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Report Outline

- *GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD* *03*
  - Emerging economies to get more power at IMF - Strauss-Kahn
  - G20 inks pact to avert trade war, seals IMF power shift
  - US and China discuss economic ties
  - IMF urges Middle East job creation
  - Protests hit Sarkozy popularity
  - Merger creates fifth largest bourse
  - Strong yen slows Japan export rise
  - India and Japan sign trade deals
  - Japan, India agree on tighter ties amid China risk
  - French fuel blockades lifted
  - Top issues during Obama's India visit
  - UK economy makes surprise growth
  - Sudan restricts government spending in the budget of 2011
  - Cubans queue for business permits
  - French students hold fresh protests
  - South Africa wants weak rand to aid growth despite G20
  - Kenya in massive housing project as property booms
  - China minister says dollar printing "out of control"
  - French G20 to seek reform of global monetary system
  - Trade deal 'threatens net freedom'
  - EU to call on G20 to advance on FX without numerical goals

- China says Hu open to discussing French G20 proposals
- EU approves tough euro zone rules

- *ARTICLES/COMMENTARIES* *35*
- IMF power shift opens way for breakthroughs
- African agriculture coming of age: Report
- How the world can tackle skewed growth, FX

Emerging economies to get more power at IMF - Strauss-Kahn

Saturday, Oct 23, 2010

GYEONGJU, South Korea | The Group of 20 has agreed to shift more than six percent of voting power at the International Monetary Fund to dynamic emerging economies such as China, IMF Managing Director Dominique Strauss-Kahn said on Saturday.

As part of a deal to reform the way the Fund is governed, Europe will give up two of its nine seats on the IMF's 24-strong Executive Board, Strauss-Kahn told reporters during a meeting of G20 finance ministers.

The G20 agreed in principle a year ago to transfer at least 5 percent of voting rights to under-represented emerging economies.

http://www.reuters.com/article/idUSASF00003620101023

G20 inks pact to avert trade war, seals IMF power shift

Saturday, Oct 23, 2010

* G20 vows to "refrain from competitive devaluations"

* Pledges to keep current account balances sustainable

* Emerging countries get bigger stake in IMF

* U.S. Treasury chief Geithner heads to China for talks

GYEONGJU, South Korea: The Group of 20 major economies agreed on Saturday to shun competitive currency devaluations but stopped short of setting targets to reduce trade imbalances that are clouding global growth prospects.

At a meeting in South Korea, G20 finance ministers recognised the quickening shift in economic power away from Western industrial nations by striking a surprise deal to give emerging nations a bigger voice in the International Monetary Fund.

A closing communique contained no major policy initiative after a U.S. proposal to limit current account imbalances to 4 percent of gross domestic product, a measure aimed squarely at shrinking China's surplus, failed to win broad enough backing.

Indeed, the United States itself came under fire from Germany and China for the super-loose monetary policy stance it has adopted to try to breathe life into the sluggish U.S. economy.

German Economy Minister Rainer Bruederle said he had made clear that easing was the wrong way to go.

"An excessive, permanent increase in money is, in my view, an indirect manipulation of the (foreign exchange) rate," he said.

HEADING FOR CHINA

The main aim of the two days of talks, which precede a G20 summit in Seoul on Nov. 11-12, was to ease currency strains that some economists feared could escalate into trade wars.

Developing countries are worried that Washington, by flooding the U.S. banking system with cash, is pumping up their asset prices and exchange rates, thus undermining the competitiveness of the export industries on which they rely for growth.

China, among others, frets that the U.S. policy stance will debase the dollar, the lynchpin of the global economy.

In a thinly veiled reference to the United States, the G20 statement said advanced countries, including those with reserve currencies, would be vigilant against excessive volatility and disorderly movements in exchange rates.

Washington, by contrast, is frustrated over the refusal of China in particular to let its currency rise to a level that reflects its growing economic power and would help reduce its big trade surplus with the United States.

"If the world is going to be able to grow at a strong, sustainable pace in the future... then we need to work to achieve more balance in the pattern of global growth as we recover from the crisis," U.S. Treasury Secretary Timothy Geithner said.

U.S. officials were pleased that the communiqué committed G20 members to "refrain from competitive devaluations" of their currencies and to pursue a full range of policies to reduce excessive external imbalances.

Geithner will keep up the pressure on Sunday for a stronger yuan when he holds talks in Qingdao, China, with Vice-Premier Wang Qishan, who has broad responsibility for economic policy.

"The content of the G20 statement is generic and broadly in line with expectations, but this should not detract from the fact important progress was made in giving emerging market countries a greater voice in the IMF," said Claudio Piron, a currency strategist at Bank of America Merrill Lynch in Singapore.

IMF SHAKE-UP

Despite the sniping from Germany and China, whose finance minister demanded responsible policies from issuers of major reserve currencies -- code for the United States -- host South Korea put an optimistic spin on the outcome of the meetings.

"This will put an end to the controversy over foreign exchange rates," said Finance Minister Yoon Jeung-hyun.

South Korea was also able to point to the deal to shift more than 6 percent of the IMF's quotas -- membership subscriptions that help determine voting power -- to emerging economies whose clout in the Fund has not kept pace with their economic ascent.

Europe will give up two seats on the fund's 24-strong Executive Board.

IMF Managing Director Dominique Strauss-Kahn called the agreement historic. "This makes for the biggest reform ever in the governance of the institution," he said.

As part of the agreement, China will overtake traditional powerhouses; Germany, France and Britain to become the third most powerful member of the IMF, up from sixth spot now. India will also wield more power in the fund.

"Our complaint was that the quota share should reflect ground reality and economic strengths currently. Otherwise, it would have eroded the credibility of the institution. That has now been corrected," Indian Finance Minister Pranab Mukherjee said.

http://www.reuters.com/article/idUSTOE69M00420101023

US and China discuss economic ties

Sensitive issue of currency tops agenda as US treasury secretary holds talks with Chinese vice-premier.

Sunday, Oct 24, 2010

The US treasury secretary has discussed economic relations with a senior Chinese government official against a backdrop of tensions over China's currency policy.

The brief meeting between Timothy Geithner and Wang Qishan, the Chinese vice-premier, took place at the airport in Qingdao, in eastern China, on Sunday.

Geithner and Wang are designated as special representatives of their respective presidents on US-China economic issues.

"The two sides exchanged views on US-China economic relations and the preparation for the G20 Leaders' Summit in Seoul," according to a statement emailed by the US embassy in Beijing. It did not elaborate.

The meeting came at the end of Geithner's trip to the Group of 20 finance ministers and central bank governors meetings in Gyeongju, South Korea, where officials agreed to refrain from competitive currency devaluations and reduce current account imbalances.

Stephen Joske, director of the Economist Intelligence Unit's China Forecasting Service, told Al Jazeera that "Geithner's visit to China is mainly driven by domestic politics".

"There is a midterm general election coming up in a few weeks and he is responding to domestic political concerns in congress that the alleged undervalued exchange rate is causing unemployment in the US," he said.

"The economics of that are wrong, but it is good politics to blame foreigners for your domestic unemployment problems."

Report delayed

The US has been pressuring China to allow its yuan to rise more rapidly in response to market forces.

Last week, Geithner delayed a semi-annual report to the US House of Representatives on whether China manipulates its yuan for a trade advantage, choosing instead to press the issue at multilateral meetings including the Gyeongju finance leaders' meeting and a G20 leaders' summit next month in Seoul.

Geithner said China was "very supportive" of finding a multilateral solution to reducing global trade imbalances in the G20 meetings.

He repeated he wanted to see China accelerate its move towards a market-determined exchange rate.

"China is well into a very promising and very ambitious programme of domestic reforms to strengthen domestic growth because China recognised that it cannot afford to rely as it has in the past on such an export-dependent model for growth," Geithner told a news conference.

"We want to see that progress to continue," he said. "Of course as a part of that, it's not ready for its exchange rate to rise more rapidly in response to market forces."

'Gradual appreciation'

In a statement released late on Saturday, Geither said the G20 meeting had agreed that a "gradual appreciation" in the currencies of major trade-surplus nations was required.

"Countries with significantly undervalued exchange rates committed to move towards more market-determined exchange-rate systems that reflect economic fundamentals, as China is now doing," he said in a statement.

But further efforts to stabilise international economic imbalances were necessary if the recovery from the global financial crisis was going to be successful, Geithner said.

The US House of Representatives earlier this month passed legislation that aims to increase pressure on China by treating currency undervaluation as a subsidy.

It will authorise the US commerce department to apply countervailing duties to offset any price advantage from currencies.

http://english.aljazeera.net/business/2010/10/2010102471026868371.html

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IMF urges Middle East job creation

The latest regional economic outlook forecasts growth in the region, but says more diverse jobs are needed.

Sunday, Oct 24, 2010

The International Monetary Fund has said that the Middle East economies are likely to grow roughly twice as fast over the next two years as they did in 2009.

However, the organisation said on Sunday that more needs to be done by the region to diversify its economies and create jobs.

