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BUSINESS AND POLITICS IN THE MUSLIM WORLD

Weekly Report on General Economic and Business Developments in the World

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Report Outline

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- China Hit with Tariffs After Tianjin Pipe Gets Subsidized Loans
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China's rare earth monopoly
A close look at the importance of metals essential for many modern-day technologies.

Rare earth metals are a collection of 17 chemical elements that are key to the production of a long list of modern-day technologies.

Despite their name, the elements are relatively plentiful in the earth's crust. However, because of their geochemical properties, the elements are not often found in concentrated forms that are economically viable to extract. Mining them is not only complex but costly, so many countries are cautious.

China produces more than 95 per cent of the elements for the world's technology industry. The rest is supplied by the US, Estonia, India, Malaysia and Brazil.

That may change, however, as demand for rare-earth metals rises for use in products such as smartphones, electric and hybrid cars, common computer monitors and televisions.

Al Jazeera
http://english.aljazeera.net/video/asia-pacific/2010/11/20101121740188542 97.html

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Cables trace Google attack to China
US diplomatic cables released by WikiLeaks say senior officials orchestrated hacking of search engine.

05 Dec 2010
US diplomatic cables released by WikiLeaks have linked senior Chinese officials to the hacking of Google that led the company to briefly pull out of China earlier this year. Citing the cables on Saturday, *The New York Times* newspaper said the country's senior propaganda official had overseen the cyber attack after he had found "results critical of him" when he typed his name into the search engine.

"A well-placed contact claims that the Chinese government coordinated the recent intrusions of Google systems," a cable dated earlier this year said.

"According to our contact, the closely held operations were directed at the Politburo Standing Committee level," it said, referring to the ruling body of the Chinese Communist Party.

Google, the world's leading internet search engine, closed its China-based search service in March this year, two months after it had said it would stop censoring search results in response to what it said was a sophisticated cyber attack that it traced to China and increasing limits on freedom of expression.

The cables cited by *The New York Times* said the attacks were coordinated out of the State Council Information Office with the oversight of Li Changchun, the propaganda chief, and Zhou Yongkang, China's top security official. But *the Times* said that in an interview with the paper, the "Chinese person with family connections to the elite" cited in the cable had said Li personally oversaw a campaign against Google, but the source denied knowing who directed the attack. *The Times* did not explain the discrepancy between what the person said in the interview and what was attributed to the person in the cable.

Government hacked

Al Jazeera's Melissa Chan, reporting from Beijing, said it was impossible to verify the information given by the source quoted in the cable. "Let's keep in mind that this information about the propaganda chief having googled himself and been unhappy with the result, and thereby decided to attack Google comes from one source in the state department cables," she said.

"The Chinese propaganda chief is one of the most powerful people in the country. If this is true, it would suggest that the attack against Google was known at the highest levels of government."
The cables revealed that China had made repeated and often successful hacking attacks on the US government, private enterprises and Western allies as far back as 2002.

"In the US, the majority of the systems that have been targeted belong to the US army, but targets also include other department of defence services as well as department of state, department of energy, and additional US government entities and networks," a cable said.

According to the cables, at least one previously unreported 2008 attack, which US investigators code-named Byzantine Candor, yielded more than 50 megabytes of email messages along with a complete list of user names and passwords from a US government agency.

The New York Times also said Chinese officials had asked Google to remove material on subjects like the 1989 Tiananmen Square massacre and put pressure on the US government to censor the Google Earth satellite imaging service by lowering the resolution of images of Chinese government facilities.

Last weekend WikiLeaks started publishing what it said were more than 250,000 US diplomatic cables, giving advance access to a number of newspapers.

Al Jazeera
http://english.aljazeera.net/news/asia/2010/12/201012555947414163.html

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PayPal pulls WikiLeaks account
American payment service provider cuts relationship, as whistle-blower struggles to keep website available to public.

05 Dec 2010
PayPal has cut off the account used by WikiLeaks to collect donations, serving another blow to the organisation. The online payment service provider made the move as WikiLeaks continues to struggle to keep its website accessible, after an American company stopped directing traffic to it.

PayPal said in a blog posting that the move was prompted by a violation of its policy, "which states that our payment service cannot be used for any activities that encourage, promote, facilitate or instruct others to engage in illegal activity."

The short notice was dated Friday, and a spokeswoman for PayPal Germany on Saturday declined to elaborate, referred instead to the official blog posting.

Donating money to WikiLeaks via PayPal was not possible anymore on Saturday, generating an error message saying "this recipient is currently unable to receive money."

Media freedom watchdog Reporters without Borders on Saturday condemned "the blocking, cyber-attacks and political pressure" in what it called the first "attempt at the international community level to censor a website dedicated to the principle of transparency."

"We are shocked to find countries such as France and the United States suddenly bringing their policies on freedom of expression into line with those of China," the organisation said in a statement.

While WikiLeaks vows to make the world a more transparent place, very little is known about its day-to-day functioning. It has no headquarters, few if any paid staff, and its finances remain opaque.

German daily *Sueddeutsche Zeitung* reported last month that WikiLeaks operates on a tight annual budget of about $200,000.

Other listed options

PayPal is one of several ways WikiLeaks has collected donations, and had probably been the most secure and convenient way to support the organisation. The other options listed on WikiLeaks' website are: through mail to an Australian post office box; through bank transfers to accounts in Switzerland, Germany or Iceland; and through a "credit card processing partner" in Switzerland.

WikiLeaks' PayPal account had redirected users to a German foundation which provides the organisation with the money.

The Wau Holland Foundation, named after a German hacker, confirmed Saturday in a Twitter message that their PayPal account had been taken down because of the "financial support to WikiLeaks."

Winfried Motzkus, the foundation's president, was quoted earlier this week by his hometown Bielefeld's local newspaper *Neue Westfaelische* as saying that Wau Holland has so far collected $1m for WikiLeaks to cover the organisation's expenses.

WikiLeaks' recent releases seem to have been a boon for the foundation, which has previously described itself as the organisation's main financial backer.

On its website, the foundation says "the huge and in this form unique amount of donations has caused the delay of issuing contribution receipts" - which allow Germans to deduct donations from their taxes.

The move by PayPal, a subsidiary of US-based online marketplace operator EBay Inc., came as another blow to the organisation that has embarrassed Washington and foreign leaders by releasing a cache of secret - and brutally frank - US diplomatic cables.

Searching for a web home

WikiLeaks became an Internet vagabond Friday, forced to move from one website to another as governments and hackers hounded the organisation, trying to deprive it of a direct line to the public.

EveryDNS - a company based in Manchester, New Hampshire, stopped directing traffic to the website wikileaks.orglate Thursday after it said cyber attacks threatened the rest of its network.

But while wikileaks.org remained unreachable Saturday, the organisation has found new homes. Its German websitewikileaks.de was reachable Saturday, and so was its Swiss domain, wikileaks.ch.

The Swiss address directs traffic to servers in France, where political pressure quickly mounted, with Industry Minister Eric Besson on Friday saying it was unacceptable to host a site that "violates the secret of diplomatic relations."

The web hosting company OVH confirmed that it had been hosting WikiLeaks since early Thursday, after a client asked for a "dedicated server with ... protection against attacks," adding it was now up to the courts to decide on the legality of hosting the site on French soil.

Victim of hacker attacks

WikiLeaks has been brought down numerous times this week by what appear to be denial-of-service attacks. In a typical such attack, remote computers commandeered by rogue programs bombard a website with so many data packets that it becomes overwhelmed and unavailable to visitors.

Pinpointing the culprits is difficult. The attacks are relatively easy to mount and can be performed by amateurs.

The attacks started Sunday, just before WikiLeaks released the diplomatic cables. To deal with the flood of traffic, WikiLeaks moved to Amazon.com's Web hosting facility.
But Amazon booted WikiLeaks from the site on Wednesday after US congressional staffers started asking the company about its relationship to WikiLeaks.

On Friday, the White House ordered US government agencies to block employees from accessing WikiLeaks on official computers, saying the leaked diplomatic cables remain classified documents.

The US is currently conducting a criminal investigation into WikiLeaks' release of the cables.

Legal pressure also increased on WikiLeaks founder Julian Assange after Swedish authorities revised a warrant for his arrest in response to procedural questions from British officials.

British law enforcement authorities have refused to say if or when Assange would be arrested. His lawyers have said they believe they would be notified of any move to arrest him but had yet to be served with a warrant as of Friday afternoon.

The 39-year-old Australian is wanted on allegations of rape and other sex crimes that emerged after a trip to Sweden in August.

Al Jazeera
http://english.aljazeera.net/news/americas/2010/12/201012416730850792.html

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Climate change link to forest fires
A new report identifies global warming as a driver of forest fires in northern latitudes.

05 Dec 2010
Global warming is causing forest fires in northern latitudes to burn more frequently and fiercely, contributing to the threat of runaway climate change, according to a new environmental study. The report published in *Nature Geoscience*, found that the increased intensity of fires in Alaska's vast interior over the last decade has changed the region from a sink to a source of carbon dioxide, the greenhouse gas most responsible for heating up the planet, the study found. In other words, boreal forests in the northern hemisphere may now soak up less of the heat-trapping gas than they give off.

The bulk of the released CO2 comes not from the burning trees, but from what is in the ground.

