

BPM Report # 147

BUSINESS AND POLITICS IN THE MUSLIM WORLD

Weekly Report on General Economic and Business Developments in the World

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GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD

UK and China sign lucrative deal

UK PM visit to China is crowned by a \$1.2bn deal between UK Rolls-Royce and China Eastern Airlines.

Sunday, Nov 21, 2010

The premiers of Britain and China have overseen trade deals worth more than a billion dollars but human rights cast a shadow over the British prime minister's bid to strengthen economic ties.

David Cameron - traveling with Britain's largest-ever delegation of bosses and ministers to China - wanted to focus on doubling trade with the world's second largest economy and taking their trade relations "to a new level".

By far the biggest deal announced on Tuesday was worth \$1.2 billions between Rolls-Royce and China Eastern Airlines Corp under which the British group will provide jet engines to power 16 Airbus A330 aircraft.

Cameron is traveling with 43 bosses from major British companies and four government ministers on his first official visit after taking power in May.

He said in an article for the *Wall Street Journal* that he expected to see "new contracts worth billions of dollars" signed during his two days in Beijing, which come ahead of the Group of 20 summit in Seoul starting on Thursday.

Cameron's government is searching for new sources of economic growth after unveiling the deepest public sector spending cuts in decades last month, with his ministers tackling a record deficit of \$249.3 billions.

Earlier deals signed include a 45-million-pound, five-year agreement for British companies to export breeding pigs to China and the construction of 50 new English-language schools in China by Britain's Pearson.

Human rights issues

Facing pressure to challenge Chinese leaders on rights, Cameron said he was not for "lecturing and hectoring" Beijing. But it is expected that Cameron will raise the case of jailed Nobel laureate Liu Xiaobo before he leaves China Wednesday.

Cameron and Wen Jiabao, China's prime minister, had a "general discussion" on human rights in a meeting on Tuesday, British officials said, highlighting that Wen had welcomed the two countries' discussions on the subject.

China defended its human rights record, with foreign ministry spokesman Hong Lei telling reporters at a regular briefing that the country's citizens today "are enjoying more extensive rights and freedoms".

"This is a fact that is there for everyone to see," he said.

Cameron is the first Western leader to visit China since dissident Liu was **awarded** the Nobel Peace Prize on October 8 - an honour hailed in the West but condemned by Beijing as tantamount to "encouraging crime".

The lawyer who heads the firm that represents Liu, Mo Shaoping, told AFP on Tuesday that he had been prevented from boarding a flight out of China, saying the Nobel connection was "definitely" behind the decision.

On the eve of Cameron's visit, Chinese artist Ai Weiwei, an outspoken government critic who was placed under house arrest last week, added that Western leaders on trade trips to China "must insist on human rights issues".

Countries including Britain have said they will not heed a Chinese call for Western diplomats to steer clear of the Nobel Peace Prize award ceremony in December.

Al Jazeera

<http://english.aljazeera.net/news/asia-pacific/2010/11/2010119214716901510.html>

World stands on the brink of food crisis

Monday, Nov 22, 2010

World imports of food will exceed the level of \$1 trillion as of the year-end because of the growing prices on agricultural production, UN expert said. Next year, many countries in the world may face the problem of food shortage. In the meantime, US authorities announced considerable losses of harvests of corn and barley.

According to the United Nations Organization, 80 countries suffer from a shortage of food. Thirty of them may find themselves in a critical situation already in the nearest future. The supplies of wheat in the current agrarian year will drop by 5.1 percent to 647.7 million tons in the world. The demand will hit the level of 668 million tons.

The FAO Food Price Index reached the maximum in September since July 2008: 197.1 points, having climbed up from 188.7 points a month earlier. The index includes crops and oil crops, milk, meat and sugar.

By the end of 2010, the import production for the above-mentioned products will become 11% more expensive, according to FAO. In 2011, the index may grow by 20 percent. Separate kinds of foodstuffs will become 40 percent more expensive. The food prognosis urges the countries to activate their production to replenish their food reserves.

A state of shock is not expected for Russia, but it seems that it will not be possible for the country to avoid food inflation. According to FAO, the production of crops in the Russian Federation dropped by 14 million tons and will make up only 3.5 million tons because of extremely high summer temperatures. Russia's internal reserves will drop by 4 million tons.

Last Friday, the US Department of Agriculture said that the national harvest of maize would most likely drop to 14-year low. The shortage of the feeding crops may result in a crisis not only on the crop, but also on the meat market, experts say.

According to AgResource, there will be record amounts of maize grown in the world in 2011 - 848.99 million tons vs. 818.52 million tons grown this year.

English pravda.ru: Russian news and analysis

http://english.pravda.ru/business/finance/22-11-2010/115875-food_crisis-0/

Wen set to sign Russia energy deals

China's PM in Moscow to boost trade and finalise pricing agreement on gas amid growing links between the two neighbours.

Monday, Nov 22, 2010

Wen Jiabao, the Chinese prime minister, is heading to Russia for a visit set to underscore the increasingly close relationship between two of the world's largest economies.

After years of distrust over their political ideologies, Wen is seeking to nail down a pricing agreement for gas supplies to China and to expand trade co-operation.

Russia wants to diversify more of its energy exports away from Europe, its traditional market, and into its rapidly growing southern neighbour.

China, meanwhile, is the world's largest oil consumer and wants to boost its energy security by looking for new sources of fuel.

Neave Barker, Al Jazeera's correspondent in Moscow, said that the visit "exemplifies the sense of mutual co-operation to allow each other's economies to grow and flourish".

Wen will also go to Tajikistan for a meeting of the Shanghai Co-operation Organisation, a Central Asian regional group, comprising Russia, China and four former Soviet central Asian states.

Gas dispute

Russia has begun test-pumping about 600,000 tonnes of oil along a new East Siberian-Pacific Ocean (Espo) pipeline that is set to start bringing 300,000 barrels per day to China in January next year.

With Moscow eager for more Chinese cash to fuel growth, Beijing agreed in October to lend Russia \$6bn for the development of coal deposits.

China had already agreed in 2009 to lend \$10bn to Russian oil pipeline monopoly Transneft and another \$15bn to state-controlled oil giant Rosneft in exchange for the oil to be transported through the Espo pipeline over 20 years.

Russia, which has built a nuclear reactor in China, has agreed to expand nuclear power co-operation in seven areas with China, including exploring uranium mines, building floating nuclear power plants, eliminating old plants and developing markets abroad.

But their close energy ties have been clouded by a dispute about pricing for gas, which has dragged on for years.

Chinese officials say they hope to resolve the disagreement during Wen's visit.

Gazprom, the Russian energy giant, said in 2006 that it would build two major pipelines to China but the projects have been delayed because of the wrangling over pricing.

Wen will also be attending a summit of 13 countries in St Petersburg on how to prevent tigers from becoming extinct.

Chinese demand for products derived from tigers for medicine has been identified as one of the main threats weighing on the Amur tiger, which lives in Russia and China.

Al Jazeera

<http://english.aljazeera.net/news/europe/2010/11/2010112213526483760.html>

Credit Card Companies Woo Programmers

To compete online and in mobile, Visa, MasterCard, and American Express need independent software

Monday, Nov 22, 2010



Want to skip the line at the ballpark? Download the iConcessionStand smartphone app. It lets sports fans order hot dogs and cold beer from their mobile phones

and pay by transferring money from PayPal (EBAY) to a nearby food vendor. An alert pops up when the order's ready.

PayPal, a unit of eBay (EBAY), earns about a three percent cut of the transaction, but the app wasn't built by PayPal's engineers. IConcessionStand is one of more than 1,000 apps devised by entrepreneurs using PayPal X, a software tool that lets programmers work PayPal's payments-processing technology into their own products. These outside developers will generate \$1 billion in transaction volume for PayPal this year, the company says.

Now the big credit card networks, looking for ways to increase their presence in mobile and online, are replicating that model. In the past year, Visa (V), MasterCard (MA), and American Express (AXP) have spent nearly \$3 billion to buy Net-based payment processors. (The most recent acquisition: MasterCard's \$526 million purchase of payment company DataCash Group in August.) Like PayPal, card processors are opening their networks to outside programmers. They now understand that "to find the prince you've got to kiss a lot of frogs," says Garry Lyons, the group executive of research and development for MasterCard. "We need to get ideas from as wide an array of sources as possible."

The goal is to ensure that their role in the payments world of the future—whether it be smartphone- or Web-based—is as dominant as it is today. PayPal may process 12 percent to 14 percent of e-commerce payments by next year, according to Mercator Advisory Group. Well-funded new technology startups, including Zong and Obopay, are trying to make mobile and online payments easier and capture a chunk of the market. Mobile carriers AT&T (T), Verizon Wireless, and T-Mobile are teaming up to build a mobile-payments company, Isis, and named former General Electric (GE) executive Michael J. Abbott as its chief executive officer on Nov. 16.

The card networks say their new, open approach will enable consumers to make online payments quickly, without the need to enter a card number and billing address over and over. A shoot-'em-up smartphone game might let players buy add-ons, such as new weapons or extra ammunition, by clicking a Visa logo. A caterer might be able to e-mail a bill with a button that allows a client to pay with one click. Payers will authorize the transactions simply by entering a user name and password.

There's no guarantee software makers will flock to card networks' new tools. Daniel H. Schulman, president of enterprise growth at American Express, says "everyone in the payments industry will begin to realize this is about working closely with the development community." His company plans to open an office in Silicon Valley to meet entrepreneurs and hear developer feedback.

The embrace of third-party engineering is a big change for the payment networks. When entrepreneur and venture capitalist Marc Andreessen developed the world's first mainstream Web browser in 1999, he envisioned integrating credit-card payment functions into his software, but he couldn't get the support of the card networks, he

recalled at a conference in California last month. "There was too wide of a culture gap," says Andreessen. Bridging that gap is a first step toward heading off the competition. "The credit-card companies realize they were asleep at the switch when PayPal happened," says Oren Michels, CEO of Mashery, which helps companies manage relationships with independent developers. "They vow it won't happen again."

The bottom line: Visa, MasterCard, and AmEx want independent programmers to build payments technologies into new software applications.

http://www.businessweek.com/magazine/content/10_48/b4205053125308.htm

Unexpected growth for US economy

Struggling economy registers unexpected growth, but high unemployment remains an obstacle for further growth.

Tuesday, Nov 23, 2010

The US economy has grown by 2.5 per cent in the third quarter, the country's commerce department has said.

The growth rate announced on Tuesday was much faster than first thought, with the department previously reporting that the gross domestic product (GDP) rose by 2.0 per cent in the period from July to September.

The increase was attributed to higher consumer spending, firms rebuilding inventory, stronger exports and more government outlays. Weaker imports also helped increase the figures.

The increase in growth comes after the economy slowed earlier in the year, advancing at a rate of just 1.7 per cent.

However, the economy would need to grow at least twice as fast as it did in the third quarter to decrease the current 9.6 per cent unemployment rate - which is why the government introduced a second stimulus package.

The package is aimed at enticing the public to spend more by making loans cheaper and by boosting stock prices.

But very few politicians in Washington - including Ben Bernanke- the chairman of the Federal Reserve think the programme will create the robust growth needed to ratchet down the unemployment rate.

In the third quarter, consumers boosted their spending at a pace of 2.8 per cent, the most in nearly four years.

That was a stronger showing than the 2.6 per cent pace first estimated. Even with the

improvement, consumers would need to spend more to have a significant impact on the jobs market.

This is attributed to the fact that consumer spending accounts for roughly 70 per cent of all national economic activity.

Weak outlook

Meanwhile, sales of US exports to foreign customers grew by 6.3 per cent in the third quarter, another factor in the third-quarter increase. That is compared with a five per cent growth first estimated.

A weaker value of the US dollar is helping those sales. The falling dollar makes US goods cheaper - and thus more attractive - to foreign buyers.

According to analysts, the economy would need to grow by five per cent for a full year to push down the unemployment rate by a full percentage point.

But for all of this year, the economy is expected to expand by 2.6 per cent. Faced with such a weak outlook, Bernanke does not think the central bank should not attempt to invigorate the economy,

However, China, Brazil, Germany and other countries have expressed concern by the US government's bond-purchase plan.

They have complained that is intended to further drive down the value of the US dollar, giving U.S. exporters a competitive advantage over their foreign rivals.

Republican economists and politicians have also criticised the move, saying it could lead to uncontrollable inflation.

Bernanke has repeatedly rejected such criticism.

Al Jazeera

<http://english.aljazeera.net/business/2010/11/20101123151534654470.html>

Bolivia Adjusts Dollar Peg to Curb Price Pressure

Tuesday, Nov 23, 2010

Bolivia's central bank adjusted its dollar peg to a sell price of 7.06 Bolivianos per dollar, from 7.07, to curb "inflationary pressure," according to a statement posted on the bank's website.

The buy-price peg moved to 6.96 from 6.97 bolivianos per U.S. dollar, the bank said. The boliviano has been pegged at 6.97 to 7.07 per dollar since October 2008.

“The decision to appreciate the national currency responds to the necessity of combating external inflationary pressures,” the bank wrote in the statement.

Bolivian consumer prices rose 1.22 percent in October from the previous month, the biggest jump since May 2008. Inflation rose 4.2 percent in October from a year earlier, the agency reported this month.

Finance Minister Luis Arce, speaking last week in the Bolivian capital La Paz, cited the U.S. Federal Reserve’s planned injection of \$600 billion dollars into the American economy as a reason to strengthening the boliviano.

Bolivian economist Marcelo Zabalaga was sworn in on Nov. 15 as the interim president of the country’s central bank, replacing Gabriel Loza Telleria.

Bolivia uses a crawling peg monetary regimen, consisting of moving the currency’s peg in small increments.

Bloomberg

<http://www.businessweek.com/news/2010-11-23/bolivia-adjusts-dollar-peg-to-curb-price-pressure.html>

China to Carry Out Property Inspections, Daily Says

Tuesday, Nov 23, 2010

China will carry out a nationwide property inspection on the implementation of the government’s real-estate measures, the China Daily reported today, citing unidentified people from the property industry.

The “large-scale” inspection will focus on local government efforts to ensure land supply, construction of affordable housing, and the cleanup of idle land parcels, the official English language newspaper reported. The Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources will carry out the inspections, it said, without giving a timeframe.

“The government wants to check out the market before setting up next year’s real-estate plans,” said Liu Kun, a property analyst at Great Wall Securities Co. based in Shenzhen. “The construction of low-income affordable homes to increase supply will be the government’s focus in the future.”

China is clamping down on land hoarding after record land prices fuelled the risk of a housing bubble. The government last month raised interest rates for the first time in three years, and has suspended mortgages for third-home purchases and pledged to speed up trials of property taxes this year to restrain foreign capital and cool property prices. Prices rose for a 17th month in October, by 8.6 percent from a year ago.

The central bank ordered lenders on Nov. 19 to set aside larger reserves for the second time in two weeks.

Property Stocks

The Housing Ministry did not immediately respond to faxed requests for comment, while phone calls to the Ministry of Land and Resources were unanswered.

An index of Chinese property stocks in Shanghai rose 0.4 percent as of 9:46 a.m. local time, trimming this year's loss to 34 percent. China Vanke Co., the nation's biggest listed developer, and rival Poly Real Estate Co. both rose 0.6 percent in Shenzhen and Shanghai trading respectively.

China's government conducts land and property inspections on a regular basis, though they are rarely carried out jointly by the Housing and Land Ministries, Liu said.

China will bar companies that have held land for more than a year without developing it from buying additional plots, seeking a "reasonable" correction in the nation's home prices, the government announced on Sept. 27.

Land Release

It will increase land available for smaller, affordable apartments in cities with high prices, and no parcels should be used to build large, high-end homes before the supply of government-supported housing is met, it added.

Developers and their controlling shareholders won't be allowed to participate in land auctions until they've taken measures to rectify issues regarding their unused land, the government said in the same statement. The ban also applies to companies found with irregularities such as forged documents.

China found 3,070 cases of land misuse nationwide as of the end of May, with 2,815 of them involving undeveloped plots, Liao Yonglin, land-use director of the land ministry, said at a briefing on Aug. 19.

Bloomberg

<http://www.businessweek.com/news/2010-11-23/china-to-carry-out-property-inspections-daily-says.html>

Microfinance Dominates Indonesian Shariah Loans: Islamic Finance

Tuesday, Nov 23, 2010

Islamic loans targeting Indonesian small businesses have grown to dominate Shariah-compliant credit in the world's most-populous Muslim nation, prompting the country's biggest banks to expand.

PT Bank Syariah Mandiri is adding branches in Java and Sumatra to offer so-called microfinance loans because more than 90 percent of Indonesia's 50 million small businessmen have no access to regular bank financing, said Andri Vendredi, the head of the division at the Jakarta-based arm of the nation's largest lender. PT Bank Muamalat Indonesia increased cooperatives set up to offer such loans by 500 to 2,500 last year. PT Bank Syariah BRI aims to triple its business next year.

Microfinance, typically involving loans of \$5,000 or less, is attracting commercial banks because of its wider profit margins and lower defaults, according to the central bank, which estimates the industry accounts for 70 percent of Islamic lending. The loans accommodate the religion's ban on interest by sharing profits generated from asset purchases, fostering entrepreneurship in an economy that grew 5.8 percent in the third quarter from a year earlier.

"The financial crisis hit us a number of times but the small businesses have proven to be more resilient," Vendredi said in a Nov. 12 interview from Jakarta. "Commercial banks are tapping the segment because the market is huge, the return is higher and the economy is expanding, offering opportunities for funding the informal sector like food sellers and small traders."

Triple Loans

Outstanding Shariah-compliant loans to micro, small- and medium-sized businesses may increase to 45.5 trillion rupiah (\$5.09 billion) by year-end from 42 trillion rupiah in September, Mulya Siregar, the central bank's director in charge of Shariah banking, said in an interview yesterday. Banks and financial institutions lent 879.7 billion rupiah to micro, small- and medium-sized businesses in September, of which 22 percent went to the trade industry, while loans to the agricultural sector made up about 2 percent, according to central bank data.

BRI Syariah expects to triple loans to micro, small and medium businesses to 1.5 trillion rupiah by the end of 2011 from about 450 billion rupiah at the end of this year, Ventje Rahardjo, president director at the unit of PT Bank Rakyat Indonesia, the country's second-largest lender, said in a Nov. 22 interview from Jakarta.

The bank's Shariah-compliant micro loans typically use the murabahah concept, in which the financing party purchases assets for the client and sells them at a predetermined profit margin, Rahardjo said. Murabahah is the most popular structure and is used in microfinance initiatives across Afghanistan, Bangladesh, Indonesia, Sudan, Syria and Yemen, according to last year's report by Allen & Overy LLP.