In its latest regional economic outlook, IMF said the Middle East is enjoying "a generally robust recovery" thanks to higher oil prices and government policies designed to mitigate the effects of the worldwide downturn.

The IMF forecast the economy will grow by 4.2 per cent this year and 4.8 per cent next year in the 22-nation region stretching from North Africa through Pakistan.

That compares with growth of 2.3 per cent last year as the region struggled with lower oil revenues and other effects stemming from the global economic crisis.

But IMF said more must be done to boost private-sector job creation, particularly in countries such as Egypt, Jordan and Syria with large youth populations and chronic unemployment.

"There is now a recovery happening in the emerging markets in the region," Masood Ahmed, the IMF's Middle East and Central Asia director, said at a forum in Dubai.

"But they are not growing fast enough to create the jobs they need."

The region's generally poorer oil-importing countries, many of which depend on tourism, trade and worker remittances from their richer neighbours, are expected to see their economies grow five per cent this year, up from 4.6 per cent in 2009, the IMF said.

On a per capita basis, though, their growth significantly lags behind that of other parts of the developing world.

That presents major challenges in creating jobs for their young and fast-growing societies, where unemployment averages about 11 per cent.

Providing enough jobs for the region's oil-importing countries' unemployed and up-and-coming workers over the next decade would require growth of at least 6.5 per cent, the IMF estimated.

That means creating more than 18 million jobs just in the oil-poor parts of the Arab world alone.

http://english.aljazeera.net/news/middleeast/2010/10/20101024104139929285.html

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Protests hit Sarkozy popularity

French president's approval rating declines further as strikes continue over unpopular reform plan.

Sunday, Oct 24, 2010

The French president's approval rating has plummeted in the wake of growing discontent over his retirement reform plan.

According to an opinion poll published on Sunday by the *Journal du Dimanche* newspaper, only 29 per cent of those surveyed still approve of Nicolas Sarkozy.

The poll also showed that a vast majority of the people supported the ongoing strikes over the reforms that Sarkozy has pushed through in both houses of the parliament.

With the country facing widespread petrol shortages, travel chaos and school closures, support for Sarkozy has dropped by three per cent since September. It is among the lowest approval ratings of any French president in living memory, the newspaper reported.

The survey of 1,828 people was conducted in person and by telephone by the Ifop polling agency from October 14 to 22. No margin of error was given.

'President bling-bling'

The contested pension reform, expected to be finalised in the coming week, will raise the retirement age from 60 to 62. The government says the reform is necessary to 'stem the hemorrhage' from the pension system, but members of the broad opposition movement have condemned the lack of social consultation by the government.

Two-thirds of French people oppose the pension law and have put up some of the fiercest resistance in Europe to austerity measures aimed at reining in huge deficits.

Sarkozy is perceived by many as being close to the rich and powerful and is commonly derided as the 'bling-bling' president. Allegations of illegal campaign contributions from France's richest woman, Lilianne Bettencourt, during his 2007 presidential campaign, have increased questions over exactly whose interests Sarkozy's government is serving.

Strikes, rallies and fuel blockages have caused havoc in the country for nearly two weeks, and don't appear to be slowing.

Rubbish pile up

Rubbish piling up on many of Marseille's streets is fast becoming a serious health hazard, Al Jazeera's Andrew Simmons reported from the port city. The military has tried to deal with some of the refuse, but the problem is becoming overwhelming, he said.

"The city is fast becoming one massive rubbish heap," he reported. "The stench is appalling."

With about 9,000 tonnes of rubbish piled up on the streets of the city and its suburbs, the head of the region has initiated legal steps to force some of the strikers back to work.

Marseille is France's biggest oil port and its dockers are continuing their strike into next week, as are workers at two oil refineries.

Workers at the other plants will meet in the days ahead to decide their course of action, Charles Foulard, a spokesperson for the CGT union at Total, said on Sunday.

"The movement continues," Foulard said. "Everything will be debated among the workers and will depend on the mobilisation of the workers."

Raymond Soubie, an adviser to Sarkozy, told Europe-1 radio on Sunday that petrol shortages had eased but he acknowledged that a quarter of France's petrol stations were still shuttered.

"Will the situation improve? Yes it will, but slowly, progressively," Soubie said.

http://english.aljazeera.net/news/europe/2010/10/20101024143139729 97.html

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Merger creates fifth largest bourse

Singapore and Australian exchanges join forces to fight competitors, seek growth and cut costs.

Monday, Oct 25, 2010

The Singaporean and Australian bourses have announced a merger to create the one of the biggest and most diversified financial trading hubs in the world.

The takeover bid by Singapore Exchange (SGX) at an agreed $3.8bn price for Sydney-based ASX Ltd on Monday will make the new entity the world's fifth-largest listed exchange group.

The two exchanges in a joint press statement said the merger is to ward off the threat of alternative trading systems, seek potential growth and cut costs.

The bid is expected to be completed in the second quarter of 2011 subject to regulatory approval.

The announcement comes with the ASX about to lose its long-held monopoly after the government gave the green light for rival share exchanges to operate in Australia.

The deal, the first major consolidation of Asia-Pacific exchanges, will result in $30m in cost savings.

The merger will "enable customers globally to capitalise on listing, trading clearing and settlement opportunities created through the expanded platforms leveraging on the importance of Asia Pacific as the driver of global growth", the joint statement said.

Growth potential

Magnus Bocker, the SGX chief executive who will become the CEO of the combined group, said the merger will allow investors to ride on Asia's strong economic growth.

"The combination of ASX and SGX offering innovative new products and services to the market will allow customers to maximise future opportunities where Asia Pacific takes centre stage globally as the source for capital wealth creation and trading opportunities," he said.

The *Wall Street Journal* says the merger could create a roughly $1.9tr market.

Reports said the resources-heavy ASX is worth about A$1.38tr, nearly three times Singapore's valuation of about A$560bn.

But SGX is valued at A$7.8bn compared to A$6.1bn for ASX.

This is the second-biggest takeover by a Singapore-listed company abroad after Singapore Telecommunications bought Australia's Optus Ltd in 2001 for $9.5bn including net debt, according to data from Thomson Reuters.

http://english.aljazeera.net/business/2010/10/2010102555120367329.html

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Strong yen slows Japan export rise

Economic recovery continues but growth slowing due to strong currency and reduced foreign demand, officials say.

Monday, Oct 25, 2010

Japan's grew by 14.4 per cent in September from a year earlier to $72bn, the government said. It was the 10th consecutive monthly increase, but the slowest pace of growth in 2010 due to a strong yen and reduced foreign demand amid concern over the recovery of the global economy, according to the figures released by the ministry of finance on Monday.

A strong yen cuts the value of repatriated profits for Japanese exporters like Toyota Motor Corp. and Sony Corp., and makes their products less competitive abroad.

The ministry said the yen had strengthened about nine per cent against the dollar from the same period last year.

"Japan's exports will likely hit bottom during October-December and January-March, and they are expected to pick up along with the global economic recovery, helped especially by demand from Asia," Yoshimasa Maruyama, an economist at Itochu Corp, told the Reuters news agency.

"The global economic slowdown and a strong yen indeed have had a negative impact on the economy but the data supports the view that the recovery trend has not disappeared."

The most significant export increases in September came in automobiles, marine vessels and steel products.

Exports to China, Japan's biggest trading partner, increased 10.3 percent in September from a year earlier, the ministry said. US-bound shipments grew 10.4 per cent, while those to the European Union rose 11.2 per cent in the month. Japan's exports to Asia as a whole increased 14.3 per cent

Japan's trade surplus also expanded 54 per cent in September from a year earlier to $9.8bn. The September surplus was higher than the market expectation of $8.78bn, according to Dow Jones Newswires.

http://english.aljazeera.net/business/2010/10/201010251538554910.html

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India and Japan sign trade deals

Economic co-operation and nuclear deals top agenda as Indian PM visits Japan against a backdrop of regional tensions.

Monday, Oct 25, 2010

The leaders of India and Japan have signed an agreement to boost trade and investment, marking the end of trade negotiations that began in early 2007.

Manmohan Singh, the Indian prime minister, who is on a three-day visit to Tokyo, is expected to push for a nuclear energy deal as part of his "Look East" policy for expanding India's growth.

The economic partnership agreement signed on Monday by Singh and his Japanese counterpart, Naoto Kan, comes amid strained ties between China and Japan, with some calling for a boycott of Japanese products.

The agreement will take effect once it is ratified by Japan's parliament, expected to be by the middle of next year, and will result in tariffs on 94 per cent of trade being gradually phased out within a decade.

The deal slashes tariffs on a range of goods from auto parts to bonsai plants and introduces measures to promote investment and deal with intellectual property rights.

It will help Japanese car makers such as Suzuki who have opened plants in India by lifting tariffs on parts, while also easing access to the market in Japan for Indian generic drugs.

"I have long believed that India and Japan must work together to create a business environment conducive to much greater trade and investment flows," Singh told Japanese business leaders on Monday.

"Our efforts have finally been crowned with success."