"Most of what fuels a boreal fire is plant litter, moss and organic matter in surface soils," Merritt Turetsky, a professor at the University of Guelph in Ontario and lead author of the study said. Turetsky said that the findings were worrying because about half of the world's soil carbon was trapped in northern permafrost and peatlands.

"This is carbon that has accumulated in ecosystems a little bit at a time for thousands of years, but is being released very rapidly."

Climate conference

The study came out as ministers from nearly 200 countries gathered in Cancun, Mexico in an attempt to hammer out an agreement on how to keep global warming in check. The UN forum could announce measures to slow tropical deforestation, which both releases CO2 and shrinks the biomass that soaks it up. The destruction of equatorial forests in Latin America, Asia and Africa accounts for 12 to 15 per cent of the carbon pollution released into the atmosphere each year, according to recent calculations. Boreal forests, however, have received scant attention at the talks.

While the study focused on Alaska's 185,000 square kilometres, of forests, its conclusions likely apply to huge expanses of wilderness in Siberia, Canada and northern Europe as well.

Out-of-control fires ravaged more than 10,000 square kilometres in Russia earlier this year, destroying whole villages and leaving more than 50 people dead.

The shift of subarctic forests and peatlands from a CO2-absorbing sponge to a net source of the gas means that these regions could help trigger accelerated global warming, the study warned.

"Essentially, it represents a runaway climate change scenario in which warming is leading to larger and more intense fires, releasing more greenhouse gases and resulting in more warming," Turestsky said.

The same vicious-circle effect - what scientists call "positive feedback" - is true of the shrinking Arctic ice cap, which has likewise become both symptom and cause of climate change. As ice cover recedes decade-by-decade, more of the Sun's radiative force is absorbed by dark-blue ocean water rather than bounced back into space by reflective ice and snow.

Temperatures rising

The Arctic and subarctic regions have been hit particularly hard by global warming, with temperatures rising two to three times faster than the global average. In the study, Turetsky and colleagues examined nearly 200 forest and peatland sites in Alaska shortly after blazes were extinguished to measure how much biomass had burnt.

The amount of scorched earth has doubled in interior Alaska over the last 10 years, mostly because of increased burning late in the fire season, they found.

"We have demonstrated for the first time that increases in burned area are clearly linked to increases in fire severity," Eric Kasische, a professor at the University of Maryland and co-author of the study, said.

"This not only impacts carbon storage, but also will accelerate permafrost loss and changes in forest cover."

Ten of billions of tonnes of another potent greenhouse gas, methane, are also trapped inside permafrost.

Al Jazeera
http://english.aljazeera.net/news/americas/2010/12/2010125182844903 71.html

Under Scrutiny: Expert Networks
The firms, which provide consultants to hedge funds, have drawn attention in a broad insider trading probe

December 6, 2010
The federal government's recent raids of high-profile hedge funds, part of an insider-trading investigation, have focused attention on firms known as expert networks. The firms act as matchmakers, connecting investors with people who have extensive knowledge of countries, industries, and companies and who can provide information on product development, sales, and strategy.

"My contacts are the foot soldiers and the worker bees of the industry," says John Kinnucan, who runs Broadband Research, specializing in tech companies, from his home in Portland, Ore. Several firms he says are his clients, including Steven A. Cohen's SAC Capital Advisors, Wellington Management, and Janus Capital Group (JNS), have been asked for documents as part of the federal probe. Janus says it is cooperating with the inquiry. Spokesmen for SAC and Wellington declined to comment.

Insider trading involves buying or selling stock using significant non-public information. The current investigation is being conducted by the office of U.S. Attorney Preet Bharara in Manhattan. Two hedge funds, Level Global Investors and Diamondback Capital Management, were searched by FBI agents on Nov. 22. Both firms were founded by former employees of SAC Capital Advisors. A third hedge fund, Loch Capital Management, was also searched by FBI agents. None of those firms have been accused of wrongdoing. Diamondback says the raid focused on one of its employees, who was put on leave. A Level Global spokesman says the firm is cooperating with the investigation. A Loch spokesman did not return a call seeking comment. Kinnucan, who hasn't been accused of wrongdoing, says there is nothing inappropriate about his research.

On Nov. 24, a consultant to hedge funds, Don Ching Trang Chu, was charged with arranging for insiders at publicly traded companies to provide information improperly to clients of his firm. Chu worked as the Taiwan liaison for Primary Global Research. Mountain View (Calif.)-based Primary Global said in a statement that it "has severed its relationship with Mr. Chu" because of "recent events." Chu's lawyer, James DeVita, declined to comment.

Primary Global Research did work for Spherix Capital, a hedge fund where Richard Choo-Beng Lee used secret tips to trade stocks, according to his guilty plea. Lee helped the FBI tape Chu as part of a U.S. probe of insider trading at Galleon Group, whose co-founder, Raj Rajaratnam, was indicted a year ago and faces trial next month. Rajaratnam denies wrongdoing.

The FBI has also questioned a consultant who worked for expert network Gerson Lehrman, according to *The Wall Street Journal*. A spokesman for the firm declined to comment. The firm has a marketing relationship with Bloomberg LP, parent of *Bloomberg Businessweek*.

Geoff Bobroff, a fund consultant in East Greenwich, R.I., who is part of Gerson Lehrman's network, says the use of experts has risen in response to the decline of Wall Street research after

10 firms collectively paid $1.4 billion in 2003 to settle claims they slanted their research to win banking business.

Michael W. Mayhew, chairman of Integrity Research Associates in New York, estimates that the roughly 40 expert networks in the U.S.—up from 8 in 2001—took in a total of $450 million to $500 million in revenue in the past year. Gerson Lehrman, based in New York, operates the largest network and has 60 percent of the market, according to Mayhew.

Burton Greenwald, an independent fund-industry consultant in Philadelphia, is part of three networks, including Gerson Lehrman's, usually providing hedge fund managers with information and his analysis of investment-management companies. "I've found the networks make an honest and vigorous effort to make sure non-public information is not disclosed to the clients who use their services," he says. "I have to sign an agreement with Gerson that I won't talk about anyone who is my employer or about non-public information."

Greenwald says the networks that arrange phone calls between experts and investors don't monitor them, and, theoretically, investors could use them to seek insider information. "The top-tier hedge funds may not do this," he says. "But I think when you get down to lesser players, you're in the Wild West."

The bottom line: *An investigation into expert networks is raising questions about the line between providing information legally and insider trading.*

Bloomberg
http://www.businessweek.com/magazine/content/10_50/b4207056544997.htm

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No Passage Out of India for Private Equity
New regulations and caps on interest rates have made the sector less appetizing for private equity investors

December 6, 2010
The Indian state of Andhra Pradesh unsettled the world of microfinance in mid-October when it passed rules regulating debt-collection techniques and prompted some micro-lenders to agree to a target 24 percent cap on interest rates. On Nov. 23, India's Finance Ministry said it would introduce legislation that would also increase oversight of the industry and seek to eliminate such practices as forcing borrowers in danger of defaulting to take out additional loans and the seizure of household goods by debt collectors.

Since then the profit outlook for microlenders in India, the world's largest market for this sort of finance, has worsened. The credit ratings of a dozen local companies, including SKS Microfinance and Equitas Micro Finance India, may be downgraded over worries about their future profitability, the Indian unit of Standard & Poor's, Crisil, said on Nov. 22.

The shifting regulatory climate in India's 240 billion-rupee ($5.3 billion) microfinance market may be bad news for private equity and venture capital investors that have steered $565 million into Indian micro lenders since 2006, according to financial research firm Venture Intelligence.

Until now, major global investors were making substantial profits. In August, SKS, India's biggest micro lender, raised 16.3 billion rupees in an initial public offering. That share sale also generated a capital gain of 5 billion rupees for investors such as Silicon Valley private equity firm Sequoia Capital and Bangalore-based fund Unitus Capital, which sold part of their stakes, according to data compiled by Bloomberg. "Today nobody wants to invest in the sector because of the uncertainty over regulation," says Sumir Chadha, managing director of Sequoia Capital India.

In November, Share Microfin, which is backed by Dubai private equity fund Legatum, and Spandana Sphoorty Financial, whose investors include Singapore sovereign wealth fund Temasek Holdings, said they would delay IPOs that were expected in the first half of 2011 because of the new restrictions. "If all the big guys are facing the risk of not being around, you have to be very courageous or mad to invest," says Vineet Rai, founder of Aavishkaar Venture Management Services, a microfinance investor in Mumbai.

The practice of focusing on loans in poor areas largely shut out from traditional banking services gained prominence globally when Muhammad Yunus won the Nobel Peace Prize in 2006 for his role in founding Bangladesh's Grameen Bank. Microlending in India has expanded at an average annual rate of 62 percent over the past five years in terms of number of customers and 88 percent in loan volume, according to Micro-Credit Ratings International, a rating firm in Gurgaon, India.

The tougher regulations in Andhra Pradesh, a southern state that accounts for 30 percent of India's microlending market, arose from concerns about overlending to low-income borrowers, interest rates as high as 50 percent, and coercive debt-collection techniques that the state government claims have led to impoverishment and suicides by borrowers. There were 9.6 loan accounts for every poor household in the state, according to a report released on Nov. 15 by the nonprofit group Access Development Services. The upshot? "I don't think private equity investors will recover their money at the rates they thought they would," says Sanjay Sinha, managing director of Micro-Credit Ratings International.