Biggest Market

In India, the world's biggest market for such credits, a quarter of microfinance institutions may collapse after the local government in southern Andhra Pradesh state

introduced new rules in mid-October to cap interest rates companies can charge and ordered them to collect payments monthly, rather than weekly.

Bank Rakyat says it pioneered microfinance in the Asian country when it helped channel subsidized government loans to farmers in Java in the 1970s as part of a national program to boost rice production.

Muamalat, the country's oldest Islamic lender, helped establish 500 new cooperatives that provide micro financing in 2009, increasing to 2,500 the number of Shariah-compliant cooperatives it has been involved in setting up since 1996, said Andi Buchari, the bank's director of compliance and corporate planning, in an interview from Jakarta on Nov. 22. Muamalat was able to register annual growth of 20 percent to 30 percent for the business in the past five years, he said.

Grameen Bank

Microfinance, typically aimed at households earning less than \$2 a day, was brought to prominence by Grameen Bank in Bangladesh, whose founder Muhammad Yunus won a Nobel Prize in 2006 for pioneering the service in 1976. An Islamic version of the model was developed in Egypt in 1963 by economist Ahmad Elnaggar, Allen & Overy said in the report in February 2009.

Islamic microfinance accounts for about 0.5 percent of global microfinance, the London-based law firm said in the report. The top three countries offering Shariah-compliant microfinance are Indonesia, Bangladesh and Afghanistan, it said. About 54,000 Indonesian microfinance units serve about 45 million depositors and 32 million borrowers, according to Allen & Overy.

About 86 percent of Indonesia's 243 million people are Muslims, according to the Central Intelligence Agency's World Factbook. The World Bank said about 2.7 billion people worldwide have no access to formal financial services. About 60 percent of Indonesians survive on less than \$2 a day, according to the bank's estimate.

Global Sukuk Sales

Global sales of Islamic bonds, which are backed by assets or cash flows to comply with Shariah principles, fell 29 percent to \$13.7 billion this year from the same period in 2009, according to data compiled by Bloomberg.

Malaysia's 3.928 percent Islamic note due in June 2015 fell today, pushing the yield up nine basis points to 2.78 percent, according to prices provided by Royal Bank of Scotland Group Plc. The extra yield investors demand to hold Dubai's government sukuk rather than Malaysia's widened 11 basis points to 395 yesterday, according to data compiled by Bloomberg.

Global Shariah-compliant bonds returned 11.7 percent this year, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index, compared with a 14.3 percent gain for bonds in developing markets, JPMorgan Chase & Co.'s EMBI Global Diversified Index shows. The difference between the average yield for sukuk and the London interbank offered rate narrowed one basis point to 340 yesterday.

Non-Performing Loans

The non-performing loan ratio for micro loans is generally smaller than 2 percent compared with about 3.7 percent for Islamic banks, Buchari at Muamalat said. Loans are usually paid daily or weekly and are often given without collateral, allowing a return of as much as 30 percent a year, said Buchari. That compares with 13 percent to 14 percent for regular bank loans, he said.

“The bank focuses on small businesses that may not be bankable, but are feasible,” said Buchari. “A higher rate is necessary to make up for the higher risks but they are still lower than the interest charged by the moneylenders.”

Bloomberg

<http://www.businessweek.com/news/2010-11-23/microfinance-dominates-indonesian-shariah-loans-islamic-finance.html>

Goldman Says China's Role in Commodity Market to Shrink in 2011

Wednesday, Nov 24, 2010

China's sway in the global commodity market is likely to shrink next year as the U.S. and European assume bigger roles, Goldman Sachs Group Inc. said.

“When we look into 2011, the story is not going to be China,” Jeffrey Currie, head of commodities research at Goldman Sachs, said today at a conference in London. “It is going to be Europe and the U.S.”

China is late in its cycle of economic growth, Currie said. “They are raising rates. They are battling inflation.”

In Europe and the U.S., “it's still early cycle,” Currie said.

Bloomberg

<http://www.businessweek.com/news/2010-11-24/goldman-says-china-s-role-in-commodity-market-to-shrink-in-2011.html>

U.K. Export Growth Helps Economy Expand at 0.8% Pace

Wednesday, Nov 24, 2010

U.K. export growth helped the economy extend its recovery in the third quarter as growth in consumer, government and investment spending slowed by more than half.

Gross domestic product rose 0.8 percent from the previous three months, when it increased 1.2 percent, the Office for National Statistics said today in London. That matched an initial estimate on Aug. 26 and the median forecast of 30 economists in a Bloomberg News survey. Exports rose 2.2 percent after a 2.3 percent increase in the previous three months.

Momentum in the economy may wane as the government implements the biggest budget squeeze since World War II and strains in Ireland, the U.K.'s fifth-biggest export market, and the euro area deepen. The outlook has divided Bank of England policy makers as they debate whether to expand bond purchases or raise the key interest rate to tame inflation.

“The economy has to get past the fiscal tightening next year and there’s a high degree of uncertainty on how 2011 will unfold,” said Philip Shaw, chief economist at Investec Securities in London. “The news on exports is encouraging, but we’ve had false dawns before.”

Net Trade Boost

Consumer-spending growth slowed to 0.3 percent in the third quarter from 0.7 percent in the previous three months, the statistics office said. Government spending rose 0.4 percent, down from 1 percent, and investment growth eased to 0.6 percent from 1.4 percent. Imports rose 0.7 percent and net trade contributed 0.4 percentage points to GDP. Inventories added 0.1 percentage points.

The pound was little changed against the dollar after the data were published, and was at \$1.5781 as of 9:51 a.m. in London.

A separate report showed business investment fell 0.2 percent in the third quarter from the previous three months. It was up 4.6 percent from a year earlier. An index of services in September rose 0.6 percent from the previous month.

The euro-area economy is also cooling. GDP growth slowed to 0.4 percent in the third quarter from 1 percent in the previous three months. In the U.S., where the Federal Reserve pledged this month to buy \$600 billion in Treasury securities, growth was an annual 2.5 percent in the third quarter, data yesterday showed. While that was above an initial estimate, it has not been enough to bring down an unemployment rate hovering near 10 percent.

Economic 'Ingredients'

As the euro-area's debt crisis mounted over the past month, Bank of England Governor Mervyn King noted the risk to the U.K. from the region, saying on Nov. 16 that growth in the currency area is "a very important ingredient" to U.K. prospects.

A day after Ireland sought aid from the European Union on Nov. 21, Chancellor of the Exchequer George Osborne pledged billions of pounds to help the country shore up its finances. Osborne said trade and banking links mean it's in Britain's interest to provide support.

The U.K.'s "underlying growth seems to be pretty strong," Philip Rush, an economist at Nomura International Plc in London, said before the data. Still "there are clear headwinds in the first half of 2011. Ireland is a concern, particularly around how it may drag down net trade."

Asian Demand

Growth in Asia and other emerging markets is helping to drive export demand. Bath, England-based Rotork Plc, a maker of industrial valve controls, said on Nov. 19 that orders rose 28 percent in the third quarter from a year earlier. The company said it expects weakness in Europe and more activity in Asia in water and power markets.

Still, consumer spending may remain under pressure. Mitchells & Butlers Plc, the U.K. owner of the All Bar One chain, said yesterday that the outlook for consumer spending "remains uncertain" due to the fiscal squeeze and a planned sales-tax increase.

The Organization for Economic Cooperation and Development said on Nov. 18 that U.K. growth will "remain subdued" next year as the spending cuts bite. The government's plans to reduce the deficit to 2 percent of economic output by 2015 from more than 10 percent today involve 490,000 public-sector job losses and sweeping welfare cuts.

Nevertheless, the economy will gain momentum in 2012 as the global recovery drives exports and higher business confidence spurs corporate investment, the OECD said. The Paris-based group said the central bank should start rising the key rate from a record low of 0.5 percent in the second half of 2011.

Bank Split

Bank of England policy makers split three ways on the need for further stimulus in the economy for a second month at their November meeting. Adam Posen maintained a call to increase the 200 billion-pound (\$316 billion) bond-purchase plan by 50 billion pounds, while Andrew Sentance continued a push to raise the key rate from 0.5 percent as inflation held above the government's 3 percent upper limit.

“While the economy is performing reasonably well, the majority of the committee will be happy to keep policy on hold,” Investec’s Shaw said.

Sentance and Posen, along with King, will answer questions from U.K. lawmakers in London tomorrow on the bank’s quarterly economic forecasts.

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<http://www.businessweek.com/news/2010-11-24/u-k-export-growth-helps-economy-expand-at-0-8-pace.html>

Baltic Growth to Reach 4.5% as Austerity Aids Rebound, SEB Says

Wednesday, Nov 24, 2010

Economic growth in the Baltic economies will reach 4.5 percent by 2012 as record austerity measures help Latvia, Lithuania and Estonia to benefit from a rebound in exports, the region’s second largest bank SEB AB said.

“A gradual export-led recovery is continuing after a period of extreme downturn,” the Stockholm-based bank said in a report published today, raising an earlier forecast for the region. “But also following a successful internal devaluation policy.”

The Baltic economies rode property booms after their 2004 accession to the European Union that burst as the global financial crisis cut off investment and credit flows. The economy of Latvia, which sought a European Union, International Monetary Fund bailout in 2008 to stay afloat, contracted 18 percent last year, after the government forced through record wage cuts needed to keep exports competitive.

“Capital spending and consumption are now also slowly starting to recuperate, sustained by continued low interest rates and some improvement in real disposable household income,” SEB said.

Estonia, due to adopt the euro in January, will see its economy expand 2.5 percent this year, compared with an October forecast for 2.3 percent, SEB said. Latvia’s economy will contract 0.3 percent compared with an earlier forecast for a 1.5 percent decline, it said.

The Baltic economies will on average expand 4 percent in 2011, following 0.9 percent growth this year, SEB estimates. The region’s expansion rates next year and in 2012 will exceed growth in the Nordic countries and also outperform the U.S. and the euro area, according to SEB. Baltic growth will also outpace the average for the members of the Organization for Economic Cooperation and Development, SEB estimates.

Bloomberg

<http://www.businessweek.com/news/2010-11-24/baltic-growth-to-reach-4-5-as-austerity-aids-rebound-seb-says.html>

Serbia Backs Croatia's EU Membership Bid, Tadic Says in Zagreb

Wednesday, Nov 24, 2010

Serbian President Boris Tadic backed Croatia's bid to join the European Union as the former Yugoslav republics seek to increase cooperation after the Balkan wars of the 1990s.

Tadic arrived in Zagreb today to discuss closer political and economic ties between the two countries, three weeks after apologizing for atrocities committed by Serbian-backed troops during the conflict. Serbia must prove its commitment to regional cooperation to win its own bid for EU membership.

"We want Croatia to become a member of the EU as soon as possible," Tadic told journalists after meeting with his Croatian counterpart, Ivo Josipovic. "This is great for the entire region, and we are convinced that Croatia will support Serbia on its path the EU."

Croatia plans to join the EU in 2012, making it the second former Yugoslav republic to enter the bloc. Serbia is still seeking formal candidate status. Political and economic ties between Croatia and Serbia have gradually improved, especially since Josipovic became president in January.

"This is huge rapprochement," EU Ambassador to Croatia Paul Vandoren told journalists in Zagreb. "It's great for everybody in the region."

Tadic, who arrived for with a 70-member delegation including representatives of Serbian companies, multinational corporations and government agencies, will meet with Croatian businessmen tomorrow, the Croatian Chamber of Commerce said.

Croatia proclaimed independence from Yugoslavia in 1991, sparking a four-year war with rebel Serbs backed by the regime in Belgrade. The conflict spread to other former Yugoslav republics before ending in Macedonia in 2001.

The two presidents said today they have discussed the issues of people still missing from the war and the return of Serb refugees to their homes in Croatia. Tadic plans to meet with Prime Minister Jadranka Kosor later today, before meeting with representatives of ethnic Serbs living in Croatia.

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<http://www.businessweek.com/news/2010-11-24/serbia-backs-croatia-s-eu-membership-bid-tadic-says-in-zagreb.html>

IMF Sees ‘Exceptionally High’ 2010 Growth for Nigeria

Wednesday, Nov 24, 2010

The International Monetary Fund said Nigeria’s economic growth is expected to be “exceptionally high” this year thanks to a “strong recovery” in oil production and growth in other industries.

Still “inflation remains stubbornly high and international reserves continue to fall as the authorities support the exchange rate,” W. Scott Rogers, the IMF mission chief for Nigeria, said in an e-mailed statement today in Washington.

The IMF recommended the country’s central bank “conduct monetary policy with a view to reducing inflation to a single- digit level,” according to the statement.

Foreign currency reserves stood at \$34.3 billion as of Nov. 15, compared with \$34.6 billion at the end of October, the governor of the central bank, Lamido Sanusi, said yesterday. Reserves, which were \$58 billion in March 2008, have been used to defend the local currency following an increase in demand for dollars from local rice and fuel importers, he said.

“The depletion has stopped” because the central bank has taken necessary action to stop the dwindling of the reserves, Finance Minister Olusegun Aganga told reporters today in Abuja. The country has a “plan” to increase the reserves, he added, without providing further details.

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<http://www.businessweek.com/news/2010-11-24/imf-sees-exceptionally-high-2010-growth-for-nigeria.html>

EU Curbs on Imported Emission Credits to Be Outlined on Nov. 25

Wednesday, Nov 24, 2010

European Union regulators will present a proposal tomorrow to limit imports of emission credits based on industrial gases, a step that may raise costs for polluters such as RWE AG and Enel SpA in the world’s biggest greenhouse-gas market.

EU Climate Commissioner Connie Hedegaard said the plan would be part of her negotiating position at next week’s United Nations conference in Cancun, Mexico, on tackling global warming. The curbs would cover foreign credits that energy and manufacturing companies can use as emission permits in Europe’s cap-and-trade system.

“It’s part of our to-do list for Cancun,” Hedegaard told the European Parliament today in Strasbourg, France. “We will present our proposal tomorrow.” The plan, which will need

the support of the EU's national governments to take effect in Europe, is due at midday Brussels time.

The imported credits, generated under a UN program to spur energy-efficient projects in developing countries, are cheaper than EU allowances and can be swapped one-for-one with them. The European Commission, the EU's regulatory arm, has spent weeks drafting extra "quality" conditions in Europe for UN credits awarded for tackling emissions of a hydrofluorocarbon called HFC-23, a by-product of HCFC-22, which is used in air-conditioning and refrigeration.

Extra Scrutiny

At issue is whether Europe moves ahead on its own to curb HFC-23, which has a global-warming potential 11,700 times more powerful than carbon dioxide, the main greenhouse gas. Regulators of the UN program, known as the Clean Development Mechanism, are also ramping up scrutiny of projects involving HFC-23 after environmental group CDM Watch said in June some companies won "bogus" credits on HFC projects -- a claim rejected by polluters and investors including Natsource LLC.

Hedegaard is concerned that overseas plants may be increasing HCFC-22 output simply to generate credits for controlling HFC-23 discharges, handing investors windfall profits. Members of the EU Parliament have been pressing for action by the commission, which has also been examining possible limits on credits from projects to cut another pollutant called nitrous oxide.

"It's a problem," Hedegaard told the 27-nation assembly. The commission proposal "will accommodate any of the concerns that this Parliament has had."

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<http://www.businessweek.com/news/2010-11-24/eu-curbs-on-imported-emission-credits-to-be-outlined-nov-25.html>

Primary Global's 'Gated Network' May Have Included Insiders

Wednesday, Nov 24, 2010

Primary Global Research LLC, the consulting firm whose employee was arrested in the U.S. crackdown on insider trading, uses a "gated network" of experts that can help clients make investment decisions.

Some of the experts employed by the Mountain View, California-based firm were insiders at publicly traded companies who shared nonpublic information about forthcoming results with its hedge-fund clients, according to sworn testimony by FBI agent B.J. Kang unsealed yesterday by U.S. prosecutors in New York.

“Certain hedge funds ask firm consultants about their respective companies’ revenue numbers and how their companies will report their earnings numbers prior to their earnings report,” Kang testified. “Some firm consultants will talk about their companies’ revenue numbers and some do not.”

Authorities arrested Don Ching Trang Chu, who was Primary Global’s Taiwan liaison, on charges that he arranged to provide inside information to hedge-fund clients. The arrest was part of a crackdown led by Preet Bharara, the U.S. Attorney in Manhattan, whose latest push is centered on whether expert- network companies arranged for their money-manager clients to receive nonpublic information.

Primary Global has not been charged with wrongdoing.

Chu was with the firm for about seven years, Dan Charnas, a spokesman for the firm, said in an e-mailed statement.

“Based upon recent events, PGR has severed its 2 relationship with Mr. Chu,” Charnas said.

Chu’s sources in Asia were typically employees of technology companies, according to the government documents released yesterday.

Travel Plans

Jim Margolin, a spokesman for the FBI’s New York Office, said Chu was arrested at his home in Franklin Township, N.J. Chu was scheduled to leave the country for Taiwan on Nov. 28, Margolin said.

Kang testified that Chu indicated in 2009 that an employee of Broadcom Corp. gave the chipmaker’s revenue figures to the founder of a New York hedge fund before the earnings results were released.

Primary Global says on its website that “experts are explicitly instructed to decline to comment in subjects that represent information that is confidential or proprietary to the organization they are affiliated with.”

The firm matches customers with experts in eight industry groups, including technology, Internet and health care. Its “exclusive client base and gated network maximize the value of incremental information, giving institutional investors and analysts a strategic advantage when making investment decisions,” the firm says on its website.

Largest Networks

“If you know it’s stolen information and you sell it, you are liable like the thief himself,” Tamar Frankel, a corporate governance professor at Boston University, said in a telephone interview.

Primary Global is one of the 10 largest expert networks in the U.S., Michael Mayhew, chairman of Integrity Research Associates in New York, said in an interview. There are about 40 expert networks, the biggest being Gerson Lehrman Group Inc. in New York, Mayhew said.

Consultants employed by Primary Global can earn “hundreds of dollars per hour” and clients pay “tens of thousands of dollars annually for access to the firm’s consultant network and services,” Kang testified.

Primary Global also receives payments in “soft dollars,” as clients direct trades through the firm’s trading platform, according to the documents released by U.S. prosecutors. The firm is a broker-dealer with a trading desk, it says on its website.

Firm’s Founding

Founded in 2004, Primary Research is led by Chief Executive Officer Unni Narayanan, a former Intel Corp. executive. Before that, Narayanan worked at International Business Machines Corp., according to his profile on professional networking site LinkedIn.com.

Chu, 56, established a relationship with Richard Choo-Beng Lee, a former partner at San Jose, California-based hedge fund Spherix Capital LLC, prosecutors say in the unsealed documents. Lee was employed as an analyst by SAC Capital Advisors LLC, the Stamford, Connecticut, hedge fund run by Steven A. Cohen, from 1999 to 2004.