India is also seeking to seal another long-sought agreement on civilian nuclear co-operation with Japan.

Singh said he hoped that Japan will be "India's partner in expanding our nuclear energy for peaceful purposes".

"But I do recognise the sensitivity of this subject in Japan, and I wouldn't therefore force the issue," he said after meeting Seiji Maehara, the Japanese foreign minister, in Tokyo.

Stumbling block

India's refusal to sign the Nuclear Non-Proliferation Treaty is proving to be a stumbling block after two rounds of talks, as Japan, a pacifist nation, wants India to commit to ending nuclear tests.

Japan and India launched talks in June on a pact that would allow Japan to export its cutting-edge nuclear technology to the South Asian nation, a hotly contested market for atomic plants.

India has already signed civil nuclear agreements with France, Kazakhstan, Canada, Argentina, Namibia and Mongolia.

Narayanan Madhavan, an associate editor at the Indian daily *Hindustan Times*, told Al Jazeera the visit was "very significant because India needs the energy and Japan has a lot to offer".

"They are two large economies who need each other and from the point of view of business and energy needs, as well as in terms of money and infrastructure, it seems like a very good fit," he said.

"India has been talking about a Look East policy for decades but the fact is that China is increasing its influence, which makes sense for East Asia's other significant economies such as Malaysia or Japan, and India, to come together.

"So there is some kind of a coalition being formed in which Japan and India play a constructive role to counter China."

Singh met Japan's Emperor Akihito on Monday.

He will then travel to Malaysia and Vietnam, where Southeast Asian leaders will meet other Asian powers, including the premiers of China and Japan, for a summit later this week.

Hideaki Kase, a historian and commentator on diplomatic issues, told the AFP news agency the timing of Singh's visit, amid the Japan-China spat, would allow him to stress the shared democratic values of their countries.

"It is a very timely visit as it is during times of an anti-Japanese movement in China and as India's presence is becoming bigger in Japan. It is almost a divine gift," he said.

http://english.aljazeera.net/news/asia-pacific/2010/10/20101025910444226691.html

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Japan, India agree on tighter ties amid China risk - Reuters

Monday, Oct 25, 2010

TOKYO | Japan and India pledged closer strategic ties between Asia's second and third biggest economies in talks on Monday, as Tokyo struggles to offset the risk of its growing dependence on giant rival China.

Trade and investment flows with India have been unspectacular as Japanese firms focus on business with China and Southeast Asia, but recent Sino-Japanese tensions have underscored the risk of over-reliance on China's dynamism to help Japan's stalled economy.

Indian Prime Minister Manmohan Singh and Japanese Prime Minister Naoto Kan endorsed a bilateral economic partnership deal and urged speedy agreement on a civil nuclear pact that would give Japanese firms access to India's fast-growing market.

They also decided to seek cooperation in developing, recycling and finding substitutes for rare earth minerals and rare metals, used in goods such as electronics and auto parts. Japan's government has expressed concern that China is holding back shipments of rare earth after a recent territorial row.

"India is the world's biggest democracy and it currently has the world's second biggest population. Its growth potential matches that of China," Kan told reporters after meeting Singh. "Japan-India ties have great possibilities."

Sino-Japanese relations deteriorated sharply last month after Japan detained a Chinese trawler captain whose boat collided with Japanese patrol ships near a chain of disputed islands in the East China Sea, called Senkaku in Japan and Diaoyu in China.

"Japan wants to cultivate India as a strategic partner to offset problems in its relationship with China," said Jeffrey Kingston, director of Asia studies at Temple University's Japan campus.

"Japan remains economically closely tied to China and will for the foreseeable future, but clearly, it behoves the Japanese government and businesses to hedge their bets."

ECONOMIC PARTNERS

Trade between Japan and India, Asia's second and third biggest economies, totalled 940 billion yen ($11.55 billion), four percent of Japan's trade with China.

In September, Tokyo and New Delhi clinched a basic accord on an economic partnership agreement (EPA) to promote two-way trade and investment, concluding more than three years of wrangling over such sticking points as tariffs on Japanese car parts and tough checks on Indian pharmaceutical goods.

"I strongly believe that we can, and we must, synergise our complementary stance to impart new momentum to Asia as well as global economic growth and prosperity," Singh, in Tokyo until Tuesday, told a group of business leaders from both countries.

He also said he hoped Japan's decision to treat Indian generic drugs the same as domestic products and finish approval procedures smoothly would create new business chances for India drug companies including makers of generic medicines.

Japan has been stepping up efforts to strengthen overall ties with India, with the two countries agreeing on closer security cooperation in December 2009.

They also started talks in June on a civil nuclear energy deal that would give Japanese firms access to the rapidly growing market amid rising global competition.

Firms from countries such as the United States, France and Russia have scrambled for a foothold in India's civilian nuclear market, worth about $150 billion, after a 2008 U.S. nuclear accord opened global access to it.

But Japan, the only country to suffer a nuclear attack, wants the deal to make clear that Tokyo would halt nuclear cooperation if New Delhi conducted another test, Japanese media have said, a stance India has so far rejected.

Kan said India understood Japan's nuclear sentiments and that the two countries will work to speed up negotiations on the deal.

They also agreed to hold annual ministerial economic talks.

http://in.reuters.com/article/idINIndia-52421720101025

French fuel blockades lifted

Industry body says oil refineries across the country have been cleared of blockades set up by striking workers.

Monday, Oct 25, 2010

Oil refineries across France look set to re-open after blockades by striking workers protesting a pension reform were lifted, an industry body said.

French oil sector lobby UFIP said on Monday that no fuel depots were being blocked, as workers at three of France's 12 refineries voted to end their strike.

France has been suffering severe fuel shortages, with up to a quarter of filling stations running dry, since the launch this month of nationwide protests by workers battling to defend the right to retire at 60.

Last week Nicolas Sarkozy, the French president, ordered riot police to move strikers from the entrances to the depots to allow fuel trucks through, and on Monday Jean-Louis Schilansky of the UFIP industry body told the AFP news agency they were clear.

Strike 'costing billions'

The move comes as the French government warned that long-term action against the reform was costing as much as $562m a day.

Christine Lagarde, the finance minister, gave warning on Monday that an estimated 200 to 400 million euros was being lost each day as workers continue to go on strike.

"Today, we shouldn't be weighing down this recovery with campaigns that are painful for the French economy and very painful for a certain number of small and medium-sized businesses," she told Europe 1 radio.

She said that images broadcast around the world of demonstrators clashing with riot police and of industrial sites blocked by protesters had cost France in terms of its international image for investors.

"It's the attractiveness of our territory that's at stake when we see pictures like that," she said.

Lagarde said that the ongoing strikes at refineries and fuel depots were also taking a toll.

"It's obvious that the petrochemical sector in particular, which needs large supplies of hydrocarbons, is suffering."

Unions and students have been holding strikes for nearly two weeks in an attempt to pressure the government to scrap plans to raise the age of retirement from 60 to 62.

Politicians are expected to sign the bill, which the government says is necessary to save money in the face of a deficit crisis, into law this week, after the French senate approved it last Friday.

Ongoing demonstrations have brought millions onto the streets, and open-ended walkouts by railway and petroleum workers have wreaked havoc on commuters and travellers.

In Marseille, a Mediterranean port city, some 9,000 tonnes of rubbish has also piled up on the streets due to garbage collectors joining the strike.

'Support dwindling'

Jacky Rowland, Al Jazeera's correspondent in the capital, Paris, said: "There are indications today that support [for the strike] could be beginning to dwindle when we bear in mind the voting that has gone on between unions at the various oil refineries.

"Seven out of 12 at the last count have decided to continue with the strike. But unions at three refineries have decided to go back to work.

"I think that this is what Sarkozy is banking on, that workers all over France may be suffering from demo fatigue, and that the whole movement will be losing some of its momentum.

"The real day of reckoning for the unions will be this Thursday. They have called a day of national mobilisation. The real question will be in what sort of numbers people will respond to their call."

Another survey, published in Sunday's *Journal du Dimanche* newspaper, showed that only 29 per cent of the 1,828 people questioned were satisfied with the performance of Sarkozy.

That was down three per cent from September and was the French president's lowest rating since taking office in 2007.

It was also among the lowest approval ratings of any French president in recent memory, the newspaper said.

http://english.aljazeera.net/news/europe/2010/10/20101025143156694443.html

Top issues during Obama's India visit

Monday, Oct 25, 2010

U.S. President Barack Obama, who has described India-U.S. ties as "one of the defining relationships" of the 21st century, will visit the rising Asian power for the first time early next month.

Here are some of the major issues Obama will look to tackle:

REGIONAL TIES

India will seek assurances regarding U.S. support for arch rival Pakistan, especially over New Delhi's concerns that Washington's military aid packages to Islamabad could be used against India or to support militants.

It will look to hear Obama's thinking on U.S. Afghan policy and ask questions on Washington's exit from that country, where both Indian and Pakistan are jockeying for influence.