The bottom line: A regulatory backlash against Indian microlenders is complicating the exit strategies of private equity and venture capital investors.

Bloomberg
http://www.businessweek.com/magazine/content/10_50/b4207055585463.htm

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India and France sign nuclear deal
French company to build two reactors at the cost of $9.3bn in India's Maharashtra state.

06 Dec 2010
India and France have signed a multibillion dollar agreement to build two nuclear power plants in India. The agreement, valued at about $9.3bn, was signed on Monday in the presence of Manmohan Singh, the Indian prime minister, and Nicolas Sarkozy, the French president who is on a a four-day visit in India.

According to the agreement, one of France's main nuclear power companies, Areva SA, will build two pressurised reactors of 1,650 megawatts each at Jaitapur in the western Indian state of Maharashtra.

Al Jazeera's Prerna Suri, reporting from New Delhi, said the deal is much more significant for France than it is for India.

"France needs this deal because it's worth over 2bn euros for two nuclear reactors," she said.
"That's going to drum up jobs back home for them, it's going to infuse the [French] economy. For India, it's more about the regional significance that they are getting out of this."

Our correspondent also said there have been doubts over the operational success of the two reactors as "they are still not successful and there were lots of delays and cost overruns in this." The deal marked the first two of 20 nuclear reactors India wants to build to meet its soaring energy demand.

Rising power

Recent visits by world leaders including Barack Obama, the US president, and David Cameron, the UK prime minister, have been indicative of the western world's recognition of India's status as a rising global economic power. All these leaders have said during their visits to India that the key objective of their countries is to create jobs for their citizens back home through trade with India, clearly eyeing India as a country through which their economies can benefit. But there have been concerns that India's recently passed liability law might prove too onerous for international companies to risk entering the market here.

Indian officials assured France that their liability laws were in keeping with international standards and the security of nuclear operators was ensured, a French official said. According to our correspondent, domestic opposition in India "have also asked the federal government to add a clause for the nuclear liability in case there is an accident over here so France will be held responsible for it, which the French negotiators have been taking a strong stance against."

After the agreement was signed, Sarkozy and Singh met to discuss regional security, trade and investment. The talks were also expected to touch on plans for the structural reform of the international monetary system through the Group of 20 countries, currently headed by France. Sarkozy, who arrived in India on Saturday, is accompanied by his defence, foreign and finance ministers and nearly 60 business leaders. The two countries are not expected to sign any defence agreements during the visit, but Sarkozy is likely to push for French companies to win contracts to supply military hardware. India has so far not been allowed into the nuclear suppliers' group. According to defence experts, India is expected to spend $80bn between 2012 and 2022 to upgrade its military. The two countries have set a bilateral trade target of 12bn euros [$15.8bn] for 2012.

Al Jazeera
http://english.aljazeera.net/news/asia/2010/12/201012682457891235.html

Philippine Call Centers Overtake India

Its young workforce, well trained in English, is luring call center operations from Bangalore and Guragon

December 6, 2010

For the past decade, Americans dialing customer service have stood a strong chance of being connected to someone in India. Now they're more likely to end up phoning the Philippines. Although the country got a slow start in outsourcing, strong government support, a plentiful supply of English-speaking college grads, and an effort by call center operators to diversify have helped the Philippines overtake India in call center revenues. "It's not that we are trying to take business away from India," says Oscar Sañez, chief executive officer of the Business Processing Association of the Philippines, an industry group. "We're just looking for our own place in the sun."

The Philippines this year will pocket $5.7 billion for call center work from the U.S., Europe, and Australia, vs. the $5.5 billion that India's call centers will take in, according to the Everest Group, an outsourcing advisory firm. Call center operators like the Philippines because English is taught in schools and Filipinos have a cultural affinity for the U.S., which ruled the country from 1898 to 1946. "Clearly, these guys had a much later start, but they have caught up," says Everest Group partner Nikhil Rajpal. India, though, continues to lead in overall outsourcing revenues: $70 billion, vs. $9 billion for the Philippines. The outsourcing industry now employs 530,000 people in the Philippines and makes up about 6 percent of gross domestic product.

A decade ago, millions of young Filipinos, especially English-speaking nurses and law students, had emigrated to the U.S., Hong Kong, and elsewhere. The billions of dollars they sent to their families every year represented the country's second-largest foreign exchange earner, after computer chips from Texas Instruments (TXN) and a handful of other tech players. Frustrated government officials looked to India for inspiration. "India had become very famous for call centers, and we decided to learn from their example," says Celeste Ilagan, who spent the past decade working in government programs to encourage outsourcing and now heads communications for SPi Global, a call center operator owned by the Philippines' largest telecom company.

To better understand India's success, Filipino officials visited industry representatives in that country. The Filipino government streamlined the approval process for companies setting up call centers and changed its rules to allow individual buildings to be designated special economic zones. Such zones offer tax breaks, quick clearances for building permits, and an exemption from import duties on computers and telecom gear. And some 40,000 students have benefited from government-sponsored training to improve their English and communication skills.

Call centers are changing the rhythms of Filipino life. Malls, bars, cinemas, and cafés have popped up near buildings where young, nocturnal workers earn as much as 300,000 pesos ($6,850) a year in a country where annual per capita GDP in 2009 was about 83,000 pesos, Bloomberg data show. Weaned on radio stations that play U.S. Top 40 pop and hip-hop, teens seeking jobs in call centers can banter in English as naturally as their native Tagalog. "There used to be some doubts about letting young people work so late at night, but now this has become an industry that young people aspire to," says Thea Lu, a 30-year-old team leader with 24/7 Customer.

A big part of the Philippines industry is run by companies that participated in India's outsourcing revolution and are now looking to expand abroad. A tax break for Indian outsourcing shops is set to expire in 2011, though the industry is lobbying hard against it. In Bangalore and Gurgaon, India's biggest outsourcing hubs, companies must rely on diesel generators to ensure electricity, run fleets of buses to ferry employees to and from work, and struggle with attrition that can reach 50 percent a year.

Those hassles, as well as a desire to diversify geographically, have spurred both Indians and Americans who operate call centers in India to shift work to the Philippines. Bangalore-based Wipro (WIT) set up in the Philippine city of Cebu in 2007 and now has 2,000 workers in the country; by 2014 it expects to increase that to 8,000. And 24/7 Customer, a California company that started operations in India in 2000, opened a Philippines office in 2005. It now has 4,000 employees in the country, vs. 3,000 in India. "It's very sad that India could not keep up with its neighbors," says 24/7 co-founder Shanmugam Nagarajan.

As the Philippines government aims to double overall outsourcing revenues, to $18 billion by 2015, it faces big hurdles. While it's easy to hire new recruits who speak English, finding experienced managers is tougher; in an industry so young, few people have been around long enough to handle management or strategy jobs. "Where are we going to find the right kind of managers who can make our operations stand out?" asks Steve Barker, who heads Asian operations for Sitel, a Nashville-based company that has 10,000 workers and seven facilities in the Philippines.

Another obstacle is that the Philippines produces only about 10 percent as many engineers as India. Indian outsourcing shops have gone from answering phone calls to account management, tech support, and consulting gigs such as helping banks manage financial derivatives and improving retailers' supply chains. While it's fairly easy to handle customer phone calls, higher-level work requires the kind of specialized education that India provides the 400,000 engineers it graduates annually. "Ten years down the line the Philippines may be a hotter destination," says Sanjeev Bhatia, who oversees international operations for Wipro BPO. "But in IT and software, India really doesn't have any competition."

The bottom line: The Philippines has overtaken India in call centers, though it remains far behind in more sophisticated outsourcing services.

Bloomberg
http://www.businessweek.com/magazine/content/10_50/b4207017538393.htm

US fears on Taliban cash revealed
Leaked US cables show Saudi Arabia and other Gulf states as key sources for funds for al-Qaeda and Taliban.

06 Dec 2010
Saudi Arabia is a key source of funds for armed groups, including al-Qaeda, the Afghan Taliban and Pakistan's Lashkar-e-Taiba, according to a leaked US state department assessment. In a series of diplomatic cables spanning several years, published by the WikiLeaks whistle blowing website on Sunday, the state department details how such groups continue to seek financing in Saudi Arabia, often posing as pilgrims visiting the Muslim holy sites.

"Saudi Arabia remains a critical financial support base for al-Qaeda, the Taliban, LeT, and other terrorist groups, including Hamas, which probably raise millions of dollars annually from Saudi sources, often during Hajj and Ramadan," Hillary Clinton, the US secretary of state, said in one cable sent in December 2009.

"In contrast to its increasingly aggressive efforts to disrupt al-Qaeda's access to funding from Saudi sources, Riyadh has taken only limited action to disrupt fundraising for the UN 1267-listed Taliban and LeT-groups that are also aligned with al-Qaeda and focused on undermining stability in Afghanistan and Pakistan."

'Significant progress'

The memo credited the Saudis with "significant progress" under US pressure to deal with the issue, especially disrupting al-Qaeda's finance channels. However, it said that "Riyadh has taken only limited action" to interrupt the flow of money to Taliban and LeT-associated groups which have launched attacks in Afghanistan, Pakistan and India. In July 2009, Richard Holbrooke, the US special representative to Afghanistan and Pakistan, said that the Taliban get more of its funding from wealthy Gulf donors than from the drug trade for which Afghanistan has long been famous.