Lee’s fund paid Chu’s firm, identified by prosecutors only as based in Mountain View, California, for tips, according to the government’s 18-page complaint. Chu passed along inside information regarding technology company Atheros Communications Inc. and one of his contacts at Sierra Wireless Inc. tipped off a hedge-fund client with revenue and other key figures, according to the complaint.

Last year, Lee pleaded guilty to insider trading at Spherix Capital. He is cooperating with investigators in their probe of Galleon Group LLC, the New York-based hedge fund that shuttered after its billionaire founder, Raj Rajaratnam, was charged with insider trading. Rajaratnam has denied wrongdoing and is scheduled for trial next year.

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<http://www.businessweek.com/news/2010-11-24/primary-global-s-gated-network-may-have-included-insiders.html>

China Needs ‘Harsher’ Curbs, Cabinet Researcher Says

Wednesday, Nov 24, 2010

China needs to introduce “harsher” measures to curb real estate speculation and increase the supply of lower-cost housing as home prices rise, said Ba Shusong, a top cabinet researcher.

Stricter measures should be imposed as inflation quickens, Ba, deputy director-general of the State Council's Development Research Center, said in a commentary in China Business News today. China also risks a real-estate bubble as property is one of few investment options in the country, he said.

China, which last month raised interest rates for the first time in three years, this year suspended mortgages for third- home purchases and pledged to speed up trials of property taxes to restrain foreign capital and cool property prices. While home prices posted the smallest gain in 10 months in October, the nation's biggest developers reported higher home sales.

"We need to introduce harsher tightening policies to curb property speculation," he said. "Inflation is expected to rise, driven by excess liquidity and low interest rates. The critical part of the policy should be on increasing the supply of affordable housing for low- and mid-income families."

Home prices in 70 Chinese cities climbed 8.6 percent in October from a year earlier, increasing for a 17th month, according to data from the statistics bureau. Shimao Property Holdings Ltd., a Shanghai-based developer, reported a 15 percent gain in sales value in October from the previous month, while China Vanke Co., the nation's biggest listed real-estate company, said contracted sales last month more than doubled.

Singapore, Hong Kong

Asian markets including Singapore, Hong Kong and Taiwan introduced measures including higher down payments on loans this year to cool their property markets amid concerns that asset bubbles are forming as home prices surge.

Hong Kong intensified its yearlong battle to curb prices with additional taxes last week, while Singapore's central bank said today low borrowing costs and excess liquidity globally may push the island's property prices higher again, setting back government efforts to cool the market. Buyers may also take on "excessive leverage" amid expectations of a sustained period of low rates, the central bank said.

Inflation accelerated to the fastest pace in two years in October. Consumer prices rose 4.4 percent from a year earlier, boosted by food costs, the statistics bureau reported. That was more than the 4 percent median forecast in a Bloomberg News survey of 28 economists.

'Strong Impulse'

The local government's reliance on income from land sales should be reduced as there may be a "strong impulse" to drive up land and home prices, Ba also said in the commentary. He declined further comment when reached on his mobile phone.

China will use at least 10 percent of net proceeds from land transactions to develop low-cost housing, said the Ministry of Finance in a statement on Nov 16. The government will

also carry out a nationwide inspection on the implementation of its real-estate measures, the official China Daily said yesterday.

China also ordered first-time foreign homebuyers to show proof they don't own other properties in the country. Foreigners will have to provide home ownership statements before their purchases, along with proof of at least a year's employment in China, the State Administration of Foreign Exchange and the Ministry of Housing and Urban-Rural Development said in a statement released on the two government websites Nov. 15.

Policy makers may introduce more measures in the fourth quarter amid signs of a price recovery, according to Nomura Securities Co. The likely policies include a property tax and the enforcement of the so-called land added-value levy in the "overheated cities," the brokerage said in a Nov. 4 report.

Bloomberg

<http://www.businessweek.com/news/2010-11-24/china-needs-harsher-curbs-cabinet-researcher-says.html>

UN Panel Recommends Revising Standards for Credits from HFC-23

Thursday, Nov 25, 2010

The United Nations may change the way it gives tradable emissions credits to factories that reduce hydrofluorocarbon-23 gases.

The executive board that regulates the UN's Clean Development Mechanism, the world's second-largest emissions market, recommended revising its procedures and said reductions of HFC-23 may have been "overestimated," according to a presentation on the UN Framework Convention on Climate Change website.

The credits are awarded to plants that curb emissions of HFC-23, which can trap about 11,700 times more heat than carbon dioxide. Half of all UN credits come from factories that reduce HFC-23, produced mainly in China and India by factories that make refrigerants for air conditioners.

Without the CDM, factories producing the waste gas HFC-23 may have been replaced after five to seven years, the UN said. "CDM does not provide incentive to close down the plant," the presentation said. Factories can receive credits for 10 years under the program.

The UN panel halted issuance of some emissions credits earlier this year after allegations by the environmental group CDM Watch that some factories engaged in destroying HFCs had "gamed the system" to get credits. The European Union, which lets emitters in its cap-and-trade program use UN credits as a cheaper way to comply with pollution controls, said separately today it wants a ban on HFC credits from the start of 2013.

Emissions of industrial gas are likely to decline under Montreal Protocol legislation, which aims to reduce ozone-depleting gases, according to the presentation. A plant that has been upgraded produces lower amounts of HFC-23 waste per unit of product. The current methodology may overestimate emission reductions because it takes away the incentive to upgrade equipment, the panel said.

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<http://www.businessweek.com/news/2010-11-25/un-panel-recommends-revising-standards-for-credits-from-hfc-23.html>

Chinese, Russian traders to benefit from local currency settlement

Thursday, Nov 25, 2010

BEIJING: China and Russia will expand local currency settlements for bilateral trade, announced Chinese Premier Wen Jiabao and his Russian counterpart Vladimir Putin Tuesday, one day after the yuan started trading against Russian ruble on the Chinese interbank market.

The announcement was made at the 15th regular meeting between the Chinese premier and Russian prime minister, marking the first step of the local currency settlement between the two countries -- the yuan's trading on the Russian forex market will follow in December.

As China's energy needs would continue to grow quickly and with Russia's increasing appetite for manufactured goods, skipping the US dollar would benefit the burgeoning trade between the two countries, said Zhang Junsheng, director of Information Center with China National Institute of WTO affiliated to the University of International Business and Economics.

Zhang said direct trade between the countries began long before at China's border goods distributing centers. Local traders had largely accepted the Chinese yuan for bilateral trades because of their confidence in its stability and China's strong economy.

It was the first time China has ever officially cooperated with a big power on local currency settlement.

Yao Zhizhong, research fellow at the Chinese Academy of Social Sciences' World Economy and Politics Institute, said the move would immediately benefit local enterprises in the two countries.

"Without exchange rate loss, they will see large reductions in trade costs, which will help China and Russia trade get back on track (to the pre-crisis level)," he said.

Although, there are concerns about China's ambitions to make the yuan into a global

currency and the dollar's position. "The dollar's position in the international monetary system is too secure to rock," Zhang said.

According to Yao, the recent moves by China and Russia sent signals. One was that countries have begun to seek new channels to avoid domestic assets being devalued by outside risks, as the dollar-dominated international monetary settlement model exposed a number of problems during the 2008 financial crisis.

Meanwhile, it also signaled that emerging markets and countries were working closer and expected more mutual benefits while gradually steering away from cooperating with developed economies.

"However, the impact on the dollar is very small. How big a ripple can be made by a pebble in a large pool?" Yao said, adding that though China was the world's second largest economy, its economy was too fragile and its ambition for its currency too great.

China started to allow the yuan to trade against the Russian ruble at 4.671 from Monday and will soon see the yuan trade against the ruble in Russia in December.

The ruble is the seventh currency traded on China's Foreign Exchange Trade System after the introduction of the US and Hong Kong dollars, the euro, yen, British pound and Malaysian ringgit. Bilateral trade between the two countries is estimated to reach above \$50 billion by the end of 2010.

(Xinhua)

http://www.chinadaily.com.cn/business/2010-11/25/content_11608501.htm

UK to launch 'happiness' index

Government to measure "general well-being" of population at a time when tough austerity measures are beginning to bite.

Thursday, Nov 25, 2010

The British government is set to measure the country's "happiness" in an effort to give a fuller picture of how the nation is performing. David Cameron, the prime minister, who had previously called for "general well-being" to be assessed alongside traditional economic indicators, outlined some of the plans on Thursday, sparking criticism from some quarters.

The move, which will cost around \$2.7m, has been labelled "airy-fairy" and a diversion tactic at a time when unpopular austerity measures, including public spending cuts and tax hikes, are coming into force.

Unite, a major trade union, criticised the plan for diverting attention from the country's economic woes, calling it "another attempt by the coalition to pull the wool over peoples' eyes".

"No doubt Cameron will use the index to claim that despite rising unemployment, home re-possession, longer NHS waiting lists and unaffordable education, the people of this country are happier under Tory rule. The reality is a gathering gloom," Len McCluskey, the general-secretary-elect, said in a statement.

'More to life than money'

But Cameron, speaking at the Treasury, said it was important to gain a picture "of how life is improving" to allow ministers to create better policies.

"From April next year we will start measuring our progress as a country not just by how our economy is growing, but by how our lives are improving, not just by our standard of living, but by our quality of life," he said.

"To those who say that all this sounds like a distraction from the serious business of government, I say finding out what will really improve lives and acting on it is the serious business of government."

The move by the coalition government follows a recent call from two Nobel economists to move away from gross domestic product (GDP) which only looks at economic factors, to indicators such as well-being and sustainability.

Cameron had previously said there was "more to life than money" and urged a focus "not just on GDP but on GWB - general well-being".

Around 30 MPs have signed a parliamentary motion calling for the move, arguing that promoting happiness and well-being is a legitimate and important goal of government.

The measure is expected to take into account people's work-life balance, their relationships, attitudes and even topics such as recycling rates.

Jo Swinson, a Liberal Democrat MP who is backing the motion, said the index could provide a "better idea of the health of UK society".

"Relying solely on GDP to track the nation's progress excludes many of the things we all know to be important, but that can't be measured by money," the Press Association quoted her as saying.

"What gets measured gets done. While it's not government's job to make people happy, regular measures of well-being will at least make sure it is taken into account."

Al Jazeera

<http://english.aljazeera.net/news/europe/2010/11/20101125115751577358.html>

PBOC Pledges to Intensify Fight against Inflation

Thursday, Nov 25, 2010

China's central bank on Wednesday vowed to "steadily guide credit expansion back to normal levels" and strengthen liquidity management in an effort to curb inflation and cool rising inflation expectation.

The central bank will make full use of its policy tools, including the reserve requirement ratio and interest rate, to steer money and lending growth back to normal levels, said Hu Xiaolian, deputy governor of the People's Bank of China (PBOC), according to a statement posted on the central bank's website.

The statement is seen as another signal that the central bank has made taming inflation a top priority after China's consumer inflation rose to 4.4 percent in October, the fastest pace in 25 months. Too much liquidity was regarded as one of the main reasons.

The State Council issued a circular last week introducing a slew of measures, including increasing supplies, to cool inflation.

"The key task of monetary policy currently is to strengthen liquidity management, which is also a main way of normalizing monetary conditions," Hu said.

"Continuous money inflows, as a result of stronger expectation of yuan appreciation, are pushing up goods and asset prices and adding more difficulty to liquidity management," she added.

Hu admitted that the monetary authority is facing a challenge in keeping new loans within the 7.5 trillion yuan (\$1.13 trillion) target it set at the beginning of the year, as lending expansion rebounded in recent months due to robust credit demand.

She said domestic lenders should take substantive measures to control the pace of credit growth for the rest of the year and continue to carry out differential mortgage loan policies for second and third home buyers.

Chinese banks extended 6.88 trillion yuan in new loans in the first 10 months of this year, accounting for 90 percent of the country's annual lending target even though there is still more than a month left of 2010.

"Tackling inflation will be an overarching policy priority - the lagging effect of massive monetary expansion in 2009 and 2010 will continue to provide strong tailwinds for inflation in the near term," Wang Qing, chief China economist at Morgan Stanley Asia said in a research note.

The central bank in October raised interest rates for the first time since 2007, a signal that the authority is returning to a "normalized" monetary policy as excessive liquidity

fuels price risks. Since then it has twice asked banks to set aside more deposits as reserves to limit their capacity to lend.

"Rate hikes and liquidity management can and need to play a critical role to control inflation expectations and prevent food inflation from spreading to the general economy," Wang Tao, chief China economist at UBS Securities, said. She expects another interest rate hike before the end of the year.

Economists said fighting inflation is likely to become a top government priority next year, and the market is waiting to see what the policy tone will be at the upcoming economic work conference of the Party's central committee.

Policymakers will fine-tune the fiscal and monetary policy next year, if they are assured of the country's economic growth momentum, said Cao Yuanzheng, chief economist at Bank of China International.

(China Daily)

http://www.bjreview.com.cn/headline/txt/2010-11/25/content_314702.htm

Putin Says EU Gas Rules May Lead to Crisis, Seeks Swap Deals

Thursday, Nov 25, 2010

Russian Prime Minister Vladimir Putin reiterated his concern that new European Union rules to liberalize gas markets may lead to an energy crisis.

"Ill-considered liberalization of financial markets largely provoked the financial crisis," Putin wrote in an article published in *Sueddeutsche Zeitung* before a trip to Germany that begins today. "It would be undesirable if lapses in gas-industry regulation led to a new crisis, this time in energy." The text was posted in Russian on Putin's website.

Putin said in Sofia on Nov. 13 that the EU's plan to create independent gas-pipeline management that secures access for third parties would result in price increases for consumers and hinder development of Europe's energy infrastructure. The rules would affect OAO Gazprom, Russia's gas export monopoly, which meets about a quarter of European gas needs.

The European Parliament in April approved legislation forcing EU nations to choose one of three options to ease access to the power and gas grids. The choices are to force the companies to sell or spin off the transmission business; require them to hand over management of the grid to an independent operator; or oblige them to make the unit more independent through internal actions.

Russia is proposing "a new energy agreement" for Europe, which would help build balanced and equal relationships between energy producing, transit and consumer countries, Putin said.

Russia and the EU should cooperate on asset swaps as well as the oil and gas trade and work together along the entire value chain from exploration and production to delivery to the end-user, Putin wrote in the article.

Bloomberg

<http://www.businessweek.com/news/2010-11-25/putin-says-eu-gas-rules-may-lead-to-crisis-seeks-swap-deals.html>

Sudan war 'could cost \$100bn'

Coalition of think-tanks say a return to conflict could cost billions for regional and international community.

Thursday, Nov 25, 2010

A return to civil war in Sudan would cost the country, the region and the international community more than \$100bn over 10 years, says a new report.

The report, published on Thursday by a coalition of European and African economic and political think-tanks, comes amid fears that an upcoming referendum on southern independence could trigger an escalation of violence.

Coming less than 50 days ahead of the January 9 referendum, "The Cost of Future Conflict in Sudan" report by Frontier Economics presents fresh analysis on the economic costs of war.

"Apart from \$50bn to Sudan itself in lost GDP, neighbours will have to bear \$25bn in lost GDP and the international community will have to spend \$30bn for peacekeeping and humanitarian aid," the report, co-launched by The Institute for Security Studies, the Society for International Development and the Aegis Trust, said.

The report said war would make the region a risky place for investment, make Sudan's demand for imports drop and stretch neighbours' resources when refugees pour in and they are forced to spend more money on their militaries.

"This report demonstrates the high cost of conflict. It implies that domestic, regional and international parties should be asking if they are we doing enough to avoid a war that might cost over \$100bn and ruin countless lives?" Matthew Bell of Frontier Economics said.

'Immense human suffering'

While the report recognises the difficulties in measuring the costs of potential future conflict, it provides different scenarios – low, medium, high conflict and peace – along with four different growth paths.

"It is widely acknowledged that a return to war in Sudan could cause immense human suffering. This report should also concentrate the minds of policymakers who are also concerned about the future economic stability of the region," James Smith of Aegis Trust said.

The report concludes that while there may be some positive impacts on the region from investment being redirected from Sudan, the evidence suggests the net impact of conflict would be significantly negative.

"There is less than 50 days from a referendum that may change the map of Africa. This report demonstrates that the neither Sudan, Sudan's neighbours nor the international community can afford a serious escalation in violence," Kenneth Mpyisi of the Institute for Security Studies said.

An estimated two million people were killed in Sudan and four million displaced between 1983 and 2005 because of civil war.

The International Crisis Group, in a separate report, had expressed fears about renewed conflict if the north and south fail to reach a political accord before January's referendum.

Observers from the Carter Centre, who have been monitoring preparations for the referendum, on their part said a war of words between northern and southern leaders is creating this climate of fear.

Potential economic impact

"Given the brinkmanship that has long characterised north-south politics, it is conceivable the parties will continue to circle fruitlessly before attempting to strike a grand bargain at the eleventh hour," the ICG said in its report.

"Neglecting the groundwork for positive post-referendum relations would be short-sighted and very possibly a recipe for renewed conflict," Ernst Jan Hogendoorn, the think-tank's acting Africa director, said.

The Carter Centre urged the National Congress Party, which leads the Khartoum government, and the former rebel Sudan People's Liberation Movement, that runs the south, to tone down their rhetoric in the run-up to the vote.

"In the last few days, the NCP and SPLM have traded accusations of intimidation and manipulation of the registration process in northern Sudan," the centre said.

Despite these grim forebodings, analysts hope the potential economic impact and their economic interdependence could deter the rivals from going to war.

Most of Sudan's oil reserves are concentrated in the south but can only be exported through a pipeline passing through the north on the way to Port Sudan on the Red Sea.

"Oil is the greatest disincentive they have. Both parties are cognitive of the fact that their economies are reliant on oil and war would prevent access to it," Zach Vertin, an ICG analyst, said.

If oil production were to shut down at the outbreak of war, Sudan would immediately lose 10-20 per cent of its GDP, equivalent to \$6.5-13bn in 2011.

Al Jazeera

<http://english.aljazeera.net/news/africa/2010/11/20101125191213564712.html>

Ukraine hopelessly falls into IMF's trap

Thursday, Nov 25, 2010

Small businessmen protest against the new Tax Code in Ukraine. There are many flaws in the document indeed, but it was passed in a rush because Ukraine had to meet the requirements of the IMF. At present moment, the IMF is a savior for Ukraine - economic catastrophe is inevitable otherwise.

