AFP.

The two countries have close security ties and hold regular joint military exercises.

A proposed joint investment of billions of dollars in Africa is set to be the cornerstone of the relationship, Singhal said. "India truly values the relationship with Japan and we look forward to further boosting our bilateral ties in a wide range of sectors," Modi tweeted Tuesday.

Philippines approve $7.6b for subway, other 'infra' projects

MANILA, Sept 13, (RTRS): An interagency panel chaired by Philippines President Rodrigo Duterte has approved four major infrastructure projects worth 386.3 billion pesos ($7.59 billion), including bridges, roads and the country's first subway.

The Philippines, one of the world's fastest growing economies, is overhauling its ageing infrastructure to boost its competitiveness, create jobs and attract foreign firms hesitant about power costs, logistics headaches and supply chains challenges.

The approval and eventual completion of these projects "will pave the way for us to achieve our mid-term and long-term goals" as a nation, Socioeconomic Planning Secretary Ernesto Pernia said.

The latest bundle brings the total number of approved projects to 35 worth 1.2 trillion pesos ($23.6 billion) since Duterte took office in July 2016.

The biggest plan approved on Tuesday was the 355.6 billion pesos Metro Manila Subway Project, the first of its kind in the Philippines, and seen as an urgently needed solution to the sprawling capital's notorious gridlock.

It will be funded by overseas aid from Japan and construction is expected to start early next year.

Also endorsed was the expansion of roads in the southern Philippines worth 21.2 billion pesos, construction of bridges in Manila valued at 6 billion pesos and the improvement of an irrigation system north of the capital, worth 3.5 billion pesos.

Under the government's "Build, Build, Build" initiative, Duterte has pledged to usher in a golden age of infrastructure through a six-year, $180 billion spending spree to modernise and build airports, roads, railways and ports.

A construction boom and a strong agriculture sector fuelled annual growth of 6.5 percent in the Philippines' gross domestic product in the second quarter.

Japan MUFG picks Amsterdam as post-Brexit EU base

TOKYO, Sept 13, (AFP): Japanese megabank MUFG said Wednesday it decided to pick Amsterdam as a base for its EU securities operation by moving some functions from London in preparation for Brexit.

Mitsubishi UFJ Securities Holdings has decided to apply for a licence to establish a new subsidiary in Amsterdam, MUFG said after narrowing down a list of favourites, which also included Paris.

Britain is at risk of losing the "passporting rights" financial firms use to deal with clients in the rest of the European bloc. That, along with political uncertainty surrounding Brexit negotiations, has spurred foreign companies that have set up shop in Britain, or established European headquarters there, to begin looking for alternative locations.

"The new subsidiary in Amsterdam will ensure that the group can continue to provide these services to its EU clients, even if the cross-border passport is lost as a result of Brexit," it said in a statement. It was not immediately known how many employees will move from London to Amsterdam.

The Financial Times has reported that MUFG has chosen Amsterdam, to where "hundreds of jobs" could be moved from among the 2,100 people the firm employs in London.

Electric cars benefit Asia

Build batteries or lose jobs, auto industry tells Europe

FRANKFURT, Sept 13, (RTRS): Europe shouldn't rush to abandon the combustion engine and must build up its own production of electric car batteries to compete with China, auto suppliers and manufacturers said at the Frankfurt motor show.

The comments come as the future of the car has become a hot topic in campaigning ahead of Germany's Sept 24 election, especially after Britain and France announced plans to eventually phase out combustion engines to try to cut pollution.

Roberto Vavassori, president of the European Association of Automotive Suppliers (CLEPA), warned a headlong rush to electric cars would hand business to China, which along with South Korea and Japan dominate battery production for such vehicles.

"We need to provide a sensible transition period that doesn't give unwanted gifts to our Chinese friends," he said, estimating European automakers were paying 4,000-7,000 euros ($5,000-8,000) to China for batteries for every electric car.

Vavassori called for a European drive to develop the next generation of battery cells. He said carmakers and politicians should look at other ways of cutting vehicle emissions too, such as more efficient engines and synthetic fuels.

Germany's Daimler and Volkswagen both announced plans on the eve of the Frankfurt show to accelerate their shift to electric cars.

The head of Volkswagen's core auto division said on Wednesday that European industry should come together to create a regional supplier of batteries.

"For the initial phase, I still feel in good hands with the Korean suppliers, but I would appreciate if competition were to grow and a European consortium would emerge," VW brand Chief Executive Herbert Diess told Reuters.

German Chancellor Angela Merkel has raised the possibility of state support to bring chip and battery production back to Europe and her Social Democrat challenger Martin Schulz has also called for investment in cell production in Germany. The stakes are high, with the auto industry as a whole providing around 12.6 million jobs in the European Union, or about 5.7 percent of the total.

Trade unions have been putting pressure on manufacturers to make electric cars in existing factories and invest in battery production in Europe, rather than outsourcing the work to Asia.

"Self-contained value chains are a central pillar of our industrial model and play a big role in the success of the German economy," Joerg Hofmann, president of the IG Metall union, told state and car industry members on Wednesday.

General view shows spectators visiting the hall in which Jaguar, Land Rover and Ferrari are exhibited at the Frankfurt Auto Show IAA in Frankfurt am Main, Germany, on Sept 13. According to organisers, around 1,000 exhibitors from 39 countries will showcase their products and services. This year's fair running from Sept 14 to 24, will focus on digitization, urban mobility and electric mobility. (AFP)

Pilots call in sick

Air Berlin 'cancels' dozens more flights

FRANKFURT AM MAIN, Sept 13, (AFP): Insolvent Air Berlin cancelled dozens more flights Wednesday as pilots again called in sick, despite warnings from the airline that the wildcat action could jeopardise rescue talks.

The mass "sick-out" comes ahead of a Friday deadline for potential investors to submit bids for Air Berlin assets.

"More than 30 flights" had to be scrapped early Wednesday as some 150 pilots handed in sick notices for a second day, an Air Berlin spokeswoman said.

Duesseldorf and Berlin-Tegel airports were worst hit by the cancellations, she said, advising affected passengers "not to come to the airport".

Thousands of travellers were already left stranded on Tuesday when some 200 of Air Berlin's 1,500 pilots suddenly called in sick, forcing the cancellation of around 100 flights.

Air Berlin has accused the absent pilots of "threatening the existence" of the airline, warning that the turmoil could scare off investors.

Lufthansa's low-cost subsidiary Eurowings, which leases Air Berlin aircraft and crew, was also affected for a second day.

Air Berlin filed for insolvency in mid-August, after its main shareholder, Gulf carrier Etihad Airways, unexpectedly pulled the plug on its cash lifeline.

Meanwhile, German Transport Minister Alexander Dobrindt urged the pilots to end their "risky manoeuvre" and return to work for the sake of Air Berlin's roughly 8,000 employees.

"I can only appeal to everyone to come to their senses and let the flights take place. This is necessary to make a transition to new owners possible," he said at a press conference.