Washington will also be keen to renew New Delhi's support as a crucial strategic partner for the United States to monitor regional power China, India's biggest trading partner.

For a story on the effects of Pakistan and Afghanistan on Obama's visit:

NUCLEAR, DUAL-USE TECHNOLOGY

One of the biggest prizes India wants from the visit is Obama to end sanctions on U.S. exports to India of technology that could also be used to build nuclear weapons, imposed after India exploded its latest nuclear devices in 1998.

A civil nuclear liability law passed by India this year is unappealing to U.S. firms looking to enter the $150 billion market as it makes suppliers liable for damages in case of any nuclear accident.

Reports have said Washington is lobbying for a watering down of the provisions or for an exception for U.S. suppliers, but India is unlikely to agree to this.

DEFENCE TIES

India is one of the world's largest arms importers. And with the government set to spend more than $30 billion in five years to upgrade its Soviet-supplied armoury, it is a key market for U.S. defence firms like Boeing (BA.N) and Lockheed Martin (LMT.N)

They are competing with the Europeans and Russians to sell India 126 fighter jets in a deal worth $11 billion.

While Washington will call for closer military ties, India is wary of a sweeping defence relationship, as it is unsure the United States will not sacrifice Indian interests as it seeks to bolster rival Pakistan to combat Islamist militants.

OUTSOURCING

Obama's support for legislation designed to curb outsourcing by U.S. firms and retain jobs domestically was strongly criticised by officials and trade bodies in India, where the industry is worth $60 billion and employs 2 million.

The United States in August raised prices for certain visa fees for foreign companies that could cost India's IT industry $200 million a year. A proposed new tax code would end tax breaks for firms that create jobs and profits overseas.

India will hope for promises that no further action will be taken to limit outsourcing, but Obama may feel domestic pressure to stand by his previous defence of U.S. jobs.

http://in.reuters.com/article/idINSGE69J0CY20101025

UK economy makes surprise growth

Double-dip recession fears ease as figures show economy grew 0.8 per cent in third quarter - twice as fast as predicted.

Tuesday, Oct 26, 2010

Britain's economy grew by 0.8 per cent in the third quarter of this year, figures reveal, twice as fast as analysts had predicted.

Tuesday's date from the Office of National Statistics follow an expansion of 1.2 per cent in the second quarter, when the economy's growth rate hit a nine-year high.

Analysts had initially forecast growth of 0.4 per cent on the quarter.

Output in the country, which has pulled through its worst recession in decades, is now 2.8 per cent higher than a year ago.

"UK growth provided a major upside surprise in the third quarter," Howard Archer, an economist at the IHS Global Insight consultancy in London, told the AFP news agency.

"Construction output surged by four per cent quarter-on-quarter and 11 per cent year-on-year as it extended the surge in activity seen in the second quarter."

Improved credit rating

There are hopes that the positive figures will stave off a double-dip recession that had been predicted by some analysts.

It comes a week after the UK government unveiled the country's severest spending cuts since the Second World War in an effort to curb the national deficit.

There are fears that the move could stifle the country's economy.

But on Tuesday the credit ratings agency Standard & Poor gave the move its vote of confidence, lifting Britain's credit rating from "negative" to "stable".

"The decisions reached by the United Kingdom coalition government ... reduce risks to the government's implementation of its June 2010 fiscal consolidation programme," the agency said.

We have accordingly revised the outlook on the United Kingdom to stable from negative. We have also affirmed the 'AAA/A-1+' sovereign credit ratings on the United Kingdom," it said.

http://english.aljazeera.net/business/2010/10/20101026102719154.html

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Sudan restricts government spending in the budget of 2011

Tuesday, Oct 26, 2010

KHARTOUM: Sudan finance minister, Mahmoud on Tuesday has called for strict limits on government spending in the country's national budget for 2011 based on the assumption that the South will secede from the State in which the referendum will be on the ninth of January, 2011.

In a joint news conference, the Central Bank Governor Sabir Hassan said that the Bank will buy a lot of gold production from Sudan in 2011 to keep it as part of its foreign exchange reserves, which has come under pressure as the country struggled to control the falling value of the Sudanese pound against the dollar.

The cabinet approved the 2011 budget on Monday, but has not yet submitted to the parliament. The finance minister said he could not reveal the figures before the budget to be approved by the parliament.

But he said that the budget aims to encourage production and discourage the wave of Sudanese import which has distorted the trade balance for Sudan and helped fuel the inflation. He added that the government agencies will have to buy the products of Sudan before being allowed to import any goods.

Mahmoud said that government support will continue to gasoline for domestic consumption but there will be no customs or taxes on major exports, including gum. He said Sudan will produce approximately 50 tons of gold in 2011.

Hassan said that the central bank continues to pump its foreign exchange reserves in the currency market, saying that the rise of the dollar on the black market due to speculation of a political referendum before the ninth of January in 2011.

The price of the dollar was about three Sudanese pounds on the black market on Tuesday. And the price of the Bank is guided by 2.43 pounds.

Hassan said that the budget for 2011 was based on an exchange rate of 2.70 pounds against the U.S. dollar. He declined to disclose the level of foreign exchange reserves, saying "It did not rise yet but much better than it was before."

The Sudan's reserves of foreign exchange amounted to less than the value of imports of one month during the global financial crisis last year.

Hassan said that the bank will replace some of the foreign exchange reserves with gold in 2011.He added that he expected the annual inflation rate would rise to 13-14 per cent on average in 2011.

Most analysts expect the South to become independent in 2011, said Minister of State, Ministry of Finance Mrial Iwao Paul at the press conference that there is a second budget will be published if the south decides to secede in a referendum on the ninth of January, 2011.

Mrial said, "We have a contingency plan. We have a budget ready and if he went south today, we can be submitted tomorrow."

Hassan and Mahmoud turned down any economic shake in the event of separation as it is expected to continue in the form of sharing oil production of 470 thousand barrels per day to decide to build a pipeline south of its own and refineries. Both declined to give details of the contingency plan.

Most of the Sudan's oil reserves which are estimated at 6 billion barrels are in the south, but the refineries and the port is located in the north. The control of the country's oil fueled the thorny issue of civil war between north and south, which ended with the peace agreement in 2005.

http://ara.reuters.com/article/businessNews/idARACAE69P0TJ20101026?sp=true

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Cubans queue for business permits

Residents flock to government offices in Havana as Cuba makes official private sector rules announced last month.

Tuesday, Oct 26, 2010

Cubans have begun queuing outside government offices across the capital, Havana, to register their own businesses as the country made official a sweeping economic overhaul announced last month.

Cuba unveiled new rules for broader self-employment in the government *Gazette* on Monday, a month after announcing new guidelines for free enterprise activities in 178 fields.

The government said last month that it planned to expand its private sector in an effort to help preserve socialism, but the rules did not become law until they were published on Monday.

Under the new measures, Cubans will be able to open restaurants, repair homes and cars, train animals, sell wine, provide transport, work as clowns and open many other businesses, some currently prohibited by the communist-led government.

"I hope this licence will bring me a better future," the Associated Press news agency quoted Lazaro Ramos, who was one of about 20 people waiting outside a government office in Havana's 10 de Octubre neighbourhood, as saying on Monday.

Ramos, 34, said he was unemployed but was hoping to get permission to make piñatas for children's parties. "The economy is not good. But with this, I will be able to make ends meet."

Simplified tax system

Under the rules detailed in the *Gazette*, authorities said the majority of the country's new self-employed license owners will be eligible for a simplified tax system that establishes a monthly quota regardless of revenue.

For example, parking attendants would pay 80 pesos ($4) a month, while typing instructors would have to pay more than 100 pesos ($5) monthly, and barbers would be forced to pay the highest fees at 200 pesos ($10) a month.

Those not eligible for the simplified tax system - with jobs such as taxi driver, plumber and rooming house operator - will pay a 25 per cent income tax on the first 10,000 pesos ($476) earned each year, with the rate rising for those who earn more.

Income exceeding 50,000 pesos ($2,381) a year will be taxed at 50 per cent.

State worker layoffs

The guidelines are part of a plan to deal with some half a million state workers to be laid off by March 2011. Authorities announced on September 13 that the government would lay off 500,000 workers and absorb many of them into the private sector.

The new rules will allow Cubans over the age of 17 to start their own business, so long as they are permanent residents.

Cuba's inefficient economy, crippled by a US trade embargo for nearly five decades, has been suffering for years, and the government of Raul Castro has begun to allow an expansion of small-scale private enterprise.

Similar steps were taken in the 1990s as Cuba struggled to survive when its economy collapsed after the fall of the Caribbean island's principal benefactor, the Soviet Union.

In 1996, the number of self-employed peaked at 209,000, but when the economy improved, the government, in the name of ideological purity, backed off the reforms and restricted the issuance of new licences.

http://english.aljazeera.net/news/americas/2010/10/20101026437204077749.html

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French students hold fresh protests

Rallies staged at campuses across the country but other protests against pension reform appear to be losing steam.