According to the cable, the annual hajj pilgrimage posed a particular problem for Saudi authorities attempting to stop the flow of money to armed groups.

"Hajj was still a big problem for the Saudis, since they could not refuse to let pilgrims enter the country. Some of the non-Saudi terrorism detainees in Saudi Arabia had entered as pilgrims," it said.
A cable sent in August 2009 detailed how Pakistan's Jamaat-ud-Dawah, which the US accuses of being a front for Lashkar-e-Taiba, raised funds through "private donations, non-governmental organisations (NGOs), madrassas, and businesses spread throughout South Asia, the Middle East, and Europe".

"Some of JUD's budget, using funds raised both from witting donors and by fraud, is dedicated to social services or humanitarian relief projects, while some is used to finance LT operations," it said. The cable said that Lashkar-e-Taiba officials were operating front companies in Saudi Arabia to move funds that could be used to carry out attacks.

Direct donations

US officials have also complained of direct donations by wealthy individuals and reluctance by governments to monitor charities. Informal money transfer networks called hawala, or worker remittances, compound the problem.

Kuwait, another key US ally in the region, comes in for criticism in the memo sent by Clinton in 2009 for being the sole nation in the six-member Gulf Co-Operation Council (GCC) that does not have a specific law criminalising the financing of "terrorist" groups.

"The GOK [government of Kuwait] at times has obstructed or been slow to enforce UN-mandated asset freezes of Kuwait-based entities," it said.

Qatar, which hosts a large US military base, is also singled out for its "largely passive approach" to co-operating with Washington on tackling the financing of armed groups.

"Al-Qaeda, the Taliban, UN-1267 listed LeT, and other terrorist groups exploit Qatar as a fundraising locale," the state department memo said.

"Although Qatar's security services have the capability to deal with direct threats and occasionally have put that capability to use, they have been hesitant to act against known terrorists out of concern for appearing to be aligned with the US and provoking reprisals."

UAE 'vulnerable'

United Arab Emirate-based donors were identified as having "provided financial support to a variety of terrorist groups". "The point can be emphasised that the UAE's role as a growing global financial centre, coupled with weak regulatory oversight, makes it vulnerable to abuse by terrorist financiers and facilitation networks," the state department cable said.

In another cable from December 2009, Howard Mendelsohn, the US treasury department acting assistant secretary of the office of intelligence and analysis, stated his belief that the "Taliban and Haqqani Network [a Pakistan-based group fighting Nato forces in Afghanistan] are believed to earn money from UAE-based business interests".

"Treasury analysts provided information on ... two senior Taliban officials who have made multiple fundraising visits to the UAE, according to US intelligence," the cable said.

"The UAE security services were not familiar with either individual and asked for additional identifying information."

Al Jazeera
http://english.aljazeera.net/news/middleeast/2010/12/20101251936167112.html

Medvedev Heads for Tough EU Talks in Brussels

06 December 2010
After a groundbreaking summit in Poland, President Dmitry Medvedev will head to Brussels on Tuesday for much harder talks with European Union leaders. Medvedev will push long-standing Russian demands at this year's second EU-Russia summit, the Kremlin said Monday, but analysts said it was unlikely that the talks would result in much substantial progress.

Many observers expect the main tangible outcome to be a memorandum sealing approval of Moscow's bid to join the World Trade Organization, while hopes for visa-free travel and common ground on foreign and security policy will be projected into a dim future.

"Russia sees the EU as a real strategic partner, linked by sizable economic interdependence and common approaches to international and regional issues," the Kremlin said in an e-mailed statement Monday. But one key foreign policy issue identified earlier this year is unlikely to move forward, diplomats said.

In June, Medvedev and German Chancellor Angela Merkel pledged to found a joint Security Committee that would help resolve regional crises and conflicts. Moscow has since been pushing for the committee, which would basically add Russia to the council of the bloc's 27 foreign ministers, saying the arrangement would give substance to its foreign policy cooperation with Brussels.

But the initiative immediately ran into trouble because both sides disagree on the conditions. Merkel said in June that the first issue to be tackled should be the conflict in Transdnestr, a separatist sliver of eastern Moldova where Russian troops have kept an uneasy peace for almost two decades. Diplomats said Transdnestr was chosen as a test case for Russia's willingness to solve "frozen conflicts" in its neighborhood.

"It seemed the least insolvable of the insolvable conflicts," a senior EU diplomat told The Moscow Times on condition of anonymity. But the Kremlin refuses the notion of conditionality.

"Transdnestr was never put forward as a precondition but as a pilot project," Moscow's EU ambassador, Vladimir Chizhov, told Interfax in an interview last week.

Chizhov added that the impasse could not be solved without the two conflict parties: Moldova and the separatist leadership in Tiraspol.

A current political impasse in Moldova makes a fast solution to the conflict unlikely, he said.
That argument was supported by a second diplomatic source in the EU, who said the summit was too close to last month's parliamentary elections in Moldova to discuss Transdnestr in detail.

"It is just too early to talk about that," the source said on condition of anonymity because he was not authorized to speak to the media.

Analysts have argued that Moscow could do much more to solve the conflict.

"The EU expects Moscow to demonstrate good faith in Transdnestr — and so far there is no sign of that," said Frazer Cameron, director of the EU-Russia Center, a Brussels-based think tank.

But Konstantin Zatulin, a United Russia lawmaker who serves as first deputy chairman of the State Duma's Commonwealth of Independent States Committee, said the EU should not expect any concessions from Moscow over Transdnestr: "We have no obligation to Brussels here — our only obligation is to help our citizens who were left defenseless after the Soviet Union's dissolution," he said by telephone.

The issue also overshadowed last week's summit of the Organization for Security and Cooperation in the Kazakh capital, Astana, which failed to agree on an action plan to resolve future conflicts.

Another potentially slow-moving topic will be visa-free travel. The Kremlin jumped on an initiative revitalized by Spain earlier this year to abolish visa requirements for both Europeans and Russians, but other EU members quickly countered that Russia should not get free-travel before a group of post-Soviet states including Belarus and Azerbaijan, which signed the EU's Eastern Partnership program.

On Monday, the Kremlin said the issue remained a test case. "This is an essential indicator of whether the EU is ready to build a bigger Europe — a unified economic and liberal [humanitarian] space," the Kremlin statement said.

Ambassador Fernando Valenzuela, head of the EU delegation to Moscow, said EU leaders would definitely set no deadline for when visas would be scrapped.

"Artificial deadlines do not help," he told Interfax on Monday.

Instead, Valenzuela said, both sides would probably agree to start new negotiations to ease visa regulations next year. They would be parallel to talks already under way on lifting visas altogether, he said.

The summit is the 26th top-level EU-Russia meeting. Both sides meet twice every year, once in Russia and once in an EU member country.

After the Lisbon Treaty reforms abolished the rotating presidency's say over the EU's foreign policy, the European venue is set to be Brussels.
In a peculiar gaffe, the Kremlin's statement Monday failed to mention Herman van Rompuy, the European Union president, saying merely that EU Commission chief Jose Manuel Barroso would represent the European side.

http://www.themoscowtimes.com/news/article/medvedev-heads-for-tough-eu-talks-in-brussels/425800.html

Russia: Banks Rushing to Register Trademarks

06 December 2010
Banks operating in Russia, including Sberbank and HSBC, are finding themselves in a rush to patent names for their products and services to protect their marketing campaigns during the holidays and beyond from lawsuits by rivals.

Vostochny Express Bank is believed to have triggered the trend by winning a lawsuit in September againstBank Rossiisky Capital for the right to exclusively use Russian adjectives meaning “New Year” and “Christmas” as trademarks.

While the other banks do not dispute the Moscow court's decision, they are generally disgruntled by Vostochny Express's decision to patent such commonly used words, said Andrei Yemelin, executive vice president of the Association of Russian Banks.

“Our reaction to steps like this is negative. This creates conditions for unfair competition,” he said Monday. “There are plenty of other ways for a bank to make some cash, and this should not be one of them.”

Scores of banks filed applications with the Federal Service for Intellectual Property, Patents and Trademarks in November to register commonly used words — that they use now or plan to use as names of deposits, credit cards or loan programs — as trademarks, online news portal Marker.ru reported Monday. Sberbank patented the name "Card of Your Wishes," in Russian, for credit cards, while HSBC is seeking to register "HSBC Private Bank" as a trademark, the report said.

Vostochny Express asks for a payment of 300,000 rubles ($9,600) per annum if another bank wants to use the names that include New Year and Christmas, Marker.ru reported. A spokesperson for Vostochny Express could not be reached for comment Monday.

http://www.themoscowtimes.com/business/article/banks-rushing-to-register-trademarks/425750.html

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China to Pay Rubles for Timber and Seafood

06 December 2010
China wants to pay in rubles for Russian timber, coking coal and seafood, as the two countries seek to boost bilateral trade in national currencies, Russian Central Bank official Viktor Melnikov said Monday.

MICEX will start trading in yuan-ruble on Dec. 15 to support bilateral trade ties, Igor Marich, a vice president of the bourse, told a conference. This move follows the launch of the forex pair in China on Nov. 22.

Russia is trying to raise the profile of the ruble and has called for a reduction in reliance on the U.S. dollar as a global reserve currency. China, Moscow's second-largest trading partner after the European Union, is interested in establishing long-term supplies of oil and gas from Russia.