Lithuania's ex-President Valdas Adamkus visited Kiev several days ago, where he met Ukraine's ex-President Viktor Yushchenko, to celebrate the sixth anniversary of the orange revolution. This year, though, there were no massive celebrations in the country. On Kiev's central square one could see many demonstrators. However, the slogans, which they were carrying and chanting, had nothing in common with the events, which rocked the former Soviet republic six years ago. Spokespeople for Ukraine's small business gathered on Maidan to protest against the new Tax Code.

According to the protesters, the new code has been passed in the interests of large enterprises and strong financial and industrial groups. Some of them sponsor the pro-presidential Party of Regions. For small business, the protesters say, the new code means nothing but bankruptcy and unemployment.

The authors of the new Tax Code say, though, that both large and medium-size business will be satisfied with the planned novelties. The majority of small businessmen will manage to get used to the new rules, they say. The tax reform, the authors say, will target the reduction of the share of shadow sector in the economy. For many years, the size of the sector was estimated at 50 percent of the entire national economy.

The nation's budget for 2011 directly depends on the rules of the game in the field of tax policy. If Ukraine does not approve the budget, it will be impossible for the country to receive another tranche from the International Monetary Fund.

Two weeks ago, the World Bank Director for Ukraine, Belarus and Moldova, Martin Reiser, stated that the Ukrainian economy had a potential opportunity to grow by seven percent a year. The European Bank for Reconstruction and Development improved the

forecast for the growth of the nation's GDP from 4 to 5 percent in 2010. For 2011, the forecast was improved from 4.1 to 4.5 percent. Fitch Ratings forecasts the GDP growth in Ukraine on the level of 5 percent at 2010 year-end and 4.5 percent - at 2011 year-end.

Moody's Investors changed the forecast for Ukraine's government liabilities (B2) from "negative" to "stable" and improved a couple of sovereign ratings of the country.

Standard & Poor's raised the long-term sovereign credit rating of Ukraine in the middle of May from "B-" to "B" in foreign currency and from "B" to "B+" in national currency.

Such positive forecasts seem to be hopeful, but the sitting Ukrainian administration is aware of the real state of affairs in the country. Never-ending elections made the political forces compete in populism, the industrial output was declining, the social spending had to be increased.

The new Ukrainian government chaired by Nikolay Azarov inherited hopeless debts and had to continue the cooperation with the IMF. Now the government has to deal with new loans on tougher conditions to avoid default and to continue servicing previous loans. As a result, Ukraine's national debt makes up nearly 40 percent of the annual GDP. Together with the debts of private-owned companies, the national debt of the country is comparable to the GDP.

Ukraine has only one way out: to launch the economy, cut the shadow sector and increase budget revenues, to support exports and increase the amount of currency profit. Ukraine understands that this highly complicated mission can be successful only with Russia's assistance. This implies acceptable prices on energy carriers, joint projects and many other things. The previous leaders of Ukraine were destroying the nation's economy spitting at their neighbor, fouling their own nest.

The nearest elections in Ukraine will take place in two years. The Ukrainian administration will have to use this time to make a step back from the abyss. There is no place for jokes anymore, and the country does not have a right to make a single mistake.

English pravda.ru: Russian news and analysis

http://english.pravda.ru/business/finance/25-11-2010/115937-ukraine_imf-0/

Wen Makes Proposal for Enhancing SCO Cooperation

Friday, Nov 26, 2010

Chinese Premier Wen Jiabao made a six-point proposal for enhancing practical cooperation of the Shanghai Cooperation Organization (SCO) at a meeting held in Dushanbe Thursday.

Addressing the ninth SCO prime ministers' meeting, Wen said that the SCO countries should rely on collective powers to better safeguard regional peace and stability and promote a comprehensive and balanced economic, social and cultural development.

This is not only in the interests of all member states, but also help make the SCO more united and appealing to others, he said.

The Chinese premier said that safeguarding regional security, stability and harmony is of vital importance in promoting the development of the SCO and deepening mutually beneficial cooperation among SCO members.

Thus, he called on the SCO nations to strengthen strategic coordination, boost mutual trust and coordinate actions and set up, step by step, a permanent and effective mechanism of safeguarding regional security and stability and to take joint actions and comprehensive measures to deal persistent, heavier and more effective blows to the "three evil forces" of extremism, separatism and terrorism as well as drug trafficking and transnational organized crimes.

First, Wen proposed that the SCO countries boost the vitality of economic and trade cooperation.

The SCO countries should stick to the principle of government guidance, encourage enterprises to expand cooperation according to market regulations and rely on science and technology in a bid to accelerate regional economic development, he said.

Secondly, Wen called for expanding energy cooperation.

"We should safeguard energy transportation security, jointly develop wind energy and solar energy and enhance the effective use of energy," he said.

Thirdly, Wen called for accelerating infrastructure construction such as highways, railways and information highways, to advance regional communication.

Fourthly, the SCO member countries should strengthen agricultural cooperation, Wen said, urging them to conduct research on establishing a SCO food security cooperation mechanism.

"China is willing to help other SCO member states set up high-tech agricultural demonstration areas," he said.

Fifthly, Wen called for deepening financial and monetary cooperation among the SCO member states, noting that they should expand business financing channels, conduct researches on establishing a SCO development bank, discuss new ways of joint financing and joint benefiting, and expand cooperation on local currency settlement.

Finally, the Chinese premier called for pushing forward capacity building and people-to-people and cultural exchanges.

The SCO countries should further improve the contingency mechanism for handling emergencies at border areas, he said.

"China is willing to train Chinese language and senior management staff for SCO member states and organize the first university students art festival for the SCO and launch communication and cooperation with SCO member states in traditional medicine," Wen said.

During the one-day meeting, the SCO prime ministers agreed to intensify the fight against the "three evil forces" to safeguard regional security and stability, enhance coordination in economic policy to promote trade investment facilitation and deepen cooperation in disaster relief, education and culture to promote sustainable development in the region.

The SCO prime ministers decided to hold their next meeting in Russia.

Founded in 2001, the SCO consists of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

Also present at the gathering were delegates from SCO observers India, Iran, Mongolia and Pakistan, and the economic minister of Afghanistan as a guest of the host country.

(Xinhua News Agency)

http://www.bjreview.com.cn/headline/txt/2010-11/26/content_314767.htm

Spain rules out bailout package

Prime Minister Zapatero says "absolutely" no prospect of Irish-style rescue, despite concerns over public deficit.

Friday, Nov 26, 2010

Jose Luis Rodriguez Zapatero, Spain's prime minister, has "absolutely" ruled out any Irish-style financial rescue plan for his country's economy.

The prospect of a rescue for Spain's economy, which is twice the size of Ireland, Greece and Portugal combined, is sowing a deep concern in world financial markets.

In an interview on Friday with *RAC 1*, a Catalan radio station, Zapatero sought to clear the uncertainty.

"I am not delivering a message of confidence just because I want to but because of concrete facts," he said.

Asked if he could rule out a rescue, he replied: "Absolutely."

Zapatero said there was "no scenario" under which a rescue plan could be envisioned for Spain.

"Those who push this idea are not contributing to calm," he said.

The Irish crisis has revived concerns about the Spanish property-dependent economy and financial sector.

Any rescue of Spain's economy would dwarf Ireland's. Spain accounts for 12 per cent of economic output among the 16 nations that use the Euro currency, equal to twice that of Ireland, Portugal and Greece combined.

The prime minister's comments came a day after Miguel Martin, the president of the Spanish Banking Association, urged the government to deepen the reforms that have already been taken.

Previous attempts

Spain has already cut spending, raised taxes, reformed labour laws and restructured the regional bank savings system. Yet the daily newspaper *El Pais* reported on Friday that eight of Spain's 17 autonomous regions expect to bust government-imposed public deficit targets for 2011.

The Socialist government has committed to slashing its public deficit, which grew to 11.1 per cent of gross domestic product in 2009.

It is aiming for 9.3 per cent in 2010, six per cent in 2011 and then three per cent in 2013.

The large degree of political autonomy enjoyed by Spanish regions, however, is casting doubt over whether the government is on track to meet the ambitious targets.

Elena Salgado, the country's finance minister met policymakers of the 17 regions on Wednesday to remind them of the targets and to request economic updates each quarter.

She also showed the red card to the regions of south eastern Murcia and central Castile-La Mancha. Because they have a "significant risk" of being unable to meet their deficit targets in 2010, they will not be allowed to issue bonds until they are back on track.

The international rating agency Moody's Investors Service downgraded five regions in June. In recent weeks, it has done likewise to the eastern regions of Catalonia and Valencia, while warning of possible downgrades for three others.

Spain has a highly decentralised system of government and budget management. The country is a member of the Eurozone as well as of the European Union, which bases budget ceilings on the so-called public deficit. This measure covers the state, welfare and also local authority budgets.

Al Jazeera

<http://english.aljazeera.net/news/europe/2010/11/20101126111022315641.html>

European Recovery Strengthens for Second Month, Eurocoin Shows

Friday, Nov 26, 2010

The economic recovery in the euro region strengthened in November for a second month as consumer and business executives grew more optimistic about the outlook, the Eurocoin index showed.

The monthly index measuring economic expansion in the 16 nations that share the single currency rose to 0.45 percent from 0.41 percent in October, the London-based Center for Economic Policy Research and the Bank of Italy, which co-produce the index, said in a faxed statement today.

“The rise was due principally to improvement in business and consumer confidence,” according to the statement. This month’s level “indicates an annualized growth rate of just under 2 percent.”

The index, which includes price figures and stock-market performances, industrial production, business and consumer confidence readings, aims to provide a real-time estimate of economic growth, according to the report.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/european-recovery-strengthens-for-second-month-eurocoin-shows.html>

Sino-Eastern European trade presents new vistas for all

Czech carmaker Skoda touted as poster child for cooperation

Friday, Nov 26, 2010

PRAGUE, Czech Republic - Eastern Europe will become an attractive destination for China's overseas investment, despite challenges ahead, officials and researchers say.

Duncan Freeman, a senior research fellow at the Brussels Institute of Contemporary Chinese Studies at Vrije University in Brussels, said only 3 percent of investment from China went to Europe, with Western European countries, such as Germany, the United Kingdom and France, receiving most of it, meaning that investments in Central and Eastern European countries are insignificant.

He was speaking at the first China Investment Forum, held from Nov 8-11 in the capital of the Czech Republic, an event aimed at promoting investment between China and Eastern Europe.

Eastern European countries are proud of their geographic location.

While representatives from the Czech Republic, Slovakia and Hungary reiterated they are "at the heart of Europe", Bulgarian representatives said they are at the crossroads that link Europe and Asia.

Stable economies, a well-educated and skilled workforce, lower labor costs compared with Western Europe, well-developed road networks, as well as taxation rates below 19 percent, are advantages to attract Chinese investors to Bulgaria, the Czech Republic, Hungary and Slovakia.

In addition, countries such as Hungary and Slovakia offer further incentives for foreign investors, including tax breaks and government subsidies.

However, officials and experts said that Central and Eastern Europe have not received enough attention from Chinese investors.

China started a strategy to encourage Chinese investors to "go global" 10 years ago, with outbound investment amounting to \$56 billion in 2009, more than 10 times the \$5.5 billion in 2004.

Qu Zhi, the Europe chief of China Investment Promotion Agency of the Ministry of Commerce, conceded that investment cooperation between the two sides has been insufficient.

But he said that the ministry has made concrete steps toward solving the problem, including establishing a representative office in Budapest, Hungary, this year.

Event participants also noticed other bottlenecks in two-way investment cooperation, such as unfamiliarity with languages, cultures and regulatory systems, and a lack of communication between Chinese and foreign entities.

On the other hand, China can also be a good destination for Eastern European investors.

Petr Hyl, executive chairman of the China Investment Forum, said that during the financial crisis, fast-growing China proved to be a stabilizing element in the world, and its growth will "continue at a record pace without any sign of fatigue".

Patrick Chovanec, associate professor at Tsinghua University's School of Economics and Management in Beijing, explained the recent 12th Five-Year Plan (2011-2015) proposal by the Communist Party of China, noting that China's transition from export-driven to consumption-driven growth will definitely offer more business opportunities for Central and Eastern European service and commodity providers.

After the event, the participants visited the Skoda headquarters in Mlada Boleslav, Czech Republic, and the Chinese business community in Budapest, as demonstrations of successful investment cooperation.

Czech carmaker Skoda, now wholly owned by Volkswagen, has been regarded as exemplary of successful Czech-Chinese investment cooperation. Skoda produces its Superb, Octavia and Fabia models in China in a joint venture with Shanghai Automotive Industry Corp.

Entering China less than four years ago, Skoda's sales are expected to surpass 200,000 cars this year in China.

It delivered about 569,000 cars globally in the first three quarters of 2010, company officials said.

China Daily

http://www.chinadaily.com.cn/business/2010-11/26/content_11615357.htm

Russian Central Bank May Raise Rates Next Quarter

Friday, Nov 26, 2010

Russia's central bank may raise its key interest rates next quarter, increasing the refinancing rate for the first time since 2008, even as the regulator seeks to spur the recovery by keeping borrowing costs low.

Bank Rossii, which has kept its rates unchanged for five straight months after 14 reductions since April 2009, may raise the refinancing rate a quarter point to 8 percent by the end of the first quarter next year, according to the median estimate of 19 economists surveyed by Bloomberg.

The central bank considers its rates today at a monthly meeting, Chairman Sergey Ignatiev said on Nov. 23. Alexei Ulyukayev, Ignatiev's first deputy, said the next day that rates are "comfortable" for the "near future." Twenty economists in the survey said the bank will leave rates unchanged today.

"The need to raise rates is increasing," said Vladimir Osakovsky, a Moscow-based economist at UniCredit SpA. Osakovsky said the regulator will likely keep rates unchanged through the end of the year before tightening monetary policy at the start of 2011.

The central bank is trying to contain higher inflationary pressure without undercutting the recovery from Russia's 7.9 percent slump last year. Bank Rossii will base its rate policy next year on the pace of economic expansion, consumer-price growth and current-account surplus, Ulyukayev said.

Drought Impact

The annual inflation rate reached 7.5 percent in October, the highest since January, up from 7 percent in September. The government forecasts consumer-price growth of 8 percent in 2010, though Ignatiev yesterday said inflation may exceed this estimate.

Consumer prices in the week through Nov. 22 gained 0.2 percent, putting inflation for the year to date at 7.4 percent, according to the Federal State Statistics Service.

“Recent inflation data show that the acceleration in consumer prices is being driven more by monetary factors and not a supply shock caused by the drought,” Osakovsky said. Raising the benchmark rate is the most “flexible and effective” tool the central bank has to fight inflation, he said.

Russia’s benchmark rate is lower than Brazil’s benchmark Selic overnight rate, which policy makers increased three times this year to 10.75 percent. India’s central bank raised interest rates for a sixth time this year on Nov. 2 in Asia’s fastest round of increases, boosting the repurchase rate by a quarter-point to 6.25 percent and the reverse repurchase rate by a similar margin to 5.25 percent.

Heat Wave

The economy of the world’s biggest energy supplier lost momentum after the worst drought in at least half a century caused crop losses and fanned inflation. The heat wave will cost the economy as much as 0.8 percentage point of growth this year, the Economy Ministry estimates.

Russia’s economy expanded in the third quarter at the weakest pace this year. Gross domestic product grew 2.7 percent from a year earlier after expanding 5.2 percent in the three months through June.

The government may miss its 4 percent target for economic growth this year “by a little bit,” Economy Minister Elvira Nabiullina said on Nov. 23.

Ulyukayev said current rates “succeed in achieving a balance between risks of higher inflation and risks to economic growth.”

“Inflationary trends and the outlook for economic growth have not undergone any changes over the past month,” he said. “Economic growth may be slightly faster this month than in October, while the inflation rate may be slightly worse. That’s why the balance between them hasn’t fundamentally changed.”

Bank Rossii doesn’t have a timeline for when it may consider changing its policy rates, Ulyukayev said.

“We’ll increase rates if we see that inflationary risks are rising and conclude that they aren’t linked with the supply shock as has been the case until now,” he said.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/russian-central-bank-may-raise-rates-next-quarter.html>

Russia’s Spending Increase Is ‘Worrying’ for Debt, Goldman Says

Friday, Nov 26, 2010

Russia’s use of "pro-cyclical" spending is “worrying” even as the country follows other so-called BRIC nations in lowering the level of public debt, Goldman Sachs Group Inc. said.

The gap between debt levels in Brazil, Russia, India and China and developed economies has "widened dramatically," Goldman economists led by Dominic Wilson and Constantin Burgi in New York wrote in a research note e-mailed late yesterday.

While India and Brazil need "some consolidation" to reduce liabilities and China’s debt level "won’t be problematic," Russia’s spending increases threaten the country’s debt burden, according to the report.

"The pro-cyclical pattern of government spending that has re-emerged of late is a worrying development, as are the permanent nature of many of the fiscal stimulus measures, particularly the increase in pension provisions," the economists wrote.

Total public debt in the BRIC nations has averaged 40 percent of gross domestic product since 1980, compared with 62 percent in developed economies and 57 percent in other emerging markets, according to Goldman.

Russian pensions will rise 9 percent in 2011 after an increase of about 45 percent this year, Prime Minister Vladimir Putin said on July 28. Finance Minister Alexei Kudrin said last week that planned pension increases required the government to raise company contributions starting next year along with a tax increase worth 2 percent of GDP in 2011.

Stimulus Package

Russia deployed the largest stimulus package among Group of 20 nations, totaling 9.8 percent of GDP in 2009 and 2010, Goldman estimates.

"Although policy makers originally planned for a dramatic fiscal consolidation over 2010-11, they recently introduced two supplementary budgets that reduce the planned consolidation significantly," Goldman said.

Domestic borrowing accounts for more than 90 percent of total debt in Brazil, China and India, compared with about 65 percent in Russia, the bank said. Average maturities on sovereign bonds issued by BRIC countries range from almost 10 years in India to 5 years in Brazil, according to Goldman.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/russia-s-spending-increase-is-worrying-for-debt-goldman-says.html>

Ruble Squeeze Sends Spreads to Nine-Month High: Russia Credit

Friday, Nov 26, 2010

Russian companies are facing the highest ruble borrowing costs in nine months compared with dollar debt as the central bank drains cash from the banking system.

The gap between yields on benchmark ruble debt due in 2012 from OAO Gazprom and its 2013 dollar bonds climbed to 285 basis points, or 2.85 percentage points today, the widest since March 1, from 29 basis points in May, according to data compiled by Bloomberg. Bank Rossii has reduced cash by selling at least \$3.8 billion of foreign currency this month, matching the amount for all of October, which was the most in almost two years, First Deputy Chairman Alexei Ulyukayev said in a Bloomberg News interview in Moscow on Nov. 24.