Tuesday, Oct 26, 2010

Students across France are staging fresh protests against an unpopular overhaul of the pension system, expected to be passed by politicians later this week.

The main demonstration is expected to take place on Tuesday afternoon outside the senate building in Paris, the capital, near streets made famous by the May 1968 revolt.

But despite new action the mass movement against plans to raise the age of retirement appears to be losing steam, with union leaders admitting that with the bill about to become law they will have to change tactic.

"The movement is not finished. It will continue. It will take other forms. The subjects it has raised are not closed, whatever happens in the coming days," Bernard Thibault, head of the CGT union told state television.

Francois Chereque, leader of the CFDT union said that as the parliamentary debate on the bill ends unions would be "looking at it from another perspective".

"We're not calling into question the legitimacy of parliament ... but a law is always perfectible."

Road blocks at the country's largest oil port in Marseille were bulldozed by authorities on Tuesday and rotting piles of trash are expected to be cleared soon, with garbage collectors agreeing to return to work, signs that the movement is beginning to wrap up.

Five of France's 12 mainland oil refineries were also said to be back up and running after strikes that shut them down caused major fuel shortages.

Brice Hortefeux, the French interior minister, said there was a "gradual but steady" return to normal of supplies to service stations.

Sarkozy standing firm

Jacky Rowland, Al Jazeera's correspondent in Paris, said students were hoping to keep the protest spirit alive by their action on Tuesday.

"They have two main objectives. One is to show that despite the university holidays they are still active.

"But the other key objective is to keep up the momentum in a campaign of protests and strikes which some people are starting to predict is running out of steam," she said.

"I think the students are trying today by bringing, they hope, large numbers of people onto the streets that they will keep up the momentum and keep the issue on the agenda."

The developments come after two weeks of protests by unions and students that saw millions taking to the streets and a nation gripped by fuel shortages.

Strikes are continuing but without the vigour seen last week. On Tuesday a few dozen people from the CNT and SUD Solidaire unions blocked a buses depot in Neuilly Sur Marne, an eastern suburb of Paris.

The blockage stopped more than 50 buses connecting the French capital to its eastern suburbs. Police watched the protesters without any intervention.

Nicolas Sarkozy, the French president, has stood firm throughout the weeks long protest movement, insisting the reform is necessary to save the money-losing retirement system and ensure funds for future generations as life expectancy increases and the nation's debt soars.

The bill to overhaul France's pension plan is to be voted on this week by the two houses of parliament, likely by Wednesday, officials said after a meeting of a committee that wrote a final version of the legislation to raise the retirement age from 60 to 62. It is all but certain to pass.

Steep cost

Besides raising the minimum retirement age to 62, it increases the age to access full retirement benefits from 65 to 67.

The French finance minister announced that the strikes are costing the national economy up to 400 million euro ($557m) each day, as workers continued to block other oil refineries and some rubbish incinerators.

Final passage of the pension reform legislation through parliament this week has not deterred unions, which have already announced two new nationwide protests - for Thursday and November 6.

The demonstrations against the retirement reform have brought millions into the streets, and polls have shown that most French people support the strikers. Meanwhile, the conservative Sarkozy's popularity is plummeting.

A poll published in Sunday's *Journal du Dimanche* newspaper showed that only 29 per cent of those surveyed were satisfied with Sarkozy's performance. It was the French leader's lowest rating since taking office in 2007.

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South Africa wants weak rand to aid growth despite G20

Tuesday, Oct 26, 2010

CAPE TOWN: South Africa said on Tuesday that it would weaken its rand currency to boost economic growth, threatening a deal to refrain from competitive devaluations reached by the Group of 20 major nations just three days ago.

The statement by South African presidency minister Collins Chabane appeared to mark a policy shift by President Jacob Zuma's government, which previously had resisted calls by labour unions to stimulate exports by weakening the rand.

Chabane, describing a new long-term growth plan for South Africa, said it "entails a careful balancing of more active monetary policy interventions to achieve growth...through a more competitive exchange rate and a lower cost of capital."

The plan sees unemployment falling to 15 percent from 25.3 percent currently over the next 10 years, implying the creation of 5 million jobs during that period, the government said.

At a meeting of G20 finance ministers and central bankers in South Korea last weekend, countries pledged to "refrain from competitive devaluations" of their currencies. As a G20 member, South Africa was party to the agreement.

A South African government spokesman insisted on Tuesday that there was no contradiction between his country's plan and the G20 pledge, which was designed to reduce the risk of a global trade war.

"We don't see our growth path in conflict with G20 pledges," Themba Maseko told Reuters.

But analysts said South Africa's plan could herald more aggressive use of both a weaker currency and low interest rates over coming years in an effort to tackle unemployment, which Zuma's government has identified as its biggest challenge.

Tuesday's statement suggested "another change of the monetary policy committee's (MPC) mandate is on the way, plus more forex policy change", said Peter Attard Montalto, emerging markets economist at Nomura International in London.

"I think this is a push for more activist policy on both currency and MPC, involving new interventions and a shift of the MPC mandate to explicit growth targeting over time."

BUDGET REVIEW

Chabane did not elaborate on Tuesday on how South Africa would conduct its "monetary policy interventions", or say how much it wanted to weaken its currency.

"The minister of finance will make further pronouncements on the growth plan and possible currency foreign exchange plans on Wednesday," Maseko said.

Finance Minister Pravin Gordhan, who has himself spoken out in the past against efforts by countries to weaken their currencies, will deliver his medium-term budget review on Wednesday.

The rand has appreciated about 27 percent against the U.S. dollar since the start of 2009, buoyed by a flood of investor funds from sluggish developed economies into emerging markets.

Many analysts said the country would have difficulty fighting this trend. South Africa has relatively low foreign exchange reserves and relies on foreign capital inflows to plug its current account deficit, so it cannot easily copy countries such as China and Brazil, which have used forex interventions and taxes on capital flows to steer their currencies.

"South Africa is but a very small boat on a very rough sea in the currency war arena. It is beyond its capacity to steer the exchange rate of the rand directly," said Jac Laubscher, group economist at finance house Sanlam.

"Its only hope is to use its position in the G20 to promote a multilateral response to the need for currency realignment... Apart from that, any country that runs a perpetual current account deficit can hardly afford to discourage capital inflows."

CENTRAL BANK

Also, it is not clear if South Africa's central bank, which is independent of the government, would go along with any plan to weaken the rand. It might be reluctant to undertake any major campaign of currency intervention; in September it said it was accumulating foreign reserves but that the process was "costly".

Similarly, it might resist the idea of cutting interest rates to weaken the rand as its core mandate is to protect price stability. Gordhan wrote to Reserve Bank Governor Gill Marcus in February saying the MPC must also take into account economic growth and job creation in rate decisions, but it is unclear if the government would go as far as formally changing the mandate.

For those reasons, some analysts said the talk of currency depreciation might largely aim at satisfying the labour unions, rather than being a firm commitment to a much weaker rand.

The new plan "is much more focused on employment creation and domestic growth generation than necessarily the currency", said Leon Myburgh, sub-Saharan Africa specialist at Citi.

"It's a very broad intention and the rand is just a subset of that. It's being viewed as a tool to get to an end objective, which is ultimately employment growth. I wouldn't overstate the role of the rand within the broader statement."

The rand did not move significantly against the dollar in response to Chabane's statement on Tuesday, reflecting doubts about authorities' ability to weaken the currency any time soon.

"It's more long-term, decades type of stuff -- he has made long-term comments. The budget announcements will probably have much more direct effect on markets," said Ion de Vleeschauwer, chief dealer at Bidvest Bank.

http://af.reuters.com/article/topNews/idAFJOE69P07120101026?sp=true

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Kenya in massive housing project as property booms

Tuesday, Oct 26, 2010

NAIROBI: Russia-based Renaissance Group on Tuesday launched a multi-billion dollar property development on the northern outskirts of Kenya's capital to cash in on a booming real estate market in east Africa's biggest economy.

Local and foreign investors are being drawn to Kenya's property sector by returns which have outperformed stocks in the past 10 years.

Growing incomes and large numbers of young people moving to urban centres are fuelling demand for housing across all asset classes and construction was the economy's fastest growing sector in the second quarter of 2010.

Kenya's population of 38.6 million is increasing by 1 million annually and Nairobi city authorities are expanding its boundaries to outlaying towns to ease pressure.

Renaissance Partners, the principal investment arm of Renaissance Group, will partner with Kenya's Tatu City Ltd in the 50/50 joint venture project.

The 1,000-hectare project, named Tatu City, will sprout up on a former coffee farm outside the town of Thika, about 40 km north of Nairobi.

It will house an estimated 62,000 residents and offer commercial and recreation facilities, including a soccer stadium. The first occupants are expected by 2012.

"So far $100 million has been invested, $250 million will be invested for the next phase but over time it will be a multi-billion dollar project," Renaissance Group Chief Executive Stephen Jennings told Reuters after a ceremony to launch the project.

"Within Africa, Kenya is one of the most dynamic economies … you are going to have very fast economic growth. You have a fantastic investment climate for long-term investors."