Marich said the daily volume of the yuan-ruble trading is expected to average 3 billion yuan ($450.2 million) with the trading session lasting for one hour from 10 a.m. Moscow time.

About 40 banks have demonstrated interest in trading Chinese currency against the ruble, and five of them will act as market makers, including VTB, My Bank — Russia's affiliate of Chinese ICBC bank — and a local subsidiary of Bank of China, Marich said.

China accounts for 9.5 percent of Russia's foreign trade. Bilateral trade rose to $41.8 billion in the first nine months of 2010 compared with $26.7 billion a year ago, according to the Russian Federal Customs Service.

http://www.themoscowtimes.com/business/article/china-to-pay-rubles-for-timber-and-seafood/425780.html

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China flexible on UN climate target

Offer to submit its voluntary carbon emissions target to a binding resolution would allow UN to verify China's pledges.

07 Dec 2010

China has offered for the first time to submit its voluntary carbon emissions target to a binding UN resolution that would include outside verification that it is sticking to its pledges to curb emissions. China's target would still be voluntary - a distinction from developed nation targets under Kyoto, Xie Zhenhua, China's chief negotiator, said.

"China is willing to share with the world and we have a willingness to take an open and transparent attitude," he said.

"There is more consensus and our differences are being reduced," he said of the meeting.

"At the end, there will maybe not be a satisfactory deal for everyone but an acceptable one."

On Tuesday top negotiators from more than 190 countries launch the main phase of the two-week summit in Cancun, which comes a year after the much-criticized Copenhagen conference that produced a general agreement to work together, but nothing binding.

Binding commitment

The talks looked set to continue along some of the most divisive issues to future meetings, most crucially, by how much countries will cut carbon emissions blamed for global warming. With China now the world's top polluter, the United States considers tough, binding and verifiable commitments by the Asian giant to be the best way to sell any climate agreement in Washington.

But last month's election victory by the Republican Party, which includes skeptics of the science behind climate change, all but ended the prospect of the United States approving legislation to restrict carbon emissions.
On a brief visit to Cancun, Steven Chu, the US energy secretary, said Barack Obama, the US president, was committed to meeting US pledges made in Copenhagen to curb carbon emissions by 17 percent by 2020 from 2005 levels.

"He absolutely feels that moving toward a clean energy economy is really about our energy security and about our financial security," Chu said about the president. "It's about our economy; it's about the future of the planet."

However, Chu's low-key visit contrasts with the major push last year at Copenhagen, where Obama and other leaders personally hammered out the final deal.

Even if major emitters meet their stated goals, scientists say it is not enough to achieve Copenhagen's ambition of checking global warming at two degrees Celsius above pre-industrial levels.

The Cancun conference is considering strengthening the target to 1.5 degrees as scientists warn that climate change is already wreaking havoc, with rising sea levels on course to threaten low-lying cities around the world.

'Emitters Anonymous'

Wendel Trio of environmental group Greenpeace likened Cancun to "a meeting of Emitters Anonymous". "We want countries to recognise that there is a problem and that their figures are not going to help us deal with climate change," he said.

With few expecting a full-fledged treaty anytime soon, the European Union has led calls to extend the Kyoto Protocol past the end of 2012, when requirements under the landmark treaty are set to expire.

The EU position has triggered protests from Japan. It says Kyoto is unfair by not involving the two top polluters - China, which has no requirements as a developing country, and the US, which rejected the treaty in 2001.

Hoping to break the deadlock, host Mexico paired up developing and developed nations to sort out differences. Britain and Brazil were tasked with looking into the future of the Kyoto Protocol.

Sergio Serra, Brazil's negotiator, feared that Japan's firm position would "have a strong, negative impact on everything that can be negotiated here at the conference".

He hoped to reach a solution under which "if Japan can't completely change its position, at least it cannot be an obstacle to the conference's end result".

Outside the conference, Mexican authorities were stepping up security as busloads of activists and peasants plan to protest on Tuesday against proposals to put the World Bank or markets in charge of climate assistance.

"What we're hoping to achieve is to influence the process. So far it's business as usual - they're trying to make better business," Paul Nicholson of farm workers activist movement Via Campesina, said.

Al Jazeera
http://english.aljazeera.net/news/americas/2010/12/201012754721865691.html

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Google's Revenue in China Increasing on Advertising Demand, Alegre Says

Dec 7, 2010
Google Inc., which threatened to pull out of China in a dispute over censorship, said its revenue in the country is growing as demand for display advertising and export marketing helps add customers.

“The last 12 months have convinced us about the revenue opportunities the Chinese market holds for us,” Daniel Alegre, the company’s vice president for the Asia-Pacific region, said in an interview today in Beijing. “Display advertising is a large opportunity.”

China is the “heart” of the Internet’s future, where Google can expand services such as maps and display advertising even without a search page, Alan Eustace, senior vice president of engineering and research, said separately today. Google this year fell further behind Baidu Inc.in China after diverting search users to a site in Hong Kong to avoid content rules in the world’sbiggest Internet market.

“Not only are we in China, but we are investing heavily in China,” Alegre said. It is a market “we want to remain in.”

Combined revenue in the country from display ads, online search and Chinese companies marketing on Google’s global sites has increased this year, Alegre said, without giving details.

Google lost market share in China this year after the company said in January it would no longer comply with Chinese regulations for local websites to self-censor content.

“Search is only one piece of our business,” Eustace told reporters after the Google Innovation conference in Beijing, where the company showed off new services such as translation tools and a site that helps companies find customers for their products in international markets. “There are lots of areas we can innovate. It’s not a narrow slice.”

‘Solid’ Search Business

Google’s share of China’s Internet search-engine market dropped to 24.6 percent in the third quarter from 26.8 percent the previous three months, Shanghai-based research company iResearch Inc. said in October. That was the lowest level since the fourth quarter of 2007, iResearch said. Baidu's market share increased to 72.9 percent in the third quarter from 71 percent, according toiResearch.

Alegre said Google's search-engine business in China remains "solid," declining to elaborate.

He Di, a Beijing-based Web designer who attended the Google conference, said he has turned to Baidu more since Google started directing Chinese users to its Hong Kong site.

"Compared to a year ago, I use Google less because the search results and search speed are affected," He said. "Baidu has launched some new functions that are very convenient."

China renewed Google's Internet license in July after the U.S. company changed the arrangement used to redirect Internet traffic to its Hong Kong site. A month earlier, Google stopped automatically redirecting users to the Hong Kong site and put in place a so-called landing page that requires users to opt for the alternative service.

Bloomberg
http://www.bloomberg.com/news/2010-12-07/google-s-revenue-in-china-increasing-on-advertising-demand-alegre-says.html

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Google Says China Is at `the Heart' of the Internet's Future Development

Dec 7, 2010
Google Inc. said it has many chances for growth in China, where the company shut down its web-search site in a dispute over censorship, and called the Asian nation the "heart" of the Internet's future.

Maps and display advertising are areas where Google can expand and innovate in China, even without a search page in the world's largest Internet market, Alan Eustace, senior vice president of engineering and research, said in Beijing today.

Google, owner of the world's most popular search engine, has been losing search-market share in China to Beijing-based Baidu Inc. since January, when the Mountain View, California- based company said it was no longer willing to comply with government rules on content. Website operators in China are required to self-censor information on topics such as the Tiananmen Square crackdown in 1989 and Tibet independence.

"Search is only one piece of our business," Eustace told reporters after the Google Innovation conference. "There are lots of areas we can innovate. It's not a narrow slice."

In March, Google shut its Chinese search service and redirected local users to its unfiltered Hong Kong site. China renewed Google's Internet license in July, after the company stopped automatically redirecting users to the Hong Kong site and put in place a so-called landing page that requires users to opt for the alternative service.

'Force for Good'

The Internet "can be a huge force for good in the world," Eustace said in a speech. "We're at the very beginning and China, in my opinion, will lead much of that revolution." The nation is "the heart of the future of the Internet."

Google's share of China's Internet search-engine market dropped to 24.6 percent in the third quarter from 26.8 percent in the previous three months, according to iResearch. That was the lowest level since the fourth quarter of 2007, the Shanghai- based Research Company said.

Baidu's market share increased to 72.9 percent in the third quarter from 71 percent, according to iResearch. China had an estimated 420 million Internet users at the end of June, data from the government-sponsored China Internet Network Information Center show.

Search Speed

He Di, a Beijing-based Web designer who attended the Google conference, said he has turned to Baidu more since Google started directing Chinese users to its Hong Kong site.

"Compared to a year ago, I use Google less because the search results and search speed are affected," He said. "Baidu has launched some new functions that are very convenient."

China's State Bureau of Surveying and Mapping in May required companies operating online map services in the nation to apply for a license from the bureau to continue business, citing national security.

Companies have until July 1 to apply for a license, the China Daily newspaper reported last month. The government agency in October started a competing service called "Map World."

Eustace said Google has no first-hand knowledge of claims on the whistle-blowing website, WikiLeaks.org, that China's government directed Internet attacks against the company.
Hackers backed by Chinese authorities conducted extensive computer hacking on U.S. government agencies and companies, including networks of Google, the New York Times reported.