While Bank Rossii is keeping key interest rates at a record-low 7.75 percent, its efforts to arrest the biggest ruble depreciation since September means local borrowing costs for Gazprom, the country's largest company, OAO Mobile TeleSystems and Russian Agricultural Bank have hit four-month highs. Yields on government two-year ruble debt, known as OFZs, climbed 10 basis points yesterday to 6.1 percent, the highest since June 9, compared with two-year U.S. Treasuries at 0.54 percent.

"Reducing the amount of rubles out there means there is less money to buy local debt, so prices have softened," Dmitry Dudkin, head of fixed-income research at UralSib Financial Corp. in Moscow, said in a phone interview yesterday. Bank Rossii's interventions are "the equivalent of liquidating large amounts of rubles, like they don't exist anymore," he said.

Capital Flight

Outflows are hurting the ruble and forcing the central bank to step up foreign currency sales, Bank Rossii Chairman Sergey Ignatiev told the Duma's financial committee in Moscow yesterday. The central bank more than doubled its estimate for capital flight this year to \$22 billion on Nov. 16. Outflows in the year to the end of October total about \$21 billion, Ignatiev said this week.

Russia has managed the ruble since 2005 against a basket of dollars and euros to limit swings that erode the competitiveness of the nation's exporters. The regulator allows the ruble to trade within a so-called floating corridor against the basket, shifting the range by 5 kopeks each time interventions top \$650 million.

The ruble slid 0.7 percent to 31.4224 per dollar by the 5 p.m. close in Moscow, extending a 1.9 percent drop this month. It fell 0.3 percent to 35.9798 versus the basket, which is made up of about 55 percent dollars and 45 percent euros. The floating corridor ranged between 32.8 and 36.8 on Oct. 13, after the band was widened to four rubles from three, Ulyukayev said in the Nov. 24 interview.

MTS, Russian Agricultural

The yield on Moscow-based Gazprom's two-year ruble bonds hit 6.46 percent this week, the highest since July 1, while dollar debt due 2013 yielded 3.46 percent yesterday, a two-week low.

The average price of Russian ruble bonds traded on the Micex exchange has declined 0.4 percent in November, bound for the biggest monthly drop since May, according to the Micex CBI index.

The gap between yields on Moscow-based Mobile TeleSystems' 2018 ruble debt and dollar bonds maturing in 2020 was the widest since Russia's largest mobile phone provider issued the U.S. notes in June. The ruble yield reached 7.83 percent on Nov. 22, the highest since July 5.

Russian Agricultural Bank's ruble bonds due February 2018 yielded 8.52 percent yesterday, the highest in eight months and 251 basis points more than the Moscow-based state-run lender's eight-year dollar debt, the widest gap since March.

Bond Sales

Companies are taking advantage of lower costs in dollars. Gazprom is selling \$1 billion of five-year bonds, a person with knowledge of the sale said last week. VEB, Russia's state development bank, raised the same amount in 15-year notes on Nov. 10. OAO Lukoil, the country's biggest independent oil company, issued \$800 million of 10-year bonds on Oct. 29.

The government may delay its first ever issue of ruble-denominated debt abroad until "weak" market conditions subside, Moscow-based OAO Gazprombank told clients in an e-mailed note Nov. 24. Belarus postponed its planned debut sale of Russian ruble bonds "indefinitely," according to a regulatory filing lodged Nov. 24.

Ruble bonds are declining "as a result of negative sentiment on global markets and some tightening of domestic liquidity," said Elena Kolchina, head of fixed-income products at Renaissance Asset Managers in Moscow, which manages \$1.5 billion of assets. "To limit

the negative effect of recent dollar strengthening on global markets, the central bank had to increase its interventions to support the ruble and this affected local liquidity.”

‘Attractive’ Yields

The amount of rubles in the market will probably be boosted in the second half of December as the government spends remaining budget funds before the end of 2010, according to Alexander Dotkin, a bond trader at Bank Zenit in Moscow.

“Bonds at these current levels are attractive ahead of the usual liquidity injection at the end of the year,” Dotkin said by e-mail yesterday.

Russian government dollar bonds slid today, with the yield on notes due in 2020 up 5 basis points to 4.9 percent.

The extra yield investors demand to hold Russian government debt rather than U.S. Treasuries rose 9 basis points today to 229, according to JPMorgan Chase & Co.’s EMBI+ indexes. The difference compares with 142 for debt of Mexico, which has the same Baa1 rating from Moody’s Investors Service, and 180 for Brazil, which is rated two steps lower at Baa3.

Default Swaps

The yield spread on Russian bonds is 27 basis points below the average for emerging markets, down from a 15-month high of 105 in February, according to JPMorgan indexes. The cost of protecting Russian debt against non-payment for five years using credit-default swaps rose half a basis point to 155.5 yesterday, according to data provider CMA. Credit-default swaps pay the buyer face value in exchange for the underlying securities or the cash equivalent should a government or company fail to adhere to its debt agreements.

Russia credit-default swaps are 17.5 basis points more expensive than contracts for Turkey, which is rated four levels lower at Ba2 by Moody’s. Turkey was 40 basis points above Russia on April 20. In a sign supply of rubles is tight, Russia’s Ruonia, the average interest rate 31 banks charge to lend local currency to each other, reached 3.42 percent on Nov. 22, the highest since April 29, according to Bank Rossii data.

Capital Controls

The amount Russian lenders hold in deposit and correspondent accounts with the central bank, another indicator of liquidity, was at 827 billion rubles (\$27 billion) yesterday, down from 1.1 trillion rubles at the beginning of October.

Policy makers canceled an auction of central bank bonds designed to soak up excess rubles on the market yesterday. Bank Rossii has only held one sale of the so-called

Obligatsii Banka Rossii, or OBRs, in November, scrapping the weekly auctions set for Nov. 11 and 18.

While Brazil and South Korea are imposing capital controls to rein in currency appreciation, Russia is tapping the world's third-largest reserves stockpile to prevent a rout in the ruble as companies pay back foreign debt and lagging economic growth spurs investors to shun the country. Russia's international reserves, only exceeded by stockpiles in China and Japan, have dropped \$14.4 billion from a high of \$503.7 billion on Oct. 15, Bank Rossii said yesterday.

Russia sold \$3.2 billion and 437.6 million euros (\$584 million) in October to prop up the ruble, the most since January 2009, according to central bank data published Nov. 8. Bank Rossii has been selling an average \$325 million of foreign currency a day in November, Aurelija Augulyte, an emerging markets analyst at Nordea Bank AB, said by phone from Copenhagen yesterday

Bloomberg

<http://www.businessweek.com/news/2010-11-26/ruble-squeeze-sends-spreads-to-nine-month-high-russia-credit.html>

Russia: 46,000 Foreign Professionals Needed Per Year

Friday, Nov 26, 2010

About 20,000 high-profile foreign professionals and researchers come to Russia annually, less than half the influx that the country needs to implement the Kremlin's modernization plans, Federal Migration Service head Konstantin Romodanovsky said Thursday.

About 2,000 of them are from global companies such as Siemens, Microsoft and Bosch, he told the Federation Council, Interfax reported. A lot was done already to ease visa regulations for highly skilled migrants, of whom the country needs about 46,000 a year, he said. Meanwhile, about 30,000 Russian professionals and researchers work abroad, a figure comparable to "the number of the most active members of the Russian Academy of Sciences," he said.

The total number of foreign migrants in Russia was 12.4 million this year, a 4 percent decrease from 2009, Romodanovsky said. About 3 million to 3.5 million of them are in Russia illegally, mostly from ex-Soviet republics, he said. He criticized the idea that foreigners are responsible for an up tick in crime, saying only 3.5 percent of crimes nationwide are carried out by migrants. He blamed the media for portraying migrants in an unfavorable light.

The Moscow Times

<http://www.themoscowtimes.com/business/article/46000-foreign-professionals-needed-per-year/424842.html>

Putin Seeks Free Trade with EU

Friday, Nov 26, 2010

The European Union should intertwine its economy with Russia's so tightly that they can become a free trade space worth trillions of euros and stretching "from Lisbon to Vladivostok," Prime Minister Vladimir Putin said in an article published Thursday. Putin also warned European policymakers against the impending unbundling of the bloc's energy companies and pushed for visa-free travel.

The article in German daily newspaper Sueddeutsche Zeitung, which appeared ahead of Putin's visit to the country Friday, is the latest policy statement by Moscow about where it wants to take its European ties. Russia and the EU are still hammering out their wide-ranging cooperation agreement.

"Someone may call the thoughts presented in this article too ambitious," Putin wrote. "But what seems impossible is possible in the modern world ... We should just roll up our sleeves and get to work."

The present level of partnership between Russia and Europe is inadequate for the challenges they face, Putin said. For Russia, the biggest challenge is the resource base of its economy, while the EU is losing ground on the markets for industrial and high-tech products, he said.

To turn things around, Russia "obviously" has to have a clear path to enter the World Trade Organization and bring its legislation and customs procedures close to those of the EU, Putin said. Bilateral ties should seek to encourage a "new wave of industrialization" for Europe by creating "strategic alliances" in the car industry, shipbuilding, aviation, space technologies, pharmaceutical industry, nuclear power and logistics, he said.

"It must be high-tech industry of the post-industrial age," said Putin, who will participate in a forum of chief executives from Germany's largest companies Friday. "New plants must be clean and compliant with stringent environmental standards."

Putin again stressed the need for a common energy market, saying EU's plans to liberalize access to oil and gas pipelines — part of the Third Energy Package, which enters into force in March — is a strong hindrance.

"With all the good intentions, it generates serious risks to Europe's energy market," he said. "It undermines investors' desire to put money into new projects."

As a result, Europe may get rundown pipelines and high energy prices amid a shortage of supply, instead of a competitive market, he warned.

Marlene Holzner, a spokeswoman for energy at the European Commission, said she could not comment "on statements by single politicians." In general, she said the

legislation would “lead to open and integrated markets,” encouraging competition and security of supplies.

“Ensuring a good investment climate is one key aspect of the internal market legislation and of the infrastructure package that we recently presented,” Holzner said in an e-mailed comment.

The Third Energy Package prescribes separation of energy production and transportation, which Russia's gas export monopoly [Gazprom](#) has said will prevent it from operating its pipelines in Europe. Gazprom deputy chief Alexander Medvedev said last month that the measure would hinder construction of new pipelines.

The legislation will increase transportation costs because of a loss of synergy, higher maintenance outlays and a swelling of staff, Gazprom said in a recent open letter to the Lithuanian government, which has made comments on the issue.

Putin reiterated his idea that Russia and Europe could not only trade energy resources but make asset swaps, as well as cooperate in exploration and production of resources and delivering them to consumers.

Turning to the ongoing discussion about visas, Putin spoke in favor of abolishing them, saying they hold back cooperation between small and medium-size businesses.

The need to get visas increases costs incurred by entrepreneurs and lowers their mobility, creating uncertainties over planned business trips, said Natalya Zolotykh, vice president of OPORA, a lobby group for small and medium-sized businesses.

Foreign embassies are suspicious of invitations from small European companies that Russian business people provide, she said.

"As a result, the possibility to hold negotiations with foreign partners in a timely manner is in doubt, which deprives small businesses of their main advantage: quick decision making," she said in an e-mailed comment. "Such problems create serious obstacles in effective cooperation between Russian and European entrepreneurs."

Foreigners cooperating with Russian entrepreneurs prefer to use middlemen from Eastern Europe, who have no visa problems, she said.

The Moscow Times

<http://www.themoscowtimes.com/business/article/putin-seeks-free-trade-with-eu/424854.html>

China: Employment to remain a continuing challenge

Friday, Nov 26, 2010

BEIJING - China's top labor official said the country will face a tough employment situation in the next five years.

Yin Weimin, minister of human resources and social security, said that with an abundant labor force China will be under pressure to create jobs during the next Five-Year Plan (2011-2015).

"We estimate that 24 to 25 million new job opportunities will be needed in urban areas each year over the next five years, a little more than the number in the past five-year period," he said.

From 2006 to November 2010, some 55 million jobs were created for urban residents and nearly 45 million migrant workers were employed, absorbing a large portion of the surplus labor force in rural areas, he said.

During the same period, there were 27 million college graduates, of whom more than 70 percent found a job before graduation, while 80 percent were in employment within six months of graduation.

The global financial crisis and natural disasters have had an impact on China over the past five years, he said, adding that the world downturn took a heavy toll on employment.

As a result of the crisis, some Western countries have been beleaguered by high rates of unemployment. At its last count, unemployment was running at 9.6 percent in the United States, while some European Union countries had one in 10 out of work, according to Xinhua News Agency.

In contrast, the number of registered unemployed urban residents accounted for less than 4.3 percent of the total in China over the past five years, Yin said. "So we can say that we have maintained a stable employment situation, which has not been easy," he added.

Yin attributed China's stable employment rate to the central government allocating nearly 160 billion yuan (\$24 billion) for creating jobs over the past five years, 91.5 billion yuan, or 134 percent, more than during the period of 2001-2005.

In addition to the sheer size of the labor force in China, which has a population of 1.3 billion, employment is under structural pressure, the minister said.

"Many members of the labor force are not well matched with their positions and some enterprises cannot find skilled applicants to fill vacancies where demand is urgent," he said.

Yin foresees creating jobs as a priority for policymakers over the next five years, during which time the government will seek to improve the skills of the labor force and encourage people to start their own businesses.

http://www.chinadaily.com.cn/business/2010-11/26/content_11616078.htm

China backing overseas M&As to aid economy: Officials

Friday, Nov 26, 2010

Private Chinese companies should seize the post-crisis opportunity to accelerate overseas acquisitions, boost global competitiveness and aid the country's economic restructuring, officials and company executives said on Thursday.

In addition to major state companies securing natural resources abroad, China's private sector, which is much less vulnerable to foreign regulatory hurdles, should also step up acquisitions of overseas assets for technology and expertise, they said. The chorus of support comes amid signs of growing international footprints for private Chinese companies in the aftermath of the global financial crisis, which has weakened corporate strength in Western markets, while increasing the clout of companies in the world's second-biggest economy.

"The government is very strongly in favor of cross-border mergers and acquisitions," Su Ning, former deputy governor of the People's Bank of China, told a conference on mergers and acquisitions in Shanghai.

"Overseas acquisitions should play a role in China's strategic economic restructuring," said Su, who heads China UnionPay, the nation's sole bank card payments processor.

In the latest case of a little-known Chinese company bursting onto the scene in a high-profile takeover bid, Xinmao Group said on Thursday that it had obtained backing from a Chinese lender for a \$1.3 billion bid for Dutch cable maker Draka Holding NV.

Earlier this year, Zhejiang Geely Holding Group, another non-state-owned company, and parent of Hong Kong-listed Geely Automobile Holdings, bought Ford Motor Co's Swedish Volvo unit, marking China's biggest acquisition of a foreign car maker and reflecting the country's rapid rise in the global auto arena.

Private teaming up with public firms

One potential strategy for avoiding such scrutiny could be for private companies to team up with state firms, taking the lead on any acquisitions to draw less attention, Chen Zongsheng, deputy secretary general of the government of the northern city of Tianjin, told the same conference.

"The number of overseas acquisitions by China's private sector is increasing," Chen said. "Compared with state-owned enterprises, private companies are more likely to succeed in acquiring foreign assets in some politically sensitive areas."

The global financial crisis had created a golden opportunity for overseas expansion, as Chinese companies could benefit from depressed overseas asset prices and an appreciating Chinese currency, Chen added.

Other industry players emphasized the importance of using acquisitions to create globally competitive Chinese companies, one of Beijing's aims.

"Mergers and acquisitions could play a huge role in promoting technological upgrades and industry consolidation," said Fang Fenglei, chairman of private equity fund Hope Investment Management Co.

Fang noted that western giants including Exxon Mobil Corp, Pfizer Inc and JPMorgan Chase & Co had all grown through acquisitions, saying it was a path that Chinese companies should also follow.

http://www.chinadaily.com.cn/business/2010-11/26/content_11614555.htm

China to Turn Into Net Diesel Importer, JPMorgan Says

Friday, Nov 26, 2010

China may become a net importer of diesel in November as new supplies are brought into the country to meet rising domestic demand, JPMorgan Chase & Co. said.

Diesel fuel imports will rise "significantly" as the country tries to refill declining stockpiles and alleviate shortages at service stations, according to a report by Brynjar Eirik Bustnes yesterday. The jump in new outside supplies may be "short-lived" as refiners return from maintenance.

"Due to increased diesel demand, there is now a chance that November will show China as a net importer of diesel," Bustnes said.

China's diesel imports fell 60 percent in October to 42,674 metric tons, the lowest since November 2008, while exports climbed 0.9 percent to 359,414 tons, according to data from the General Administration of Customs.

<http://www.businessweek.com/news/2010-11-26/china-to-turn-into-net-diesel-importer-jpmorgan-says.html>

China's 3G Users Hit 38.64 Million

Friday, Nov 26, 2010

The number of third generation (3G) mobile telecommunication users in China tripled year-on-year with the figure reaching 38.64 million by the end of October, according to the Ministry of Industry and Information Technology (MIIT).

Approximately 25.38 million users were new subscribers in the past year.

The number of 3G users of each of China's top three telecommunication operators, China Telecom, China Mobile and China Unicom, exceeded 10 million by the end of October, the MIIT data showed Wednesday.

Earlier this month, the ministry said that China aimed to have 150 million 3G mobile users by 2011, while investment in 3G development would hit 400 billion yuan.

The number of mobile phone users were up by 94.83 million to reach 842 million during the January-October period, while fixed-line subscribers decreased by 13.65 million to about 300 million during the same period, the MIIT said.

China Mobile, with 575 million subscribers as of the end of October, now is the world's largest mobile carrier.

China's telecommunication industry reported 744.8 billion yuan (\$109.53 billion) in revenues during the first ten months of 2010, up 6.6 percent year on year.

Business revenue of mobile telecommunications made up 69.84 percent of the total, while fixed-line revenues accounted for 30.16 percent, dropping 3.2 percentage points year on year, the MIIT said.

(Xinhua News Agency)

http://www.bjreview.com.cn/headline/txt/2010-11/26/content_314772.htm

Rubber Tumbles as China Curbs Prices, Indonesia Raises Output

Friday, Nov 26, 2010

Rubber slumped as China, the largest user, will raise commodity futures margins to cool prices and as growers in Indonesia, the second-biggest exporter, boost output to benefit from record prices.

May-delivery rubber on the Tokyo Commodity Exchange fell as much as 3 percent to 351.7 yen per kilogram (\$4,191 a metric ton) before settling at 355.2 yen. The most-active contract, which reached a 30-year high of 383 yen on Nov. 11, is set for the worst weekly loss since July 2. Futures in Shanghai tumbled by the daily limit to the lowest level since Oct. 13.