Kenya's economic growth is expected to reach about 6 percent in 2011 compared with a projected increase of 5 percent this year.

Jennings said he hoped the project would serve as a catalyst to foreign direct investment in sub-Saharan Africa.

"There will be a few ups and down but (Kenya's) political risk is coming down and the economic climate is improving. We are very excited and we are certainly not worried about Kenya," he added.

http://af.reuters.com/article/topNews/idAFJOE69P0MB20101026?sp=true

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China minister says dollar printing "out of control"

Tuesday, Oct 26, 2010

BEIJING | Dollar issuance by the United States is "out of control," leading to an inflation assault on China, the Chinese commerce minister said in comments reported on Tuesday.

Chen Deming, speaking at a trade fair in southern China, said that exporters had done a good job of preparing themselves for exchange rate changes as well as rising labor costs, but were suddenly confronted with new challenges.

"Because the United States' issuance of dollars is out of control and international commodity prices are continuing to rise, China is being attacked by imported inflation. The uncertainties of this are causing firms big problems," Chen was quoted as saying by the official Xinhua news agency.

Chinese officials have criticized U.S. monetary policy as being too loose before, but rarely in such explicit language.

At the G20 meeting in South Korea which ended on Saturday, Chinese Finance Minister Xie Xuren said that issuers of major reserve currencies -- code for the United States -- must follow responsible economic policies.

Along with posing an inflationary risk, a weak dollar also places appreciation pressure on China's yuan since its value is so closely tied to the U.S. currency.

China's consumer price inflation rose to 3.6 percent in the year to September, a 23-month high. It has been led mainly by food costs and many economists expect it to crest before the end of the year.

Despite his concern about the impact of U.S. monetary policy, Chen gave a positive outlook for Chinese trade next year. He said export growth would be stable, while imports would increase strongly.

http://www.reuters.com/article/idUSTRE69P3QW20101026?loomia_ow=t0:s0:a49:g43:r1:c0.145455:b38808204:z0

French G20 to seek reform of global monetary system

Wednesday, Oct 27, 2010

PARIS | France will seek reform of the global monetary system during its upcoming G20 presidency to protect emerging economies and to diversify international reserves, Economy Minister Christine Lagarde said on Wednesday.

France, which takes over the chair of the G20 group of leading economies in mid-November, has placed reform of the international monetary system at the top of its agenda for its year-long presidency.

G20 finance ministers at a meeting in South Korea last weekend reached a landmark agreement to reform IMF voting rights, handing more power to underrepresented emerging economies, and also reached a commitment from members to refrain from competitive currency devaluations.

Presenting the results of the meeting to France's National Assembly, Lagarde said it went some way toward the objectives of France's G20 presidency laid out by President Nicolas Sarkozy, but more needed to be done.

"Very clearly the international monetary system should be modified, improved and re-established to protect emerging countries and to diversify reserves," she said.

Sarkozy, whose poll ratings are mired at near record lows, has said that under France's stewardship the G20 will target an ambitious agenda, including combating volatility in commodities markets and improving global economic governance.

In preparation for its presidency, France has been canvassing the opinion of G20 partners in recent months on reform of the international monetary system, officials say.

One official said a key area of discussion was how to encourage greater use of China's yuan as a reserve currency in the future, including talks on a possible timetable for its inclusion in the basket of currencies which underpin the IMF's Special Drawing Rights.

Other ideas include encouraging a greater role for the SDR itself as a reserve currency, in an effort to move away from reliance on the U.S. dollar, officials say.

France also hopes to make more progress on the issue of "global safety nets" -- mechanisms for protecting vulnerable economies, particularly in the developing world -- from brusque swings in global capital flows, an issue which was already discussed under South Korea's presidency of the G20.

http://www.reuters.com/article/idUSTRE69Q46C20101027

Trade deal 'threatens net freedom'

Internet users could be prosecuted for downloading certain content under a proposed trade agreement, critics say.

Thursday, Oct 28, 2010

A new trade agreement being negotiated behind closed doors by officials from the United States, European Union and other countries could drastically reduce internet freedom, a group of more than 70 legal experts have warned.

The government of Barack Obama, the US president, could initiate the far reaching Anti-Counterfeiting Trade Agreement (ACTA) at the beginning of next year, without a vote in congress, leading critics to call it anti-democratic in a letter released on Thursday.

"In serious negotiations like this, where standards are being imposed, there should be some debate," Chris Sprigman, a law professor at the University of Virginia, told Al Jazeera.

"Instead the Obama administration has brought this to an international forum where there is no legitimacy."

Normally, trade agreements dealing with intellectual property and other crucial issues are dealt with through established international forums such as the World Trade Organisation (WTO) or the United Nations.

These organisations, while frequently criticised, have established negotiating procedures and some degree of openness.

Secret talks

ACTA, however, is being negotiated by trade representatives in secret on a government to government basis, so critics say there is no accountability to the talks.

The agreement could force internet service providers to deny net access to people who repeatedly download content, lawyers have said.

The US and EU are promoting the agreement "at the bidding of content production industries" including Hollywood movie studios, record labels, software firms and drug companies, Sprigman said.

But the entertainment industry and other content producers say ACTA is crucial for protecting intellectual property, stopping digital piracy and stimulating new ideas and products.

"Increased broadband speeds and penetration make it easier to steal creative works through illegal revenue-generating sites around the world," US television and movie actors wrote in a March 2010 letter to Barack Obama in support of ACTA.

"American workers are … the most immediate 'victims' of rampant copyright theft over the internet - a threat which erodes their ability to earn a living," the actors wrote, applauding Obama for his remarks on "aggressive law enforcement" to "battle intellectual property theft".

Sprigman believes that large institutions who systematically infringe on copyright should be prosecuted, but the diffuse nature of the internet means arresting or charging average computer users who share content is a sign the government is going too far.

Draft copy

After facing mounting pressure over its negotiating tactics and secrecy, the Office of the United States Trade Representative (USTR) first released a draft copy of the agreement in April 2010.

"The idea of the text is to get countries to ratchet up criminal penalties for copyright infringement," Sprigman said.

If the agreement comes into effect, security forces in countries which sign on could be under more pressure to criminally charge individuals who download movies or music from the internet if they are infringing on copyrights, he said.

The USTR has not invited comments on the text from the public and the US government has blocked the release of updated versions of the draft agreement, lawyers say.

The most recent consolidated text of the proposed deal is on the USTR's website and dated October 2, but lawyers say this text is the same as what was released in April.

Sprigman said he became an activist on this issue because the "Obama administration promised they would run an open government" but now they are "pushing this non-transparent back room deal".

"They did it this way because they were afraid they wouldn't be able to do it in the open," he said.

The agreement could come into effect at the beginning of next year.

http://english.aljazeera.net/news/americas/2010/10/2010102822231134125.html

EU to call on G20 to advance on FX without numerical goals

Thursday, Oct 28, 2010

BRUSSELS | European Union representatives at the G20 summit in Korea next month will call for remedial action to be taken on exchange rates and capital flow issues where needed to prevent a widening of global imbalances.

A letter written by European Commission President Jose Manuel Barroso and European Council President Herman Van Rompuy, the two EU leaders, says, however, that solving global imbalances does not require imposing numerical targets on current account surpluses or deficits, as proposed by the United States.

"As global imbalances are fuelled by exchange rate misalignments, in Seoul we need to find a common ground that will allow us to make progress on exchange rates and capital flows issues and take remedial action where needed," said the letter, obtained by Reuters.

"In this respect, we have presented a proposal to the G20 on how to address these issues in a cooperative way, based on the methodology we have developed to cope with our internal imbalances, without having to resort to controversial quantitative targets, as suggested by the U.S.," the letter said.

http://www.reuters.com/article/idUSBRM00217020101028?loomia_ow=t0:s0:a49:g43:r2:c0.090909:b38808204:z0

China says Hu open to discussing French G20 proposals

Thursday, Oct 28, 2010

* Says China open to other nation's views on G20 cooperation

* To discuss aircraft, nuclear projects with France

* Confident measures to aid Portugal will restore economy

BEIJING: Chinese President Hu Jintao is open to discussing President Nicolas Sarkozy's broad proposals for G20-led global financial reforms during his upcoming visit to France, a senior Chinese diplomat said on Thursday.

France takes the chair of the G20 group of leading economies from mid-November and has made reforming the international monetary system a focus for its year-long presidency.

China's currency frictions with other big economies put it at the heart of those issues, and Hu has timed his visit to France from Thursday ahead of Sarkozy taking the G20 reins.

Chinese vice Foreign Minister Fu Ying would not discuss the specifics of what the two leaders may discuss, but she indicated that Hu was open to hearing Sarkozy's proposals and wanted views aired at a G20 summit in Seoul in November.

"President Sarkozy and the French side, as the next chair country of the G20, have raised many proposals, and China takes these very seriously," she told a news conference in Beijing.

"We feel that for France as the chair country to have this active attitude and to propose these leading edge proposals for cooperation merits being taken seriously," she said.