Bloomberg
http://www.bloomberg.com/news/2010-12-07/google-says-china-is-at-the-heart-of-the-internet-s-future-development.html

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China Outstrips Fed in Liquidity Surge Threatening Inflation Spike in 2011

Dec 7, 2010
China's reluctance to allow a stronger exchange rate has hamstrung its efforts to rein in inflation and endangered a campaign to shift the economy toward domestic demand. The central bank continues to add liquidity, with money supply rising 19 percent in November from a year ago, according to the median estimate of 29 analysts in a Bloomberg News survey before a

government release this month. That needs to be curbed to 15 percent to 16 percent to rein in inflation, said Fred Hu, the former Goldman Sachs Group Inc. chief China economist who has founded financial advisory firm Primavera Capital Group.

China has held off executing a series of interest-rate increases in part because that would put pressure on a currency officials have kept down to shelter exports. The strategy will leave inflation accelerating past 4 percent for 2011, a three- year high, according to a separate survey. The cost: diminished consumer spending and narrower margins for domestic industries.

"China is behind the curve" on reining in the monetary measures adopted during the global financial crisis, said Hu, 47, who is based in Beijing and gives talks to Communist Party members on the economy. "Policy makers have been complacent and failed to anticipate the inflationary consequences of the massive stimulus program."

2011 Forecasts

Economists anticipate a 1 percentage point rise in the benchmark one-year lending and deposit rates by the end of next year, according to the medians of 13 forecasts in the Bloomberg survey taken last week. Gross domestic product will rise 9.2 percent in 2011, the median projection shows, compared with the 10 percent gain estimated by the World Bank for 2010.

The PBOC boosted the rates by a quarter point each in October, to 5.56 percent and 2.5 percent, leaving it lagging behind counterparts from Malaysia to Thailand, Taiwan and South Korea in boosting borrowing costs this year.

Inflation will average 4.2 percent in 2011, the survey indicated, little changed from the two-year high of 4.4 percent reached in October. That would leave a negative so-called real rate for deposits, meaning households' purchasing power is eroded by the increases in consumer prices. "This is like adding fuel to the fire," said Hu, referring to negative real interest rates.

Politburo's Shift

The Communist Party's Politburo, meeting Dec. 3, signaled it plans to tighten monetary policy in the coming year while sustaining a fiscal boost to growth. Officials "will adopt proactive fiscal policies and prudent monetary policies," the state-run Xinhua News Agency said. Policy makers had previously used the term "moderately loose" for the central bank's stance.

A candidate to succeed Premier Wen Jiabao, Li Keqiang, viewed Chinese GDP figures as unreliable, the Telegraph reported, citing a 2007 diplomatic cable that was published by Wikileaks. Li, then leader in Liaoning province, told the U.S. ambassador at the time that he relied instead on electricity consumption, rail cargo volume and loan disbursement tallies to gauge the local economy, the newspaper reported.

Electricity and new-loan figures have indicated a slowing in China's expansion this quarter, with electricity-production growth moderating to an 8.9 percent pace in October from 13.4 percent in September, according to China Economic Information Net. Credit growth probably eased to 500 billion yuan in November from 587.7 billion in October, according to the median estimate ahead of a release this month.

Move 'Gradually'

The People's Bank of China will raise rates "gradually" as a more aggressive policy would risk unsettling the stock and property markets, PBOC adviser Li Daokui said in a Dec. 3 interview.

While China's officials have faulted the U.S. Federal Reserve's plan to purchase $600 billion of Treasury securities for the risk of a wave of capital flooding into emerging markets and pushing up asset prices, there's little sign yet of a jump in American liquidity.

The U.S. M2 measure rose 3.2 percent in October from a year before. Consumer prices in the U.S., excluding food and fuel, gained 0.6 percent in October from a year before, the least in records going back to 1958.

"If anyone is printing money it is China's central bank, not the U.S.," said Stephen Green, head of research for Greater China at Standard Chartered Plc. in Shanghai. Actual price increases faced by Chinese consumers and businesses are probably even higher than official reports, and pushing up rates now "is the wisest course of action," he said.

Equities Strategy

Slowing growth may itself help damp price pressures, along with diminished credit expansion, said Qu Hongbin, co-head of economic research at HSBC Holdings Plc in Hong Kong. Qu sees just one quarter-point move before the PBOC finishes its job for the duration through 2011.

HSBC analysts said last month investors should sell stocks likely to be more affected by a rate rise, such as banks and developers, and instead buy stocks of higher value-added manufacturers such as makers of precision machinery.

Wal-Mart Stores Inc. and Carrefour SA are among the international companies that may be affected as the government threatens price controls in an effort to rein in food inflation that reached 10 percent in October.

Wal-Mart, Carrefour

The southwestern city of Kunming, has asked five retailers including Bentonville, Arkansas-based Wal-Mart and Paris-based Carrefour to give reasons for planned price increases two days in advance of any alterations, the National Development and Reform Commission's local branch said on its website Dec. 3.

China's non-manufacturing industry, incorporating services, saw input costs outpace prices charged in November, shrinking profit margins, the Federation of Logistics and Purchasing said last week. Consumer confidence is also weakening, with a sentiment index falling for the first time in six quarters, a survey by Nielsen Co. and the Chinese statistics bureau's Economic Monitoring and Analysis Center showed last month.

President Hu Jintao's five-year plan, starting in 2011, is aimed in part at buttressing domestic demand and reducing reliance on exports, which tumbled during the contraction in global trade because of the financial crisis. Domestic consumption has shrunk to about 35 percent of GDP from 45 percent a decade ago, Societe Generale SA has calculated.

Trade Tension

Little of such rebalancing is evident in economists' 2011 forecasts, with China's trade surplusseen at $183 billion next year, according to the median projection. The surplus was $148 billion in the first 10 months of 2010, fueling charges China's currency policy provides a subsidy to its exporters. President Barack Obama said last month that "China spends enormous amounts of money" keeping the yuan undervalued. The nation's foreign-exchange reserves were a record $2.6 trillion in September.

"China can't have its own independent monetary policy" as long as it manages the exchange rate, Federal Reserve Chairman Ben S. Bernanke said in a excerpts of an interview released by CBS Corp.'s "60 minutes" program Dec. 5.

Authorities have let the yuan rise less than 3 percent against the dollar since allowing greater flexibility in June, with the currency at 6.6488 at 10:55 a.m. in Shanghai. It will reach 6.25 by Dec. 31, 2011, the Bloomberg survey indicates.

Investors should bet on yuan gains through six-month non- deliverable forwards because officials will recognize the need for a stronger currency to fight inflation, said Mitul Kotecha, head of global foreign exchange strategy at Credit Agricole CIB in Hong Kong. Forwards are pricing in a yuan rise to about 6.58 against the dollar in six months. Kotecha estimates the currency will rise to 6.43 by the end of June.

Bloomberg
http://www.bloomberg.com/news/2010-12-06/china-outstrips-fed-in-liquidity-surge-threatening-inflation-spike-in-2011.html

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Obama Agrees to Sustain Bush Tax Cuts in Exchange for Reduced Payroll Levy

Dec 7, 2010
President Barack Obama said he would agree to sustain Bush-era tax cuts for high-income taxpayers in exchange for extending federal unemployment insurance and cutting the payroll tax by $120 billion for one year.

Obama said he would accept lower rates on high earners' income, dividends, capital gains and multimillion-dollar estates for the next two years to break a stalemate over extending the Bush administration's tax cuts for middle-class taxpayers before Congress adjourns. The current tax rates, enacted in 2001 and 2003, are set to increase Dec. 31.

Without the compromise, middle-income families would become “collateral damage for political warfare here in Washington,” Obama said in televised remarks yesterday. He said he still believes that the nation can’t afford to permanently extend the reduced top tax rates.

“This compromise is an essential step on the road to recovery,” said Obama, who criticized Republicans for insisting on permanent tax cuts for the wealthiest Americans “regardless of the cost of impact on the deficit.”

Obama spoke in Washington after a White House meeting with Democratic congressional leaders. They and the Republican leadership still have to sell the plan to their caucuses. Obama called it a “framework” for a deal.

In addition to preserving the status quo on Bush policies, the proposal creates more than $300 billion in new tax cuts for wage-earners, wealthy families, and corporations.

Markets Rise

Stocks rose, copper and gold climbed to all-time highs and Treasuries fell after Obama agreed to extend the tax cuts, offsetting concern that Europe’s debt crisis will spread further.

The Stoxx Europe 600 Index climbed 1.3 percent at 7:25 a.m. in London, while Standard & Poor’s 500 Index futures added 0.9 percent. The yield on the 10-year Treasury advanced seven basis points to 2.99 percent. The Dollar Index fell 0.3 percent. Copper rallied as much as 2.8 percent, gold jumped 1 percent to $1,428.55 an ounce and oil rose to a 26-month high.

An administration official said the president was happy with the agreement because it would give the economy a boost.

Obama won his biggest prize: a 13-month extension of unemployment insurance, the official said, speaking on condition of anonymity. The White House also counted as a win an agreement from Republicans to renew a refundable child-care tax credit, the earned income tax credit, tuition tax credits and a 2 percent reduction in payroll taxes, among other items, the official said.

Camp Comment

The compromise amounts to a couple hundred billion in tax cuts that no one thought possible just days ago, the official said, adding that the deal will play better across the country than in Washington, D.C.

Representative Dave Camp of Michigan, who will become chairman of the tax-writing House Ways and Means Committee when Republicans take control of the chamber in January, welcomed Obama’s announcement.