The Shanghai Futures Exchange will increase margins and daily price limits in the latest move by China to curb speculation and cool inflation. Margins on rubber will rise to 13 percent after the market closes on Nov. 29, the bourse said in a statement. Daily price limits will widen to 6 percent from Nov. 30, according to the exchange.

“China is adding steps to curb inflation, boosting speculation that their demand may weaken,” Takaki Shigemoto, an analyst at JSC Corp. in Tokyo, said today by phone. “Investors are becoming concerned that market fundamentals won’t be as tight as earlier expected.”

Natural rubber supply this year may be more than forecast last month as growers in Indonesia boost output to benefit from record prices, the Association of Natural Rubber Producing Countries said in an e-mailed statement yesterday.

Increased Output

Production may increase 6.6 percent to 9.5 million tons, more than the 9.4 million tons forecast on Oct. 27, the producers group said. Supply may drop 3.8 percent in the three months to Dec. 31 as rain disrupts tapping in Thailand, the biggest producer and exporter, it said.

May-delivery rubber in Shanghai lost as much as 2.9 percent to close at a daily limit of 30,375 yuan (\$4,560) a ton. The price reached a record 38,920 yuan on Nov. 11.

China, the biggest consumer of commodities, pledged to control prices and may raise interest rates a second time this year to slow the fastest inflation in two years and curb food costs that jumped 10.1 percent in October. China’s consumption of natural rubber, including compound rubber, may drop 2 percent in the fourth quarter as the government takes steps to cool commodity prices, the association of producer countries said. Imports of all forms of natural rubber may climb 7.1 percent to 3.26 million tons this year and gain 6 percent to 3.45 million tons in 2011, the group said.

“Natural rubber markets do not appear to have received any notable support from the demand side,” Jom Jacob, the group’s senior economist, said in the statement. “Concerns over China’s new policy measures clouded demand expectations.”

The cash price of natural rubber in Thailand remained unchanged at 131.55 baht (\$4.38) per kilogram today, as concern over Chinese measures to curb inflation was offset by limited supply, according to the Rubber Research Institute of Thailand. The price reached a record 132.75 baht per kilogram on Nov. 23.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/rubber-tumbles-as-china-curbs-prices-indonesia-raises-output.html>

BOJ Reports Biggest Loss since 2003 on Yen's Advance

Friday, Nov 26, 2010

The Bank of Japan posted its biggest loss since 2003 as a stronger yen eroded the value of its foreign-currency assets, the world's second largest.

The bank had a loss of 158.8 billion yen (\$1.9 billion) in the six months ended Sept. 30, according to a statement released in Tokyo today. Assets swelled 3.4 percent to 120.3 trillion yen.

Since then BOJ Governor Masaaki Shirakawa has pledged to expand the bank's balance sheet by creating a 5 trillion yen asset-purchase fund aimed at spurring growth and eradicating deflation. The yen's 12 percent advance against the dollar in April-September is threatening the profits of exporters who have driven the nation's economic recovery.

Japan has accumulated \$1.1 trillion in foreign-exchange reserves, a legacy of its efforts to weaken the yen to support exporters in 2003-2004. The Finance Ministry intervened in currency markets on Sept. 15 after the yen surged to a 15-year high against the dollar.

The asset program is buying exchange-traded funds and real-estate investment trusts in addition to government and corporate debt. Shirakawa has called the initiative an "unprecedented" and "extraordinary" move.

The central bank also pledged to keep its key interest rate near zero until an outlook emerges for sustained price increases. Shirakawa today told lawmakers in parliament that the central bank has been providing "ample liquidity."

The BOJ's capital ratio stood at 7.43 percent, compared with 7.47 percent at the end of last fiscal year, the report showed.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/boj-reports-biggest-loss-since-2003-on-yen-s-advance.html>

French Jobless Claims Show Biggest Drop in More Than Two Years

Friday, Nov 26, 2010

The number of jobseekers in France fell the most in more than two years in October as companies resumed hiring in the wake of the recession.

The number of unemployed actively looking for work fell by 20,300, or 0.8 percent, the Labor and Finance ministries said in a joint statement today in Paris. The total number of jobseekers was 2.68 million.

The decline is the biggest since February 2008, just before France entered the recession, and reflects hiring this year by companies from BNP Paribas SA to PSA Peugeot Citroen. It suggests that improved domestic and export demand is giving employers enough confidence to take on new workers, bolstering the nation's recovery, economists said.

The job gains "are good thing in the short term," said Jean-Christophe Caffet, an economist at Natixis bank in Paris. "Longer term, it raises concern about productivity growth."

Finance Minister Christine Lagarde has said she's looking for a drop in unemployment in the second half of the year to bolster household confidence and drive France's recovery from the worst recession since World War II. France's economy grew 0.4 percent in the three months through September, its sixth consecutive quarterly expansion.

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<http://www.businessweek.com/news/2010-11-26/french-jobless-claims-show-biggest-drop-in-more-than-two-years.html>

German Inflation Accelerates More Than Economists Forecast

Friday, Nov 26, 2010

Inflation in Germany, Europe's largest economy, accelerated more than economists forecast in November after food and energy prices rose.

The inflation rate, calculated using a harmonized European method, increased to 1.6 percent from 1.3 percent in October, the Federal Statistics Office in Wiesbaden said today. Economists predicted a gain to 1.4 percent, according to the median of 21 estimates in a Bloomberg News survey. In the month, prices rose 0.1 percent.

While inflation remains contained for now, Germany's economy is growing at a faster pace than its euro-area peers as countries such as Greece, Ireland, Portugal and Spain grapple with a sovereign debt crisis. That's widening the divergences in the 16-nation currency bloc, making it harder for the European Central Bank to set policy suitable for all its members.

"The combination of a thriving economy and continuously very low interest rates risks an unwanted acceleration in German inflation," said Alexander Koch, an economist at UniCredit in Munich. Still, "inflationary pressures remain under control so far," he said.

German consumer confidence will rise to its highest level in more than three years in December after the economic outlook improved and unemployment declined, boosting households' willingness to spend, market research company GfK said this week.

Food, Fuel

Business sentiment surged to its highest level in two decades in November as a result of the brightening domestic outlook. The economy will grow 3.7 percent this year, according to the government's panel of economic advisers.

"As in the previous months, the rate of price increases was mostly due to strong rises in the price of heating oil as well as of fruit and vegetables," the Federal Statistics Office said in a statement.

"Commodity prices have risen somewhat, and that has to be kept under observation" said Christian Lips, an economist at NordLB in Hanover. "But the inflation rate in Germany is still rather muted and under the average level for the euro zone."

In the euro area, consumer prices probably rose 1.9 percent in November from a year earlier, according to the median of 31 economists in a survey. That would match the rate in October, which was the fastest since November 2008. The EU statistics office in Luxembourg will publish the data on Nov. 30.

The ECB, which aims to keep inflation in the euro region just below 2 percent, on Nov. 3 left its key interest rate at a record low of 1 percent. The central bank in September forecast euro-region inflation will average about 1.6 percent this year and around 1.7 percent in 2011.

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<http://www.businessweek.com/news/2010-11-26/german-inflation-accelerates-more-than-economists-forecast.html>

Portugal Says EU Can't Force Governments to Accept Aid

Friday, Nov 26, 2010

Portuguese Finance Minister Fernando Teixeira dos Santos said European Union governments can't impose a bailout on his country even as speculation mounts that Portugal will eventually have to ask for one. "There are those who think that the best way to preserve the stability of the euro is to push and force the countries that at this moment have been more under the floodlight to that aid," Teixeira dos Santos told *Jornal de Noticias* in an interview. The comments, made yesterday, were confirmed by the finance ministry. "But that is not the vision or the political option of the countries that are involved."

Portuguese bonds have dropped as the government struggles to convince investors it can avoid the fate of Ireland and Greece, which have asked for EU bailouts this year. A majority of euro region governments and the European Central Bank are putting pressure on Portugal to accept a bailout to stop contagion spreading to Spain, the *Financial Times Deutschland* said today. A Portuguese official at the office of Prime Minister Jose

Socrates said the government is not facing pressure. A German finance ministry spokesman declined to comment. The ECB declined to comment.

The yield on Portugal's 10-year government bond yield fell 7 basis points to 6.93 today, pushing the spread over German equivalents to 426 basis points. Spain's spread widened to a record 252 basis points.

Irish Pressure

Ireland was forced to ask for a rescue on Nov. 21, eight days after officials were pressed on an ECB conference call to accept emergency aid. Portugal's finance minister said his country doesn't need a rescue because his country's position is not as serious as Ireland's.

Portugal has almost 10 billion euros of bonds that come due during the first half of 2011, according to the government debt agency. It doesn't face other bond redemptions next year.

"It has been clear that what we are betting on is on ensuring conditions for Portugal to continue financing itself in markets to ensure the functioning of public administration, and also to be able to regularize the financing mechanisms for the private sector, through the financial sector," Teixeira dos Santos told the paper.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/portugal-says-eu-can-t-force-governments-to-accept-aid.html>

South African Black Empowerment Didn't Work, Minister Says

Friday, Nov 26, 2010

South Africa's economic empowerment policies designed to improve the standard of living of the black majority after white-minority rule ended in 1994 haven't worked, Finance Minister Pravin Gordhan said.

Former South African President Thabo Mbeki proposed legislation to speed up black participation in the economy in 2002, when whites controlled about 95 percent of the companies listed on the country's stock exchange. The policies didn't make South Africa a fairer and more prosperous country for all, Gordhan told the Royal African Society in London today.

"We today all recognize it was necessary, but it didn't meet the goals," Gordhan said. "It led to a small elite group benefiting and that's not good enough in terms of benefitting 45 million people."

In September, the Congress of South African Trade Unions, the country's biggest labor confederation, said the empowerment policy had failed to redress the inequalities of apartheid and renewed a call for the part nationalization of key industries.

"In the next few months and the next year that's going to be a very intense debate, not nationalization, but how do we create better opportunities for ordinary South Africans to participate in our economy," Gordhan said. "Whilst we have created appropriate democratic processes and institutions, we haven't had an appropriate shift with respect to economic ownership."

South Africa's Gini coefficient, a measure of income inequality, was little changed at 0.666 in 2008 from 0.665 in 1994. A Gini reading of 1 reflects complete inequality, while zero represents equality. South Africa is the second worst in the world after Namibia, the CIA Factbook ranking of latest available data shows.

Gordhan said the Group of 20 countries all faced the problem of how to help citizens profit from an expanding economy.

"The question of how do ordinary folk benefit from economic growth and benefit from productivity increases is becoming a serious issue on a global basis," he said.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/south-african-black-empowerment-didn-t-work-minister-says.html>

Turkey's Erdogan Proposes Borderless Middle East, Sabah Says

Friday, Nov 26, 2010

Turkish Prime Minister Recep Tayyip Erdogan proposed that Middle Eastern countries adopt their own version of Europe's Schengen Agreement, which allows for borderless travel among 25 European signatory countries, Sabah reported.

Erdogan, speaking in Lebanon yesterday where he was receiving a leadership award, said Turkey had already removed visa requirements for Syria, Lebanon, Libya and Jordan and had lost nothing in doing so, Sabah said.

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<http://www.businessweek.com/news/2010-11-26/turkey-s-erdogan-proposes-borderless-middle-east-sabah-says.html>

Malaysia's Inflation Accelerates, Remains in Expected Range

Friday, Nov 26, 2010

Malaysia's inflation accelerated in October, a pace that remains within the central bank's expected range for 2010 after three interest-rate increases this year.

Consumer prices rose 2 percent from a year earlier after gaining 1.8 percent in September, the Putrajaya, Malaysia-based statistics department said in a statement today. That compares with the median forecast for a 1.9 percent increase in a Bloomberg News survey of 15 economists.

Malaysia left interest rates unchanged at its past two meetings after raising borrowing costs before any other Asian central bank this year. Governor Zeti Akhtar Aziz said this week sustaining growth will be a bigger challenge in 2011 than containing inflation.

"We believe that inflation is likely to rise modestly in the coming months on rising commodity and food prices," Rahul Bajoria, a Singapore-based economist at Barclays Plc, said before the report. "This, however, is unlikely to result in any sharp reaction from the central bank."

Malaysia's key interest rate at 2.75 percent is "very supportive of economic activity" and inflation is not seen as a "major threat" next year, Zeti said on Nov. 22. The government last month said inflation is expected to be "moderate" and stay below 3 percent in 2011 after probably remaining in a "benign" range of between 2 percent and 2.5 percent this year.

"Unless inflation spikes higher," the central bank will likely keep rates unchanged until late in the second quarter of 2011, Bajoria said.

Food prices, which account for about 31 percent of Malaysia's inflation index, rose 2.8 percent in October, today's report showed. The cost of housing, utilities and fuels gained 1.4 percent. Transport increased 2 percent.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/malaysia-s-inflation-accelerates-remains-in-expected-range.html>

Iraq Plans to Start Offshore Works Next Month to Double Exports

Friday, Nov 26, 2010

Iraq plans to start work in mid- December on offshore oil facilities in the southern part of the country, where export capacity is due to more than double by mid-2012, the head of the state-owned South Oil Co. said.

Export capacity will rise to 4.5 million barrels a day by mid-2012 from the existing capacity of 1.8 million barrels a day, Director General Dhia Jaafar al-Musawi said in an interview at an energy conference in Basra, Iraq.

“All contracts for materials and equipments, including pipelines, cables, moorings for land and offshore areas are now completed,” he said. “More than 70 percent of the necessary pipelines have been built and are ready to be delivered for the project.”

Iraq, which generates most of its revenue from oil sales, is seeking the help of foreign investors to raise its oil and gas production in order to stimulate a recovery after years of conflict and economic sanctions. The country has the world’s fifth-largest oil reserves, and its gas reserves rank fifth in size in the Middle East, according to data from BP Plc.

The country plans to build two offshore “megapipelines” and three single-buoy moorings where tankers can load crude on the Persian gulf. Each mooring is due to add 900,000 barrels a day in offshore loading capacity. Half of the sea surveys and ordnance clearing activities needed for the expansion have been completed, Al-Musawi said.

Iraq exported in October 58.7 million barrels, or about 1.89 million barrels a day in the month, the State Oil Marketing Organization said today. The exports generated the highest level of revenue this year with \$4.526 billion.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/iraq-plans-to-start-offshore-works-next-month-to-double-exports.html>

Iraq, Shell Gas Draft Agreement Ready Within One Week

Friday, Nov 26, 2010

The final draft of a \$12.5 billion agreement between Iraq and Royal Dutch Shell Plc and Mitsubishi Corp. for the capture of burned off natural gas at southern oilfields will be ready within one week, an Iraqi official said.

The two parties agreed on the final details in the draft agreement during a “recent meeting in Istanbul,” Iraqi Deputy Oil Minister Ahmed al-Shamma told reporters today in Basra.

The agreement will be signed by the end of January, Ali Hussain Khudair, the director-general of Iraq’s South Gas Co., said yesterday.

The government gave initial approval in June for the creation of a joint venture with Shell and Mitsubishi to be called Basra Gas Co. The venture would be owned 51 percent by state-run South Gas Co., with Shell holding 44 percent and Mitsubishi the remaining 5 percent.

Once the agreement is signed, it will be referred for approval to the Iraqi Council of Ministers, Khudair said.

The project involves capturing gas initially from the oilfields of Rumaila, being developed by BP Plc and China National Petroleum Corp., Zubair developed by Eni SpA, Occidental Petroleum Corp. and Korea Gas Corp, and West Qurna 1 by Exxon Mobil Corp. and Shell, Shamma said.

Majnoon, developed by Shell and Petroliam Nasional Bhd of Malaysia may be included “later,” he said.

Associated Gas

Most of Iraq’s associated gas, which is pumped in conjunction with crude oil, is flared. The country burns more than 1 billion cubic feet of gas a day, or 10.3 billion cubic meters a year. Shell plans eventually to capture and sell about 700 million cubic feet of gas a day in southern Iraq.

While Iraq generates most of its revenue from oil sales, the government wants to produce gas as fuel for power plants, which haven’t been able to meet demand. Iraq is seeking to develop its gas reserves to help generate power and for export. The country awarded licenses last month in its first auction of gas concessions since the U.S.-led invasion that ousted Saddam Hussein in 2003.

Iraq wants foreign investors to help it increase production of both oil and gas to stimulate a recovery after years of conflict and economic sanctions. Iraq has the world’s fifth-largest oil reserves, excluding oil in its northern Kurdish territory, and its gas reserves rank fifth in size in the Middle East, according to data from BP Plc.

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<http://www.businessweek.com/news/2010-11-26/iraq-shell-gas-draft-agreement-ready-within-one-week.html>

Iraq Ready to Pay for One Refinery If No Investors Can Be Found

Friday, Nov 26, 2010

Iraq is prepared to stump up for the cost of building one of four refineries planned in a \$20 billion program if investors can’t be found, Deputy Oil Minister Ahmed al-Shamma said.

The government may disburse annual payments from the state budget to pay for the construction of a refinery in the central city of Karbala, Shamma told reporters today during a conference in Basra, Iraq.

“The Karbala refinery is a priority,” as it is in central Iraq where consumption is very high, he said.

Iraq, holder of the world’s fifth-largest oil reserves, has plans to build four refineries to almost double its capacity to process fuel and cut dependence on gasoline and other product imports.

The four refineries, designed to add capacity of around 750,000 barrels a day, will be based in Karbala, in the northern Kirkuk region, the eastern Maysan area, and Nassiriyah in the southeast.

Iraq has refineries in Baghdad’s Dora district, in the southern region of Basra and in the northern city of Baiji. The three have a combined capacity of 700,000 barrels a day and can produce about 500,000 barrels a day because of wartime damage. The country also has about 30 smaller refineries that together have a total production capacity of 300,000 barrels a day.

Iraq, which generates most of its revenue from oil exports, needs to import about a quarter of all the refined products it consumes, according to data from the U.S. Energy Information Administration.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/iraq-ready-to-pay-for-one-refinery-if-no-investors-can-be-found.html>

Pakistan’s Cotton Exports May Plunge 25% This Year, Group Says

Friday, Nov 26, 2010

Cotton exports from Pakistan, world’s fourth-biggest producer, may fall 25 percent this fiscal year because of flooding, according to the Karachi Cotton Brokers’ Association.

The country’s exports declined 22 percent in the first four months of the year that began July 1, compared with the same period a year earlier, as floods destroyed crops, the association said.

Pakistan’s deadliest floods this year ruined crops worth 281.6 billion rupees (\$3.27 billion), destroying rice, cotton and sugar, Farm Minister Nazar Muhammad Gondal said Sept. 28. Floodwaters ripped out plants, damaged stockpiles and wrecked 4,000 kilometers (2,485 miles) of roads, boosting food prices and potentially accelerating annual inflation to 20 percent, according to government estimates.