"As well, I think that during the Seoul meeting China will hear the views of other countries' views of France's proposals and views."

Hu will also discuss expanding aircraft and nuclear project cooperation during his visit to France, Fu said.

French aircraft maker Airbus was in talks to sell at least 150 aircraft to China for about $16 billion, a deal which could be sealed during Hu's visit, according to French media reports.

On Portuguese debt, Fu said China has consistently invested its foreign exchange in European countries, adding "we are confident that the measures being undertaken by the Portuguese government will help in restoring the economy and finances to normal".

Sarkozy, whose poll ratings are skidding at near record lows, has said that under France's stewardship the G20 will pursue an ambitious agenda, including combating volatility in commodities markets and improving global economic governance.

n preparation for its presidency, Paris has been canvassing the opinion of G20 partners in recent months on reform of the international monetary system, French officials have said.

One French official has said a key area of discussion was how to encourage greater use of China's yuan as a reserve currency in the future, including talks on a possible timetable for its inclusion in the basket of currencies which underpin the IMF's Special Drawing Rights (SDRs).

The Chinese Vice Foreign Minister Fu did not say directly whether Hu would take up that issue with Sarkozy, and she indicated the discussions would unfold over the next year.

"It's good for these proposals to raised early, so that there's a year for everyone to gradually arrive at consensus and gradually to implement more viable proposals," she said.

Euro area policymakers have joined the United States and other economies in urging China to allow faster appreciation of its yuan currency.

Chinese officials have resisted making rapid adjustments and say the appreciation would not cure trade imbalances.

http://www.reuters.com/article/idUSTOE69R09L20101028

EU approves tough euro zone rules

Mechanism aimed at averting another financial crisis authorises bloc to fine countries that borrow and spend too much.

Friday, Oct 29, 2010

EU leaders have agreed on tougher rules for nations whose overspending threatens Europe's single currency and risks triggering another financial crisis.

Herman Van Rompuy, the EU president, said on Friday that the bloc was planning for a "robust and credible permanent crisis mechanism to safeguard the stability of the euro zone as a whole".

The point of the economic governance measures was to "deter bad budgetary behaviour by fining countries that run excessive deficits and debts much earlier than now. Also their budgets will come under review by the EU", he said.

Van Rompuy said leaders at the EU summit that got under way in Brussels on Thursday also agreed on a crisis mechanism to safeguard the stability of the eurozone, but that details need to be worked in the months ahead, notably on whether to bring in private creditors to ease the burden for taxpayers.

The crisis mechanism will be a safety net to prevent another debt crisis such as the one that gripped the eurozone this year when Greece nearly defaulted.

"When the euro as a whole gets into danger, EU states will be allowed to intervene but only under strict conditions," Angela Merkel, Germany's chancellor, said.

EU treaty changes

Van Rompuy said he would see in the months ahead if the tougher budget rules could be put into the EU treaty without requiring a major rewrite.

Diplomats said a simple tweaking of the Lisbon treaty could avoid the need for national referendums.

That is important because getting approval for the current EU treaty from 27 governments took 10 years, after Dutch and French voters killed an earlier version in 2005. Irish voters have also repeatedly dismissed treaty amendments.

Meghnad Desai, an economist and a member of the UK's House of Lords, told Al Jazeera that changing some clauses in the treaty is going to prove very controversial.

"If the treaty has to be revised, it will have to go through a referendum in many countries," he said.

"The EU may manage to do something without a treaty change but that would have less of a power. There is a lot of discussion to be had before we get a foolproof mechanism.

"They have set up a large fund ... but if a country looks like it is applying for the fund, it will cause so much mayhem on the stock market for that country's debt that no one will want to ask for the money. It's really a kind of Catch-22 situation."

Desai further said the "emergency fund, which expires in three years, will be kicked into renewal without anybody raising any stricter conditions. While Germany and France want to drive it, they can't agree what to do".

Fundamental values

Merkel said she wanted to make it clear that a policy that threatens the euro as a whole also rattles the fundamental values of the EU.

She suggested undermining those values by running excessive deficits and debts should cost offenders their voting rights.

However, Manuel Barroso, the European Commission president, called losing voting rights "unacceptable", saying it would never get approval from all 27 EU governments.

This view was echoed by several European leaders and EU officials.

"That is a non-flier. That would create problems for many countries," Fredrik Reinfeldt, the Swedish prime minister, said.

Mark Rutte, the Dutch prime minister, said EU leaders had little choice but to bow to Germany's demands for treaty change.

"I think it's was more Mrs Merkel's proposition because of the constitutional court. That's the main reason," Rutte said.

"The constitutional issue of Germany, they need a small treaty change to implement a crisis mechanism."

Merkel and Nicolas Sarkozy, the French president, came to the two-day summit seeking a system which would force private creditors to bear some of the cost of bailing out a highly indebted country and not dump all the pain on taxpayers.

Merkel, for her part, said any rescue system should include "banks and funds who primarily benefit from high interest rates. That means that the taxpayer no longer carries the whole responsibility".

Some analysts are not convinced that such a task is achievable, however.

Meanwhile, David Cameron, the UK prime minister, won support for his battle against a 5.9 per cent rise in the EU budget.

A total of 10 nations backed Cameron's bid to limit the budget increase to 2.9 per cent - a rise that would still cost taxpayers in UK about £435m [nearly $700m].

Enforcement sought

The debt crisis that has gripped Greece and Ireland, and to a lesser extent Portugal and Spain, has left the 16-nation euro zone scrambling for stricter enforcement of rules aimed at keeping governments from running big deficits and undermining the shared currency.

Greece needed a rescue loan to avoid bankruptcy earlier this year, a crisis that sent shock waves through the currency union.

Even before the financial crisis of 2008, many EU countries broke limits on deficits and public debt of three per cent and 60 per cent of GDP respectively.

Existing provisions to punish overspending governments were never enforced as EU governments lacked the political will to punish fellow members of the bloc.

Caps on deficits are needed because overspending can undermine the euro.

http://english.aljazeera.net/news/europe/2010/10/2010102981320586560.html

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ARTICLES/COMMENTARIES

IMF power shift opens way for breakthroughs

Monday, Oct 25, 2010

WASHINGTON | A G20 agreement to give emerging market countries more power in the International Monetary Fund opens the door for breakthroughs on easing global tensions over trade imbalances.

The surprise deal reached at weekend meetings of finance ministers from the Group of 20 in South Korea shifts IMF voting power to under-represented emerging countries like China, India, Brazil and Turkey.

Countries like the United States are betting that with greater representation emerging economies such as China will be more willing to address the trade distortions causing currency volatility and threatening increased protectionism.

The deal avoided a widening of the gulf between emerging and developed nations and a chaotic ending to a G20 meeting in which the United States failed to convince China and others to agree to targets to limit current account imbalances.

The IMF agreement also spares the G20 from losing credibility, opening the way for G20 heads of state, meeting in Seoul on November 11 and 12, to handle more politically difficult decisions on fixing the trade imbalance problem.

Treasury Secretary Timothy Geithner flew to China on Sunday for further talks with Chinese authorities in the hopes of finalizing a currency deal before the Seoul summit.

Youssef Boutros-Ghali, Egypt's finance minister who heads the IMF's steering policy panel, the International Monetary and Financial Committee, said problems in the world economy could not be addressed without acknowledging the rising clout of emerging economies.

"This deal was necessary for us to get anywhere. This was a necessary condition, not a sufficient condition, for any further reform of the institution," he told Reuters by phone.

"Nobody got exactly what he wanted and nobody is going home with what he wished, but everybody walks home with a viable solution," said Boutros-Ghali, who attended the G20 meeting in Gyeongju.

Just hours after ministers signaled a deal was unlikely and would be left to G20 leaders summit in Seoul on November 12, IMF chief Dominique Strauss-Kahn declared a historic agreement had been reached.

Analysts said the deal was fairly similar to what ministers were unable to agree just two weeks earlier at IMF meetings in Washington and questioned what had triggered the about-turn.

"It raises a possibility there may be another side to this deal," said Domenico Lombardi, a former IMF board official and now a senior fellow at the Brookings Institution think tank in Washington. "It implies some sort of a commitment from emerging economies in terms of rebalancing the current accounts or in terms of greater exchange rate flexibility."

The G20 communique on Saturday called for more market-determined exchange rate systems and the avoidance of competitive devaluations of currencies but failed to get into specifics.

HOLDING OUT FOR BETTER DEAL

G20 officials said the breakthrough IMF deal came during a separate meeting of BRIC countries -- China, Russia, India and Brazil -- and the Group of Seven industrial nations made up of the United States, Britain, France, Italy, Japan, Canada and Germany.

One official said Russia and Brazil argued the deal did not go far enough in shifting power to emerging economies, India was more conciliatory, while Turkey complained there was no deadline on achieving the shift.

In the end, the grand bargain transfers six percent of voting power to under-represented "dynamic" emerging economies, putting China below the United States and Japan in IMF voting power from sixth place. The changes will also see Europe give up two seats to emerging economies on the 24-member IMF board.