“This framework will allow us to extend all current tax rates, and give economic recovery and job creation a chance,” Camp said in a statement.

Some Concessions

Lawrence Mishel, president of the Economic Policy Institute, a Washington group funded in part by labor unions, said Obama extracted some concessions from Republicans that may help the deal advance in Congress.

“Economically, if you were going to do a deal, I think this is better than expected and will provide some help to the economy, but we need a lot more help,” he said. “I think people generally wanted to have a fight to show who was for the rich people and who was for the rest of us. That fight now will take place in the 2012 election.”

Some lawmakers said they would take a stand now. “This is a very bad agreement,” Vermont Senator Bernie Sanders, an independent who caucuses with the Democrats, told MSNBC television. Sanders vowed to “do what I can” to block Senate passage.

In a letter to House Speaker Nancy Pelosi of California circulated yesterday, Representative Peter Welch of Vermont and at least five other Democrats urged her not to agree to the administration’s deal.

“We support extending tax cuts in full to 98 percent of American taxpayers, as the president initially proposed,” Welch wrote. “He should not back down. Nor should we.”

‘Cautiously Optimistic’

Jim Manley, a spokesman for Senate Majority Leader Harry Reid of Nevada, was noncommittal. “Now that the president has outlined his proposal, Senator Reid plans on discussing it with his caucus tomorrow,” Manley said. Vice President Joe Biden is scheduled to attend the Senate Democratic Caucus lunch.

Mitch McConnell of Kentucky, the Senate Republican leader, said in a statement that he was “cautiously optimistic” that congressional Democrats “will have the same openness to preventing tax hikes that the administration has already shown.”

If Congress agrees, the deal would leave in place the 10, 15, 25, 28, 33 and 35 percent marginal tax rates created in 2001. It would also preserve for two years the 15 percent tax rate on most capital gains and dividends, and would temporarily index the alternative minimum tax for inflation.

Payroll Tax

In addition, the plan outlined by Obama would extend aid for the long-term unemployed for an additional 13 months. To help spur hiring, the payroll tax -- which funds Social Security and Medicare -- would be cut by 2 percentage points during 2011. The payroll tax cut would apply to all wage-earners, an administration official told reporters on a conference call. That would be an $800 savings for individuals with an income of $40,000. Those who earn salaries of more than

$106,800 would save a maximum of $2,136. The proposal would cost the government $120 billion, another administration official said.

The 2 percent cut represents a savings of about a third on the 6.2 percent share of the tax workers normally pay. Their employers get no benefit. The unemployment rate rose to a seven-month high of 9.8 percent in November as payroll growth slowed to 39,000 from 172,000, according to the Labor Department.

Estate Tax

The compromise plan would set the estate tax at a top rate of 35 percent, which applies after a $5 million tax-free allowance per individual, two administration officials said on the conference call. That rate would be the lowest since 1931 -- not counting 2010, when the rate was zero and replaced with a complicated capital gains tax that applies when inherited assets are sold.

Lee Farris, who tracks estate tax policy for the liberal advocacy group United for a Fair Economy in Boston, called Obama's acceptance of the 35 percent rate "inconceivable." "A weaker estate tax, coupled with the extension of the Bush tax cuts for the wealthy, is only going to end in the richest 1 percent owning even more of our country's wealth," she said.

Obama also endorsed allowing a full deduction for equipment purchases that currently must be deducted over time. The proposal would accelerate $200 billion in tax savings for companies in the first year and benefit 1.5 million companies and several million individuals who run businesses, according to White House estimates.

Total revenue lost from the so-called expensing proposal over 10 years would be $30 billion; companies taking the immediate deductions wouldn't be able to write off their expenses through depreciation in years to come.

Negotiations

The administration officials said some elements of the plan still have to be negotiated by Treasury Secretary Timothy Geithner, Budget Director Jack Lew, Camp and three other lawmakers. They include whether to renew dozens of expired or expiring tax provisions. Among them: The Build America Bond program, the fastest-growing segment of the $2.8 trillion municipal debt market.

The subsidy, which expires Dec. 31, was created by President Barack Obama's 2009 economic-stimulus plan. More than $173.5 billion of the taxable securities have been sold, according to data compiled by Bloomberg. The U.S. pays 35 percent of the interest costs on the debt. A Senate bill would cut that rate to 32 percent. Republicans may oppose the measure.

Bloomberg
http://www.bloomberg.com/news/2010-12-06/payroll-tax-holiday-on-the-table-as-negotiators-debate-bush-rate-extension.html

Extension of U.S. Tax Cuts Will Prompt Congress to Discard Own Budget Law

Dec 7, 2010
Congressional Democrats and Republicans are preparing to set aside their budget constraints as they negotiate the extension of income tax cuts scheduled to expire this month.

Their plans to declare a budget emergency as they approve the extension of tax cuts will override a “pay-as-you-go” law that was structured to limit Congress’s ability to finance higher spending or tax relief by expanding the budget deficit.

Extending all income-tax rates for two years, along with renewal of business tax breaks, relief from the alternative minimum tax and other moves such as expanded unemployment insurance could add about $750 billion to the deficit over the next decade, about $300 billion of which is beyond the deficit- expansion which the “pay-as-you-go” law would allow.

For all the campaign-trail rhetoric about deficit reduction and recent attention focused on a bipartisan fiscal commission, Republicans and Democrats alike say the so-called “paygo” law won’t be a procedural or political obstacle to extending all of the tax cuts without offsets in spending.

“I never think paygo is out the window, in my own personal view,” said Representative Baron Hill of Indiana, who lost his bid for re-election last month. “But any rate, that’s what’s going to happen.” Hill co-chairs the Blue Dog Coalition, a group of House Democrats that pushed for the law.

Required Offsets

The paygo law, signed by President Barack Obama on Feb. 12, generally requires that tax cuts or increases in mandatory spending be offset by spending reductions or revenue-raising measures. The law allows Congress to exempt about $1.5 trillion if needed to extend many of the Bush-era tax cuts.

Offsets aren’t needed to make the income tax cuts permanent on the first $200,000 of gross income for individuals or the first $250,000 for married couples. Offsets also aren’t needed to prevent the expansion of the alternative minimum tax through 2011 or to extend the 2009 parameters of the estate tax (a $3.5 million per-person exemption and a 45 percent top rate) through 2011.

If, over the course of a year, Congress creates additional deficits under the law’s parameters, its enforcement mechanism triggers automatic spending cuts in mandatory programs such as most Medicare payments, farm price supports and social service block grants.

The law’s demand for offsets led Democrats to propose measures that were opposed by businesses, including higher per- barrel taxes on oil production and limits on several kinds of foreign tax-credit transactions.

Emergency Declarations

Still, emergency declarations can be used to exempt particular bills from the law's enforcement rules. Congress used such declarations this year to pass unemployment-insurance extensions without offsets. Democratic attempts to extend expired tax breaks failed because they were paired with revenue-raising offsets, such as higher taxes on the "carried interest" earned by private equity managers and real estate investors.

"That paygo law is just used to increase taxes," said Senator Orrin Hatch of Utah, who is in line to become the top Republican on the Finance Committee next year. "It doesn't make a hill of beans what the difference is as far as cutting back on spending and the overregulation that these Democrats have brought to this country."

Spending Side

The law also has affected the spending side of the budget. The health-care overhaul, for example, increased spending on insurance for low-income people, and Democrats made it compliant with the paygo law, in part, by reducing future Medicare costs.

Historically, budget constraints have worked when they embodied an agreement about how to address fiscal policy, said James Horney, director of federal fiscal policy at the Center on Budget and Policy Priorities. Without that agreement, he said, the pay-as-you-go law is likely to be ignored or waived in the year-end tax bill.

"It's more of a symptom of the lack of consensus about what to do on budgets and deficits," Horney said.

The tax bill that the House passed Dec. 2 complied with the pay-as-you-go law, because it didn't extend tax cuts on income above the specified thresholds. Senate Republicans have pledged to block that bill because they think tax cuts should be extended for taxpayers at every income level.

The main Senate Democratic alternative proposed by Finance Chairman Max Baucus on Dec. 2 features dozens of provisions that violate the pay-as-you-go law. They include a permanent extension of the 2009 estate tax parameters, extension of the "Making Work Pay" tax credit approved by President Barack Obama from the stimulus law and the extension of dozens of provisions favored by businesses such as a research tax credit. Republicans voted unanimously against the pay-as-you-go law earlier this year, and they dismiss it as a Democratic gimmick.

Changes Sought

Republicans, who will control the House in January, can't eliminate or change the law without agreement from the Senate and Obama. They are weighing changes to the separate pay-as-you-go rules that the House has adopted, said Representative Greg Walden of Oregon, who is leading the Republican transition team.

Republicans complain that the law doesn't apply to discretionary spending, the main funding vehicle for federal agencies. They also say it ignores the positive economic effects of tax cuts.
"The thing about paygo is it was specifically designed by the Democrats to encourage spending and discourage tax reductions," said John Campbell, a California Republican who sits on the House Budget Committee. "We hate it."

Bloomberg
http://www.bloomberg.com/news/2010-12-07/extension-of-u-s-tax-cuts-will-prompt-congress-to-discard-own-budget-law.html

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Build America Program Left Out of Deal to Extend Bush-Era Tax Reductions

Dec 7, 2010
An extension of the U.S. Build America Bond program was left out of a compromise that President Barack Obama struck with congressional leaders to prolong tax cuts enacted in 2001 and 2003, White House officials said.