“The impact of the floods is quite clear by now,” Naseem Usman, chairman of the association, said in a telephone interview today. “By the end of the year the gap will widen,” he said, referring to the drop in exports.

Cotton futures traded in Chicago rallied to a record \$1.5195 a pound on Nov. 11 after the U.S. government cut its estimate for global production and cited a supply shortage in China. Prices have slumped about 25 percent since then, and the contract for March delivery traded at \$1.1335 at 1:32 p.m. Singapore time.

Pakistan's cotton output may plunge 20 percent to about 10.2 million bales this year, from 12.7 million last year, Chaudhry Masood Majeed, chairman of the Pakistan Cotton Ginners' Association, said in a telephone interview today from Bahawalpur.

Pakistan exported 350,020 bales in first four months of the fiscal year that began July 1, compared with 450,000 bales a year ago, according to data provided by Karachi Cotton Brokers' Association. The association estimates total exports this year may reach 600,000 bales, compared with 800,000 bales last year.

Pakistan's government has set a production target of 11 million bales in the year ending June 2011, Farm Minister Gondal said on Nov. 1. A bale in Pakistan weighs 170 kilograms (375 pounds).

Bloomberg

<http://www.businessweek.com/news/2010-11-26/pakistan-s-cotton-exports-may-plunge-25-this-year-group-says.html>

Pakistan May Raise Rate a Third Time on Inflation

Friday, Nov 26, 2010

Pakistan's central bank may increase its benchmark interest rate for the third time in four months to stem inflation that exceeds 15 percent.

Eleven of 16 economists surveyed by Bloomberg News predict the State Bank of Pakistan will raise the discount rate at its meeting in Lahore on Nov. 29. Nine forecast a half-point move to 14 percent, one sees a percentage-point boost and one a quarter point. Five projected no change. The central bank will announce its decision at 5 p.m. local time.

"It seems not manageable to keep the discount rate at 13.5 percent when inflation is above 15 percent," said Suleman Akhtar, an economist at Foundation Securities Ltd. in Karachi. He added that "inflation is likely to stay on the high side," particularly in the aftermath of the worst flooding in the nation's 63-year history, which ravaged the agriculture industry.

SBP Governor Shahid Kardar has blamed the government's "unrestricted access" to liquidity creation from the central bank for adding to price pressures and making it tougher to conduct monetary policy. A rate increase would raise government borrowing costs, putting the onus on Prime Minister Syed Yousuf Raza Gilani to undertake a more

ambitious overhaul of tax and spending policies in an effort to win aid from the International Monetary Fund.

Bill Sale

The central bank on Nov. 15 sold its benchmark six-month treasury bills at a yield of 13.2 percent, compared with 13.16 percent in the previous auction on Nov. 3. The higher yield is a signal of investor expectations for the State Bank to raise its benchmark rate, said Raza Jafri, an economist at AKD Securities Ltd. in Karachi.

Pakistan's government estimates the floods, which have washed away crops, roads and bridges, may stoke inflation to as high as 20 percent and limit economic growth to 2.5 percent in the year through June. Agriculture accounts for more than one fifth of gross domestic product and almost half of employment.

Consumer prices climbed 15.3 percent in October from a year earlier, the highest rate among 17 Asian economies tracked by Bloomberg, up from as low as 8.9 percent in October 2009. Officials have estimated it may reach as high as 20 percent for the year ending in June.

With the cost of the flood damage estimated at about \$10 billion by the Asian Development Bank and World Bank, the government plans to provide about \$1.8 billion in cash transfers to flood victims. Policy makers are counting on resumed disbursements of an \$11.3 billion IMF loan program to help sustain growth.

Borrowing from SBP

The Washington-based IMF said in a Nov. 15 statement that reducing borrowing from the central bank "is essential for achieving a durable reduction in inflation, a major source of poverty." The fund urged Pakistan to rein in "untargeted" subsidies for electricity costs and reduce loopholes in the sales tax.

The finance ministry has proposed an overhaul of the central bank law that would limit how much the government can borrow from the SBP, which the country's legislature has yet to enact.

"Apart from causing inflation, unrestricted access of the government of Pakistan to borrowing from the SBP complicates liquidity management, dilutes the impact of the monetary policy stance, puts pressure on the exchange rate and hurts the private sector by affecting availability and cost of credit," Governor Kardar said in the text of a Nov. 15 speech.

Food Costs

Most of the increase in consumer prices stems from food, fuel and transportation costs in the aftermath of the floods, Kardar said. Pakistan will harvest 4.4 million metric tons of

rice in the 12 months starting Nov. 1, down 35 percent from the previous year, according to a report by a unit of the U.S. Department of Agriculture.

“With government borrowing on the rise and the inflation outlook ahead the central bank may choose to raise policy rates,” said Jafri at AKD Securities. The risk is that the move proves to serve little restraint on government borrowing, while making it more costly for private companies to borrow, he said.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/pakistan-may-raise-rate-a-third-time-on-inflation.html>

Oil Declines on Concern European Debt Crisis Will Curb Growth

Friday, Nov 26, 2010

Crude oil fell from a one-week high on concern Ireland’s debt crisis will spread to Portugal and Spain, reducing economic growth and fuel demand, and as tensions in Korea mounted.

Oil dropped as the euro declined to a two-month low against the dollar, curbing investor demand for commodities. Euro-area finance ministers plan to complete an agreement on an Irish bailout on Nov. 28, a European Union official said on condition of anonymity. North Korea warned its confrontation with South Korea could lead to war.

“Concerns that the European debt crisis will spread pushed the euro to a new two-month low against the dollar,” said Tom Bentz, a broker with BNP Paribas Commodity Futures Inc. in New York. The oil market is down “primarily on European debt worries.”

Crude oil for January delivery slipped 10 cents to settle at \$83.76 a barrel on the New York Mercantile Exchange. The January contract gained 2.2 percent this week. The front-month contract added 2.8 percent for the week and has increased 7.4 percent in the past year.

Brent crude oil for January settlement declined 52 cents, or 0.6 percent, to end the session at \$85.58 a barrel on the London-based ICE Futures Europe exchange. Brent added 1.5 percent for the week.

Shoppers crowded U.S. stores for Black Friday, the biggest shopping day of the year and a bellwether for the holiday season. Analysts’ estimates for holiday sales vary from little changed to increases of 4.5 percent. The National Retail Federation has forecast November-December holiday sales will rise by 2.3 percent from a year ago, the most since 2006.

'Waiting to See'

“It’s quiet today for a good reason, we’re waiting to see how well the shopping goes this weekend,” said Carl Larry, president of Oil Outlooks & Opinions LLC in Houston. “This is the most anticipated holiday shopping weekend in a couple years. If we come in next week and see that people were spending, the market will move higher.”

Portuguese officials denied reports that the country is being pressed to use the European Union-led rescue fund. Borrowing costs for Europe’s most indebted nations are at record highs as Ireland’s capitulation in accepting a bailout of its banking industry stokes concern that other countries also will have to seek aid.

The euro fell as low as \$1.3201, the weakest level against the dollar since Sept. 21. The single currency has declined 3.2 percent this week.

North Korea on Nov. 23 shelled a South Korean fishing community and military base with highly inflammable ammunition that killed four people, including two civilian construction workers, blew the windows out of a school and torched houses.

'Worries about China'

“We expect downward pressure to come from the euro zone debt crisis, worries about China over tightening to head off inflation, and risk aversion due to the situation between North and South Korea,” said Mike Wittner, head of oil market research at Societe Generale SA in London.

Oil tumbled the most in three months last week after China ordered banks to raise reserves to slow economic growth and curb inflation in the world’s largest energy-consuming country.

China’s central bank raised interest rates last month for the first time since 2007 and ordered banks on Nov. 10 and Nov. 19 to hold more money in reserve. China’s new loans next year will likely be close to 7 trillion yuan (\$1.05 trillion), less than this year’s target of 7.5 trillion yuan, Shanghai Securities News reported, citing an unidentified person.

Weak Equities

The Standard & Poor’s 500 Index dropped 0.8 percent to 1,189.40 and the Dow Jones Industrial Average decreased 0.9 percent to 11,092.00.

“The weak tone of the equity markets and the stronger dollar are the headwinds for the oil market today,” said Tim Evans, an energy analyst at Citi Futures Perspective in New York. “We’re still digesting Wednesday’s big gains. Today’s move lower isn’t nearly as large as Wednesday’s move higher.”

Oil surged 3.2 percent, the most in four months, on Nov. 24 after the Labor Department said U.S. jobless claims fell to the lowest level since 2008. Applications for unemployment benefits declined by 34,000 to 407,000 in the week ended Nov. 20.

Crude oil prices are forecast to be little changed next week, according to a Bloomberg News survey. Fifteen of 36 analysts, or 42 percent, predicted crude oil will be little changed through Nov. 26. Thirteen respondents, or 36 percent, estimated prices will rise and 8 predicted a decline.

Oil volume on the Nymex was 242,285 contracts as of 2:06 p.m. in electronic trading in New York. Volume totaled 502,284 contracts on Nov. 24, 29 percent below the average of the past three months. Open interest was 1.33 million contracts, the lowest level since Sept. 24.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/oil-declines-on-concern-european-debt-crisis-will-curb-growth.html>

Asian Currencies Fall This Week on Korea Spat, Europe Debt Woes

Friday, Nov 26, 2010

Asian currencies had their biggest weekly loss in six months as an exchange of artillery fire on the Korean peninsula deterred investment in the region and Europe's debt crisis bolstered demand for dollars.

The Bloomberg-JPMorgan Asia Dollar Index slid for a third week, its longest losing streak since February, after North Korea shelled a South Korean island on Nov. 23, prompting retaliatory fire. The euro sank to a two-month low yesterday as Ireland negotiated a European Union-led bailout and the Financial Times Deutschland reported that policy makers in the region are pushing Portugal to seek financial aid.

"Asian currencies have suffered from the contagion effect from Europe," said Dariusz Kowalczyk, senior economist at Credit Agricole CIB in Hong Kong. "We also had an escalation of tensions from North and South Korea."

The won fell 2.2 percent this week to 1,159.63 per dollar in Seoul, its biggest loss in five months, according to data compiled by Bloomberg. Singapore's dollar dropped 1.9 percent to S\$1.3208, the steepest slide since February 2009, and Malaysia's ringgit retreated 1.5 percent to 3.1630. The Asia Dollar Index, which tracks the region's 10 most-used currencies excluding the yen, declined 1.1 percent to its lowest level in two months.

The won yesterday slumped 1.9 percent after North Korea, via its KCNA state news agency, said "escalated confrontation would lead to a war." The USS George Washington aircraft carrier will tomorrow begin exercises off the Korean peninsula with naval vessels

from the South in a show of force that the North warned will take the countries “closer to the brink of war.”

War Risk

“This is really a big risk for the whole region, leading to a massive sell-off of the won,” said Minoru Shioiri, chief manager of currency trading in Tokyo at Mitsubishi UFJ Morgan Stanley Securities Co. “People don’t want to hold the won and other regional currencies over the weekend when we don’t know what will happen.”

The ringgit had its biggest weekly slide in six months as a central bank report showed the economy slowed more than economists forecast in the third quarter. Gross domestic product rose 5.3 percent from a year earlier, less than the 8.9 percent gain in the previous three months and the median 5.9 percent increase forecast in a Bloomberg survey of economists.

“We have both economic and geopolitical events that have taken a toll on investor appetite for risk,” said Wan Murezani Mohamad, an analyst at Malaysian Rating Corp. in Kuala Lumpur.

GDP Data

The Philippine peso fell 0.9 percent to 44.195 per dollar, a third weekly decline, as a Nov. 25 report showed GDP unexpectedly dropped 0.5 percent in the third quarter from the previous three months. Economists surveyed by Bloomberg forecast 0.9 percent growth for the period.

China’s yuan declined 0.42 percent this week to 6.6675 per dollar, its biggest loss since December 2008.

“There’s heightened risk aversion after the Korea situation and the European debt crisis,” said Claudio Piron, head of emerging Asia foreign exchange and fixed-income strategy at Bank of America’s Merrill Lynch unit in Singapore. “If you look across the region, all Asian currencies have weakened against the dollar.”

Taiwan’s dollar fell 0.5 percent this week to NT\$30.83, while Indonesia’s rupiah retreated 0.8 percent to 9,013. Thailand’s baht fell 0.8 percent to 30.20.

Bloomberg

<http://www.businessweek.com/news/2010-11-26/asian-currencies-fall-this-week-on-korea-spat-europe-debt-woes.html>

Second-hand smoking 'kills 600,000'

Study published in UK medical journal *Lancet* finds that more than half a million people die a year from 'passive' smoke.

Friday, Nov 26, 2010

Second-hand tobacco smoke kills upwards of 600,000 people every year, nearly a third of them children, according to a global assessment in *The Lancet*, a British medical journal.

The findings, released on Friday in the first ever global study, indicate that unlike "lifestyle" diseases, which stem largely from individual choice, the victims of passive smoking pay the ultimate price for the health-wrecking behaviour of others, especially family members.

Among non-smokers worldwide, 40 per cent of children, 35 per cent of women and 33 percent of men were exposed to second-hand smoke in 2004, the most recent year for which data was available across the 192 countries examined.

In addition to 5.1 deaths caused by active smoking, the final death toll from tobacco for 2004 was more than 5.7 million people, the study concluded.

Nearly half of the passive-smoking deaths occurred in women, with the rest divided almost equally between children and men, according to the study.

Some 60 per cent of the deaths were caused by heart disease and 30 per cent by lower respiratory infections, followed by asthma and lung cancer.

'Deadly combination'

All told, passive smoking accounted for one per cent of worldwide mortality in 2004.

Adult deaths caused by second-hand tobacco were spread evenly across the spectrum of poor-to-rich nations.

But for children, poverty made things much worse, the study found.

The adult-to-child ratio of deaths in high-income Europe, for example, was 35,388 to 71 while the ratio in Africa was nearly reversed: 9,514 to 43,375.

"Children's exposure to second-hand smoke most likely happens at home," the researchers noted. "Infectious diseases and tobacco seems to be a deadly combination."

The tragedy of children impacted by others' smoke is even greater when calculated in years of life lost, rather than lives lost.

One reason twice as many non-smoking women die is simply because they outnumber their male counterparts by 60 percent.

But in the developing world, they are also 50 percent more likely to be exposed to harmful smoke.

Enacting smoke-free laws for public spaces could significantly reduce passive smoking mortality and health care costs, said Annette Pruss-Ustun, the lead researcher.

Spotty compliance

Currently, only a small fraction - 7.4 per cent - of the world population lives in places with stringent smoke-free laws, and even in these jurisdictions, compliance is spotty.

Earlier research has shown that where laws are enforced, exposure to second-hand smoke in high-risk settings such as bars and restaurants is cut by 90 per cent.

Anti-smoking regulations also lower cigarette consumption, and improve one's chances of kicking the habit.

The researchers recommend fully applying the World Health Organisation's (WHO) Framework Convention on Tobacco Control, which includes high taxes on tobacco products, banning tobacco advertising and the use of nondescript packaging.

"There can be no question that the 1.2 billion smokers in the world are exposing billions of non-smokers to second-hand smoke, a disease-causing indoor pollutant," noted Heather Wipfli and Jonathan Samet, of the University of Southern California in Los Angeles.

"Broad initiatives are needed to motivate families to put their own policies into place to reduce exposure ... at home."

Al Jazeera

<http://english.aljazeera.net/news/europe/2010/11/2010112672559675841.html>

Treasuries Head for Monthly Decline amid Stronger Economic Data

Saturday, Nov 27, 2010

Treasuries headed for a second monthly loss as stronger-than-forecast economic data and confidence the Federal Reserve's \$600 billion Treasury purchase program will fuel more growth, reduced demand for the debt.

The yield on the two-year note rose for the fourth straight week, the longest period of increases since April 2, as a report on Nov. 24 showed initial jobless claims dropped to the lowest level since July 2008, reinforcing sentiment the employment market is healing.

A report on Dec. 3 may show nonfarm payrolls rose by 145,000, according to a Bloomberg survey.

“It’s more of a function of the negative sentiment in the Treasury market, given the broader macroeconomic strength,” Ian Lyngen, a government bond strategist at CRT Capital Group LLC in Stamford, Connecticut, said Nov. 24. “The market has been under pressure.”

Ten-year note yields climbed 35 basis points on the month, or 0.35 percentage point, to 2.87 percent yesterday in New York, according to BGCantor Market Data. The price of the 2.625 percent security maturing in November 2020 was at 97 29/32. For the week, 10-year yields were little changed.

Two-year note yields rose one basis point to 0.51 percent. Thirty-year bond yields fell three basis points to 4.21 percent.

Total Return

U.S. government securities have handed investors a loss of 1.3 percent in November, following a 0.2 percent decline in October, according to Bank of America Merrill Lynch indexes. Treasuries haven’t handed in negative returns in two consecutive months since they declined June of 2009, when signs of economic improvement were eating into demand for debt.

Ten-year Treasury yields will drop to 2.63 percent by year- end, according to a Bloomberg survey of 62 financial firms with the most recent forecasts given the heaviest weightings.

Nonfarm payrolls rose for the second rise in as many months, according to a Bloomberg survey of 56 economists before a report next week. The jobless rate is expected to remain steady at 9.6 percent.

Jobless claims declined by 34,000 to 407,000 in the week ended Nov. 20, Labor Department figures showed Nov. 24 in Washington. The median projection of economists surveyed by Bloomberg News called for a drop to 435,000.

Jobs Connection

“The jobless claims contributed to the weakness in the market,” James Combias, New York-based head of Treasury trading at Mizuho Financial Group Inc., one of 18 primary dealers that trade with the Fed, said Nov. 24.

Consumer spending rose in October for a fifth month as a rebound in incomes lifted the biggest part of the U.S. economy at the start of the final quarter of 2010.

Household purchases advanced 0.4 percent after a 0.3 percent gain in September that was larger than previously estimated, Commerce Department figures showed that day. Incomes climbed 0.5 percent.

Treasuries pared weekly losses amid mounting tensions between North and South Korea and renewed concerns about a European sovereign debt crisis spreading from Ireland to Portugal and Spain.

Standard & Poor's Ratings Services yesterday downgraded Anglo Irish Bank Corp. Ltd., to below investment grade, reinforcing concern about financial stress within euro-zone countries. The agency dropped the counterparty credit ratings on the bank six levels to B, or below investment grade, from BBB. The ratings remain on CreditWatch with negative implications, S&P said.

'Uncertainty in Europe'

"There's still a lot of uncertainty in Europe," said John Spinello, chief technical strategist in New York at primary dealer Jefferies Group Inc. "Without the buybacks from the Fed and the sovereign debt crisis in Europe, yields may have gone up beyond 3 percent."