Analysts said the deal will increase the legitimacy of the IMF at a time when it is set to play a larger role in policing the global economy.

The IMF showed during the global financial crisis that it was an effective lender of last resort, but it still has to show its persuading powers on thornier issues, such as foreign exchange policies and current account imbalances.

Analysts said there were no guarantees that by giving emerging market economies more IMF voting power and stepping up IMF oversight of the world economy it will force them to change their policies.

"The lack of an enforcement mechanism makes it unlikely, however, that the enhanced surveillance procedures will work in getting countries to shift their policies -- this approach has been tried before and did not work," said Eswar Prasad, a former IMF official and now a senior fellow at Brookings Institution.

"The threat of 'additional surveillance' is unlikely to convince large countries to change their policies," he added.

http://www.reuters.com/article/idUSTRE69N1WR20101025

African agriculture coming of age: Report

Tuesday, Oct 26, 2010

LONDON: A growing African food sector can yield private sector returns on the back of government support, said a report on Tuesday, which also said that a global grain reserve may be needed to protect consumers from price spikes.

Local initiatives aiming for an African equivalent of the Green Revolution, which swept developing countries in the 1970s and 1980s, needed coordination, the report added.

For example an African Union (AU) strategy aimed to drive economic development through investment in agriculture at a tenth of national budgets, given new impetus by a 2008 food crisis which prompted $20 billion aid for agriculture.

"It's a focus on the great and proven potential of African agriculture," said Imperial College London's Gordon Conway, chair of a panel of authors of the report titled "Africa and Europe: Partnerships for Agricultural Development".

"We can continue to parachute in sacks of grain, but it's much better to focus on making sure the seeds and fertilisers are present in the hands of the dealers in the villages."

"We are in a period of optimism about the prospects for Africa and African agriculture," the report concluded.

The Green Revolution in Mexico, India and elsewhere met large increases in yields through steps such as investment in irrigation, fertilisers and high yielding crops.

In Africa cereal yields were as little as one third those in developed countries, said Lindiwe Majele Sibanda, another author, but she pointed to successes for example in Nigerian cassava and of the adoption of higher yielding rice varieties.

"Africa is now organised and ready for business," she said.

The AU initiative aimed to achieve 6 percent annual growth in farm output by 2015 compared with 3 percent annually over the past decade. Tuesday's report cited estimates that the sector may be worth $800 billion by 2030 compared with $280 billion now.

It intended to galvanise European private and public sector investment, following similar investment in African farmland and businesses by large emerging economies including China.

Private sector investment would not over-turn problems of malnutrition, however, where 200 million Africans are under-fed and 5 million die annually from hunger. That required public support, possibly including a global grain reserve to ease food price spikes which hurt the poor more, the report said.

"Food price spikes, particularly the one in 2007-08, had a devastating impact on African consumers. Speculators drive these spikes higher than they would otherwise be," said Conway.

"These spikes need some form of physical grain reserve to moderate them," he added, saying that he was not advocating a government takeover of commodity markets.

http://af.reuters.com/article/topNews/idAFJOE69P0LW20101026?pageNumber=2&virtualBrandChannel=0&sp=true

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How the world can tackle skewed growth, FX

Thursday, Oct 28, 2010
SINGAPORE | Finance leaders are trying to reconcile their differences over deep imbalances in the global economy and reduce the risk of a currency war.

Last week's talks among Group of 20 finance ministers and central bank chiefs in South Korea yielded some progress. Leading emerging and developed economies pledged to refrain from damaging competitive currency devaluations and to tackle trade imbalances. They also agreed to give fast-growing nations a bigger voice at the International Monetary Fund.

Heads of G20 nations will meet at a Nov 11-12 summit to discuss more detailed targets.

Below are possible ways forward for addressing uneven global growth and currency tensions, exemplified by China's big current account surplus, a fragile dollar and ultra-loose monetary policies in many rich economies.

WILL THERE BE PROGRESS AT THE G20 SUMMIT IN SEOUL?

PROBABILITY: Very high

For all the finger-pointing and allegations over selfish monetary policies preceding the gathering of finance ministers, the outcome was surprisingly positive.

It came nowhere close to meeting the expectations of some market participants of a repeat of the landmark 1985 Plaza Accord. Yet the group agreed broad guidelines to correct global imbalances and lent the plan some credibility by asking the IMF to police its implementation.

Redistributing voting power at the IMF in favor of emerging nations could lead to the likes of China and India, as a quid pro quo, taking on greater responsibility for tackling global issues.

The overall deal thus provides "deliverables" for G20 leaders to endorse and trumpet when they meet in Seoul next month.

That said, the G20 statement was light on most matters.

There was no explicit call for flexibility in China's yuan or other managed currencies, no rebuke of central banks that have intervened in the currency markets and enough ambiguity to allow governments to pursue independent policy changes gradually.

It also glossed over a U.S. proposal to set numerical targets for current account balances after deep opposition from surplus countries such as Germany and Russia as well as from India, which runs a deficit.

But the two biggest players in the G20, the United States and China, appear to be on board to set some guiding principles, which means the Seoul summit may lay a foundation for some coordination in redressing current account imbalances.

WILL WE BE LEFT TO MUDDLE THROUGH?

PROBABILITY: High

G20 leaders may have signed a truce after months of trading barbs on beggar-thy-neighbor money printing and currency policies, but there is nothing to stop them from pursuing national economic solutions.

Indeed, South Africa said on Tuesday it would weaken the rand to boost growth. And officials say South Korea and Brazil might introduce fresh controls on capital inflows before long.

Likewise, a pledge at the G20 by advanced nations to be "vigilant against excess volatility and disorderly movements in exchange rates" could soon be put to the test.

The U.S. Federal Reserve is expected to announce next week another round of quantitative easing that pumps hundreds of billions of dollars into the banking system -- despite the fears of Germany, Japan, China and others that the result will be more dollar weakness.

Last week's meeting showed there remains a veneer of the remarkable unity displayed after the credit crisis exploded.

Then, G20 leaders, determined to avert another Great Depression, slashed interest rates, refloated money markets, adopted a $1 trillion stimulus plan and pursued sweeping financial sector reform.

The group can only hope that financial markets do not test their resolve anew by stirring up a fresh crisis.

WILL THE IMF'S MAP PROCESS MAKE A DIFFERENCE?

PROBABILITY: Low

G20 finance ministers pledged to report regularly on progress in adjusting current account imbalances as part of the IMF's mutual assessment process (MAP).

Dominique Strauss-Kahn, the IMF's managing director, also proposed drawing up "spill-over reports" on how the policies of the world's five largest economies -- the United States, China, the euro zone, Japan and Britain -- affect each other.

The reports would build on the annual reviews the IMF already conducts of the policies of its 187 member countries.

But the IMF has struggled for years to get governments to heed its calls for structural reforms. As Strauss-Kahnn acknowledged last week, the IMF lacks teeth: unless the fund is lending money to a country, it cannot impose its policy recommendations -- be it in relation to greater currency flexibility in China or freer labor markets in Europe.

Giving the IMF more power to police the global economy would require an explicit extension of its mandate.

There is no reason to assume that developing countries, which are to get 6 percent more voting power at the fund, will be any keener than rich nations have been to strengthen the IMF's hand. Asian nations in particular still seethe at the fund's handling of the 1997/98 Asian financial crisis.

IS THE G20 NOW THE FORUM TO THRASH OUT CURRENCY DIFFERENCES?

The Group of 20, representing almost 90 percent of global output, last year took over from the Group of Seven industrial nations as the main forum for global economy policy-making.

Critics say last week's communique is testament to how unwieldy, disparate and ineffective the group is. But the very fact that a consensus on currencies was forged is no mean feat.

Some officials say the talks in Gyeongju were struggling until G7 ministers struck a bargain over IMF representation at a separate meeting with their counterparts from the BRICs -- Brazil, Russia, India and China.

The currencies of the G7 -- the dollar, euro, yen, sterling and Canadian dollar -- account for the vast bulk of the $3 trillion traded daily in the global foreign exchange market.

But France, which assumes the G20 presidency after the Seoul summit, has said there is no obvious alternative to the G20.

French President Nicolas Sarkozy wants a review of the international monetary regime to be a centerpiece of his G20 presidency.

DEVELOPMENT OF A NEW RESERVE CURRENCY

PROBABILITY: Highly unlikely in the short term

China and Russia favor moving the global economy away from reliance on the dollar as the world's primary reserve currency.

They have floated the idea of using a broader-based version of the Special Drawing Right, the IMF's in-house unit of account, which is currently composed of the dollar, euro, yen and sterling.

Momentum is growing behind the idea of adding the yuan to the SDR basket, even though the Chinese currency is not convertible on the capital account.

But shifts in the status of reserve currencies do not happen overnight. Even after the United States overtook Britain in economic power, it was decades before the dollar supplanted sterling as the world's principal reserve currency.

Sarkozy wants to examine international monetary arrangements, including the role of the SDR, during France's G20 presidency.

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