Ireland this week became the second country to seek to tap a European-Union led 750 billion-euro (\$993 billion) bailout account. The yield on Irish 10-year debt climbed almost 1 percentage point this week to 9.32 percent yesterday, from 8.35 percent on Nov. 19.

Euro-area finance ministers plan to complete an international aid package agreement for Ireland on Nov. 28, a European Union official said on condition of anonymity.

"Bad debts and government management practices have been well known for several years," Jim Vogel, head of agency debt research at FTN Financial in Memphis, Tennessee, wrote in a note to clients. "It was just assumed a return of leverage and the resulting nominal economic growth would allow everyone to grow their way out of the difficulty." He didn't respond to phone calls seeking further comment.

Fed Shops

The Fed has acquired \$48 billion in Treasuries since it initiated the second round of purchases on Nov. 12. The central bank will purchase securities twice on Nov. 29, once each day for the remainder of next week and on the first four days of the following week.

In its first round of asset purchases, ended in March, the Fed bought \$1.75 trillion in securities, including \$300 billion in Treasuries, in an effort to spur economic growth strong enough to lower unemployment from near a 26-year high.

Fed Chairman Ben S. Bernanke will hold a "Conversation on the Economy" on Nov. 30 at Ohio State University in Columbus, Ohio.

The U.S. sold \$99 billion of notes this week in auctions held during the three days ended Nov. 24. The final two sales drew higher-than-forecast yields and reduced bidding compared with previous sales.

Bloomberg

<http://www.businessweek.com/news/2010-11-27/treasuries-head-for-monthly-decline-amid-stronger-economic-data.html>

Black Friday Sales Up 0.3% to \$10.7 Billion, ShopperTrak Says

Saturday, Nov 27, 2010

Black Friday sales were little changed, rising 0.3 percent, from last year, as U.S. retailers' efforts to lure customers by opening early failed, ShopperTrak said.

The early holiday sales and promotions boosted sales and traffic for the first two weeks of this month through Nov. 13 by 6.1 percent and 6.2 percent, respectively, ShopperTrak said in a statement on its Website.

Shoppers nationwide spent \$10.69 billion yesterday, Bill Martin, founder of Chicago-based research firm ShopperTrak, said in the statement. Black Friday is the day after Thanksgiving Day in the U.S. and the traditional beginning of holiday season buying.

Hundreds of people lined up at individual stores across the U.S. to take advantage of special deals as they face down a slow economic recovery. Sears Holdings Corp. and Toys "R" Us Inc. started their Black Friday "doorbuster" sales on Thanksgiving Day to attract consumers after two years of dampened shopping enthusiasm since the recession.

Sears, the largest U.S. department-store chain, opened at 7 a.m. with bargains that included a 58-inch Panasonic Corp. high-definition plasma television for \$1,044, 55 percent off its list price of \$2,299.

Open on Thanksgiving

Toys "R" Us, the world's biggest toy retailer, opened earlier this year to accommodate customers who said they wanted to shop after Thanksgiving dinner, said Chief Executive Officer Jerry Storch. Employees at the chain's Times Square store in New York handed out Santa hats to about 1,500 shoppers queued outside before the opening, spokeswoman Jennifer Albano said.

In 2009, Black Friday spending rose 0.5 percent to \$10.66 billion, compared with a year earlier, according to ShopperTrak.

Analysts' estimates for the holiday season's aggregate sales vary from little changed to increases of as much as 4.5 percent. The Washington-based National Retail Federation

forecasts a gain of 2.3 percent to \$447.1 billion after an uptick of 0.4 percent last year and a 3.9 percent drop in 2008.

The projections coincide with a rebound in U.S. consumer spending this year as the economy began adding jobs. Consumer spending, which accounts for about 70 percent of the nation's economy, increased at a 2.8 percent annual rate in the third quarter, according to the Commerce Department. That was the fastest since the final three months of 2006.

Bloomberg

<http://www.businessweek.com/news/2010-11-27/black-friday-sales-up-0-3-to-10-7-billion-shoppertrak-says.html>

China's private firms emerge from economic doldrums

Saturday, Nov 27, 2010

HANGZHOU - Chinese private enterprises have emerged from the doldrums of the global economic slowdown, according to the country's first private business prosperity index released Saturday. The Zhejiang Private Enterprises Prosperity Index (ZEPI), issued by the industry and commerce bureau in East China's Zhejiang province, put the comprehensive status of the private sector in the third quarter at 121.25 points, based on the benchmark of 100 points for the last quarter of 2007.

The index compiled from official statistics and a survey of 1,644 private companies in the province suggested the worst time appeared in the first quarter of 2009, when the index was at 89.46 points. Yao Jun, statistics official at the bureau, said the ZEPI had been continuously rising since then. Zhejiang with 82 percent of its 781,969 registered firms privately owned has one of the country's most vibrant private economic sectors.

During the global economic slowdown in 2008 and 2009, thousands of private firms in Zhejiang closed. However, the number of new registered firms exceeded 86,200 in the first 11 months this year.

(Xinhua)

http://www.chinadaily.com.cn/business/2010-11/27/content_11619184.htm

China Banks' Yuan Positions Rise Most in 30 Months

November 27, 2010

Yuan positions at Chinese banks stemming from their sales of foreign exchange rose in October at the fastest pace in 30 months, boosting the money supply and helping fuel inflation, the official Xinhua News Agency reported. The central bank bought 519 billion yuan (\$77.8 billion) of foreign currency from local lenders last month, increasing their yuan positions to 21.8 trillion yuan, Xinhua reported today, citing the People's Bank of China.

Money supply in China has surged 50 percent in the past two years, leading to rising domestic prices for products including food staples. Premier Wen Jiabao's Cabinet this month announced it will sell grain, cooking-oil and sugar reserves, ordered an end to tolls on trucks carrying produce and threatened price controls to rein in a 10 percent inflation rate for food.

The October increase in the yuan holdings was the largest since April 2008, when there was a 525.1 billion yuan gain, Xinhua reported.

China's monetary authority buys foreign exchange from banks to help manage the yuan's exchange rate.

Bloomberg

<http://www.businessweek.com/news/2010-11-27/china-banks-yuan-positions-rise-most-in-30-months.html>

China: Regulating property market challenging; Official

Saturday, Nov 27, 2010

BEIJING - A senior Chinese official of housing said on Friday that it remained difficult to regulate China's real estate market as local governments were too reliant on revenue from land sales.

Qiu Baoxing, vice minister of Housing and Urban-Rural Development, said a rising housing demand due to urbanization, limited investment channels at home and inflows of international speculative capital also made cooling the property market difficult.

Housing prices rising too fast could lead to an asset bubble, affecting financial stability, economic development and social stability, Qiu noted.

Qiu added that tempering the real estate market required a "policy toolkit", which should not only include policies in land managing, taxation and financial areas, but also include an increase in affordable housing supplies.

The Chinese government has introduced a series of measures this year to crack down on property speculation and rein in house prices. These measures include suspending mortgage loans for third home purchasers and raising down-payments.

Property prices in 70 major Chinese cities rose 8.6 percent year-on-year in October, the lowest year-on-year increase in 2010. However, on a month-on-month basis, housing prices rose 0.2 percent from September.

(Xinhua)

http://www.chinadaily.com.cn/business/2010-11/27/content_11618860.htm

China eyes closer business ties with Europe

Saturday, Nov 27, 2010

HAMBURG - Chinese State Councilor Ma Kai said in Hamburg on Friday China hopes to continue expanding business ties with the European Union (EU) and Germany under the principle of mutual benefit.

Addressing the 4th Hamburg Summit, Europe's largest Sino-European business conference, Ma said this year's gathering, focusing on the ways to address the financial crisis and deepen China-Europe economic and trade ties, will go a long way toward enhancing bilateral cooperation, turning crisis into opportunity and achieving win-win results for both sides.

In the next five years, Ma said, China will step up efforts in areas such as further expanding domestic demand to promote stable and fast economic growth, transforming the economic development pattern, making scientific and technological innovations a stronger driving force for development, promoting a more open economy as well as improving people's livelihoods.

On expanding business ties, Ma said China and Europe should continue to promote bilateral trade and investment, enhance practical cooperation in new and high technology, make small and medium-sized enterprises a key area in cooperation, and intensify communication and coordination in international economic and financial affairs.

He also elaborated on China's policy on rare earth exports.

Earlier on Friday in Hamburg, Ma met with German Vice-Chancellor and Foreign Minister Guido Westerwelle.

Westerwelle said Germany-China relations have been on a positive and healthy development track, reflected not only in the frequent exchanges of high-level visits, but also in the depth and scope of economic and trade cooperation.

He also said Germany will steadfastly adhere to the one-China policy and will make efforts to push forward Europe-China relations within the EU framework.

The two sides also exchanged views on strengthening strategic dialogue and intergovernmental consultations, and promoting youth and cultural exchanges.

Ma also met with Hamburg Mayor Christoph Ahlhaus as well as other local politicians and business leaders.

(Xinhua)

http://www.chinadaily.com.cn/business/2010-11/27/content_11619084.htm

Market economy in Cuba excluded entirely

Saturday, Nov 27, 2010

The State Council of Cuba with Raul Castro at the head has unveiled a draft law which allowed the citizens of the Island of Freedom to start private business activities and hire employees. Thus, the Cuban government points a direction to nearly 500,000 employees of the key state sector in the economy of the country, whom the authorities plan to dismiss.

The international community showed a very positive reaction to the news. The UN General Assembly recommended the USA should finally lift the economic embargo against Cuba, which was introduced against the nation decades ago.

Official representatives of 187 countries supported the adequate resolution, although the USA and Israel voted against it. Three other countries abstained from the vote, Interfax reports.

Cuba introduced a new Tax Code on October 16. The current list of private businesses includes 17 professions only, but it is planned to expand the list in the future. The Cubans individually employed in the private sector will have to pay ten percent of their income to the budget.

Taxation rates for small companies will be extremely high. They will vary from 25 percent for those who make 5,000 pesos (about \$200) to 50 percent for those who make over 50,000 pesos (about \$2,000). The entrepreneurs, whose yearly income is less than 5,000 Cuban pesos, will be relieved of taxation.

One will have to acquire a license for running private business and opening several firms. The Cuban authorities have already issued 140,000 private business licenses and plan to issue 250,000 more. The government hopes that it will thus be possible to avoid epidemic unemployment, and hundreds of thousands of state officials, who will be fired in March of 2011, will find new jobs in the private sector.

For the time being, there are over 5 million able-bodied people in Cuba: 75 percent of them work for the state, and 23 percent are employed in the private sector.

This will be it. There will be no full transition to the market economy in Cuba in spite of the fact that the Cuban government takes efforts to attract foreign investments.

The current political regime in Cuba does not mix with market freedom of capitalism, and any reforms towards liberalization will be scrapped before they start to affect the ability of the Castros to hold power on the island.

Legal opportunities of foreign capital in Cuba are restricted as well. Foreigners are allowed to open only joint ventures there.

Citizens of Venezuela make the only exception from the rule. They are allowed to possess their businesses entirely. Strong political ties between Cuba and Venezuela is just another fact to prove that Castro is not going to drastically change the economic structure of his nation.

English pravda.ru: Russian news and analysis

http://english.pravda.ru/business/finance/27-10-2010/115545-cuba_market_economy-0/

Dubai Now ‘Back on Course for Healthy Growth,’ Qamzi Says

Saturday, Nov 27, 2010

Dubai, the second biggest member of the United Arab Emirates, is on track for growth following setbacks inflicted by the global financial crisis, Sami Dhaen Al Qamzi, director general at the Department of Economic Development said.

“It is fair to say that Dubai is back on course for healthy growth,” Qamzi told a press conference for the Summit on the Global Agenda in Dubai today. “We have demonstrated to the to the national and international business community that we are committed to fostering a sustainable, growth-oriented environment by improving efficiency, transparency, credibility and accountability in governance and services.”

Bloomberg

<http://www.businessweek.com/news/2010-11-27/dubai-now-back-on-course-for-healthy-growth-qamzi-says.html>

UAE to ‘Continue’ Trade with Iran Within UN Rules, Mansoori Says

Saturday, Nov 27, 2010

The United Arab Emirates will “always continue” to trade with Iran within the UN framework, Sultan bin Saeed Al Mansoori, the UAE’s Economy Minister, said today.

“Iran is an important trading partner for the UAE and we will always continue trading with Iran based on the framework of the UN Security Council,” Mansoori said in Dubai. “We don’t want to lose that.”

Bloomberg

<http://www.businessweek.com/news/2010-11-27/uae-to-continue-trade-with-iran-within-un-rules-mansoori-says.html>

Saudi Shares Gain Most in Three Weeks on U.S. Jobless Data

Saturday, Nov 27, 2010

Saudi Arabian shares rose the most in almost three weeks as investors bet a larger-than-forecast decline in U.S. jobless claims signaled economic growth is gathering speed in the biggest crude-consuming nation.

The Tadawul All Share Index advanced 0.1 percent, the most since Nov. 9, to 6,298.89 at the 3:30 p.m. close in Riyadh. Leading the advance were Banque Saudi Fransi, the fourth-largest publicly traded lender in the kingdom, Etihad Etisalat Co., the second-biggest mobile-phone operator and Samba Financial Group, the No. 2 Saudi bank. Tadawul has gained 9.4 percent from this year's low in May.

“Upbeat news on improving consumer sentiment and declining initial jobless claims out of the U.S. are lifting the Saudi market,” said Asim Bukhtiar, an equity analyst at Riyadh Capital. “Employment numbers beat market expectations and point to encouraging ‘Black Friday’ sales, which should lift retail stocks.”

A report on Nov. 24 showed initial U.S. jobless claims dropped to the lowest level since July 2008, reinforcing sentiment the employment market is healing. Jobless claims declined by 34,000 to 407,000 in the week ended Nov. 20, Labor Department figures showed.

Banque Saudi rose 2 percent, the most since Oct. 30, to 45 riyals. Samba advanced the most in three weeks, gaining 0.9 percent to 58 riyals. Etihad Etisalat added 1.4 percent to 55 riyals.

“Saudi banks were oversold last week and investors are returning on attractive valuations despite the overhang of heightened provisioning expected at year-end,” Bukhtiar said.

Saudi Basic Industries Corp., the world's largest petrochemicals maker, known as Sabic, lost 0.3 percent to 99 riyals after India imposed an anti-dumping duty on its polypropylene products.

Trading volume was lower than the year's daily average. About 78 million shares traded, compared with this year's daily average of 134 million.

Saudi Arabia's index is the only Gulf Arab benchmark tracked by Bloomberg that trades on a Saturday.

Bloomberg

<http://www.businessweek.com/news/2010-11-27/saudi-shares-gain-most-in-three-weeks-on-u-s-jobless-data.html>

Thousands march against Irish cuts

Fresh protests in Dublin against planned cutbacks aimed at reducing budget deficit to meet terms of EU and IMF bailout.

Saturday, Nov 27, 2010

Tens of thousands of demonstrators have protested against the Irish government's proposed cutbacks, aimed at slashing the country's budget deficit to meet the terms of a multi-billion dollar bailout for its devastated economy.

Saturday's rally followed an announcement from Brian Cowen, the Irish prime minister, of a four-year package to cut spending, raise taxes and axe thousands of state jobs, the toughest budget measures in the nation's history.

Cowen acknowledged that living standards will fall, but insisted action was needed to tackle a 2010 deficit running at 32 per cent of GDP, the highest in Europe since World War II.

His government will unveil an emergency annual budget on December 7, which must be passed to allow an \$113bn loan from the European Union and the International Monetary Fund.

Ireland's Congress of Trade Unions, an umbrella group representing labour unions with about 832,000 members, said the protest in the Irish capital, Dublin, was a final chance to influence the budget.

"It's difficult to see any justification, either economic, social, or indeed moral, for what the government proposes to do, and we'll oppose them in every way we can," David Begg, general secretary of the group, said.

Al Jazeera's Andrew Simmons, reporting from Dublin, said: "There's a lot of anger in Ireland, but the Irish have a different way of expressing themselves than protesters in Greece."

Simmons said the protesters included not just trade unionists but also shoppers and ordinary families.

'Ruining our economy'

Peter Mullen, from the Irish National Teacher's Organisation, told Al Jazeera that the austerity measures would lower living standards and put home ownership and jobs at risk.

Mullen said: "[Today's protest gives] a clear message to government that the austerity measures they're proposing are not acceptable and that they have to go back to find a better, fairer way to address Ireland's economic problems.

"The government is trying to cut itself out of a recession and no one has ever done that before.

"There is no proposal in the government's plan to create jobs, or growth which will be necessary to turn this economy around."

Jack O'Connor, the head of Ireland's biggest union, Siptu, said the collapsed economy was "the result of allowing speculators, bankers and developers to run riot, pillaging and ruining our economy".

The country's national sovereignty was at stake as a result of the government's policies, he said.

Cowen's 2011 budget will seek \$6bn in spending cuts and to raise an extra \$2bn in taxes.

Though he is expected to have the plan endorsed at Ireland's parliament, Cowen's governing Fianna Fail party lost a special election on Friday, reducing the government's majority.

The embattled prime minister vowed to call a **national election** after the 2011 budget is passed into law.

Al Jazeera

<http://english.aljazeera.net/news/europe/2010/11/20101127131744265944.html>

Marks & Spencer's India Venture Plans 50 New Stores in 5 Years

Saturday, Nov 27, 2010

Marks & Spencer Reliance India Pvt., the joint venture between Marks & Spencer Group Plc and Reliance Industries Ltd., plans to open a further 50 stores in India as rising salaries and growing consumer demand make it a priority market for the U.K. retailer.

"The last year's been very successful for us and we're very pleased with how things are going," Martin Jones, chief executive officer of the local unit, said in an interview in New Delhi today. "We've got quite a lot of investment in the country, not just in terms of stores, but we're now sourcing a lot of our products from India as well." He declined to specify the company's investment in India.

The company will increase its sourcing from South Asia to 70 percent over the next three years from the current 42 percent. The five-year expansion will bring the total number of stores to 70, Jones said.

The market for apparel in India is expected to grow to \$25 billion this year on increased disposable income and the rise of organized retail, according to a June report by McKinsey & Company.

The Indian market will be the first priority for Marks & Spencer Plc, Chief Executive Officer Mark Bolland said Nov. 9. Overseas sales are forecast to increase to between 800 million pounds (\$1.25 billion) and 1 billion pounds. The company, which has more than 320 owned and franchised stores in 41 countries, opened its 20th store in India today.

Marks & Spencer Reliance India Pvt. is part owned by Reliance Industries, India's most valuable company. The joint venture was established in April 2008.

Bloomberg

<http://www.businessweek.com/news/2010-11-27/marks-spencer-s-india-venture-plans-50-new-stores-in-5-years.html>