The president said last night that he agreed to extend all expiring income-tax cuts for two years, as Republicans wanted, in return for advancing jobless benefits and cutting payroll taxes. The Build America program, which subsidizes state and local borrowing costs, was omitted, according to two officials briefed on the plan who spoke on condition of anonymity because the details haven't been released.

The omission sets back efforts aimed at keeping the program, which is set to expire at year-end, in place. More than $173.6 billion of the taxable securities have been sold since April 2009, making it the fastest-growing segment of the $2.8 trillion municipal market, according to data compiled by Bloomberg. The U.S. pays 35 percent of the interest on the debt.

The subsidy was created by Obama's 2009 economic-stimulus plan. Senate Finance Committee Chairman Max Baucus, a Montana Democrat, included an extension in a bill to keep middle-income tax cuts passed under President George W. Bush. That bill was defeated Dec. 4 in the Senate because it would have let rates increase next month for top earners.

The fate of the Build America program, which Obama has sought to extend, may be determined by a six-member panel headed by Treasury Secretary Timothy Geithner, the White House officials said. Panel members were appointed by Obama and congressional leaders to negotiate tax issues.

Broader Market

Because they carry taxable rates comparable to similar corporate debt, state and local issuers have marketed Build America securities to pension funds, offshore investors and others who don't typically buy municipal securities. That has curbed the supply of tax-exempt bonds and buoyed prices since Build Americas were introduced.

Concern that the program would lapse has weighed on the tax-exempt bond market since an end to Build America issuance may boost the amount of money state and local governments borrow with tax-exempt debt. Issuers have also rushed to sell Build America securities before year-end. With Republicans poised to take control of the House in January, local governments, banks and other advocates of the subsidy program are pressing to have it extended in the current, so-called lame-duck session. Under the Baucus bill, the program would have been extended for a year while the subsidy was to be cut to 32 percent of interest costs.

Spending Critics

Republicans -- including U.S. Representative David Camp of Michigan, who is in line to become chairman of the tax-writing Ways & Means Committee -- have been critical of spending under Obama’s $814 billion stimulus package. Democrats, who now control the House, have passed measures to prolong the Build America program, only to see the bills stall in the Senate.

Obama spoke about the compromise in Washington after a White House meeting with Democratic congressional leaders. They and the Republican leadership still have to sell the plan to their caucuses. Obama called it a “framework” for a deal.

Bloomberg
http://www.bloomberg.com/news/2010-12-07/build-americas-left-out-of-deal-to-extend-bush-era-tax-cuts-officials-say.html

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Factory Production in U.K. Grows More than Forecast as Recovery Maintained

Dec 7, 2010
U.K. manufacturing expanded twice as much as economists forecast in October; a sign the recovery is maintaining momentum into the final quarter of the year. Output rose 0.6 percent from September, the most in seven months, the Office for National Statistics said today in London. The median forecast of 23 economists in a Bloomberg News survey was for an increase of 0.3 percent. Overall industrial output fell 0.2 percent as utilities and mines cut production.

Prime Minister David Cameron is relying on exports and investment to keep the economy growing as the government prepares to step up the pace of spending cuts and increase value-added tax on sales to tackle the record budget deficit.

“They’re a good set of figures,” David Tinsley, an economist at National Australia Bank in London and a former Bank of England official, said in a telephone interview. “The underlying momentum is pretty sound. Things are looking all right for fourth-quarter GDP.”

The pound lost gains made after the report and was trading at $1.5783 as of 11:18 a.m. in London, up 0.4 percent on the day.

The Bank of England in this week forecast to keep its bond- purchase plan at 200 billion pounds ($313 billion). Policy makers remained split last month on whether the economy faces a greater risk from slowing growth or faster inflation.

Capital Goods

Factory output grew in October for the sixth month in succession. Out of 13 categories, eight rose, led by transport equipment. Two fell, led by food, drink and tobacco. Output of capital goods rose 1.8 percent, with engineering and allied industries posting a 2 percent increase. Production of consumer durables declined 1.3 percent. Recent reports suggest the recovery is persisting after the economy posted its fastest growth spurt in a decade in the second and third quarters.

A Chartered Institute of Purchasing and Supply index published last week showed manufacturing growth unexpectedly accelerated to the fastest pace in 16 years in November, with the weaker pound boosting demand for British goods abroad.

Bath, western England-based Rotork Plc, a maker of industrial valve controls, said on Nov. 19 that orders were 28 percent higher in the third quarter and the full-year profit outlook is in line with previous guidance. Officials still caution that the budget squeeze, which is forecast to lead to the loss of 330,000 public-sector jobs, may hurt economic growth.

'Sluggish'

The Treasury's fiscal watchdog said on Nov. 29 that the British economy faces a "sluggish" medium-term outlook and cut its 2011 growth forecast to 2.1 percent from 2.3 percent. Manufacturing rose 5.8 percent in October from a year earlier. Overall industrial production, which also includes utilities, mining and quarrying and accounts for 17 percent of the economy, increased 3.3 percent.

Output in the mining and quarrying industry fell a monthly 4.2 percent in October, the biggest drop since June. Oil and gas output declined 4.2 percent. Earlier maintenance work in North Sea oil fields has led to complications with seasonal adjustment of the figures, the statistics office said. Utilities' output declined 1 percent.

Bank of England policy makers will leave the size of the bank's bond holdings unchanged on Dec. 9, according to all 34 economists in a Bloomberg News survey. They will also keep the benchmark interest rate at a record low of 0.5 percent, all 58 economists in a separate survey said.

Bloomberg
http://www.bloomberg.com/news/2010-12-07/factory-production-in-u-k-grows-more-than-forecast-as-recovery-maintained.html

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Swiss Re Sees Risk That European Debt Crisis May Derail Economic Rebound

Dec 7, 2010
Swiss Reinsurance Co., the world's second-biggest reinsurer, said the economic recovery may be "derailed" by deterioration in Europe's debt crisis. "There are still concerns as to whether Greece

and Ireland can cope with the problems they face," Kurt Karl, Swiss Re's chief U.S. economist, said in an e-mailed statement today. "Instability continues in several important real estate markets including the U.S., Ireland and Spain." That instability has the potential to "stress" the banking industry, according to the Zurich-based reinsurer, which is presenting its global economic outlook today.

European Union finance ministers yesterday ruled out an increase in the 750 billion-euro ($1 trillion) crisis fund, a week after handing Ireland an 85 billion-euro lifeline. The finance chiefs are counting on European Central Bank bond purchases to calm debt-spooked markets and voiced confidence that Spain and Portugal will tame their budget deficits. Greece won a 110 billion-euro EU-IMF rescue in May, leading the EU to create the three-year facility that was first tapped by Ireland.

The reinsurer expects the global economy to show "moderate growth" through 2011 with premiums in non-life insurance growing 3 percent after inflation in developed economies and as much as 8 percent in emerging markets. Insurers' profitability will stay "under pressure" in 2011 as low interest rates and new industry regulations damp investment returns.

'Key Problem'

"A key problem is that regulatory factors will force insurers into low-yielding government bonds, increasing the risk that they miss out on a market upturn," Swiss Re said.

Insurers including Swiss Life Holding AG and Zurich Financial Services AG have said they will cut reliance on investment income and increase income from underwriting in a bid to reduce earnings volatility. Low rates are squeezing margins after life insurers offered policy holders rate guarantees before the beginning of the credit crisis.
Swiss Re expects a correction of non-life premium rates in 2012. "Current rates are not sustainable even when interest rates start to correct," said Chief Economist Thomas Hess.

The life and health insurance industry will grow 4.1 percent in 2011, down from 4.3 percent this year, as "exceptional growth" in emerging markets slows, Hess said on a conference call form Zurich today.

Non-life reinsurance will grow "moderately," while annual growth of about 10 percent for life reinsurance in emerging markets will offset stagnation in developed countries.

"Developed and emerging markets have parted ways on growth, with emerging markets booming while developed economies are growing at a more modest pace," said Karl. "That is set to continue in 2011 and 2012."

Bloomberg
http://www.bloomberg.com/news/2010-12-07/swiss-re-sees-risk-that-european-debt-crisis-may-derail-economic-rebound.html

Russia Moves Closer to WTO Membership with EU Deal

Dec 7, 2010
Russia moved a step closer to membership in the World Trade Organization today by signing an agreement with the European Union settling "key questions" that have hampered its accession bid for years.

Russian Economy Minister Elvira Nabiullina and EU Trade Commissioner Karel De Gucht signed a memorandum of understanding that sets the terms to resolve all EU-Russia bilateral issues. Russia, the largest economy outside the WTO, applied for membership in the Geneva-based trade arbiter in June 1993.

"This is really a milestone," said European Commission President Jose Barroso. "Our difficult bilateral issues are resolved. Russia becoming a WTO member in 2011 is a realistic perspective." Among the bigger EU concerns that have been settled are Russia's pricing policies for lumber exports and railway fees. Finland and the Baltic countries complained that the policies unfairly aid Russian companies by overcharging European rivals. Russia has agreed to cut the timber export duty to about 15 percent of customs value from 25 percent, though the lower levy won't be applied until it joins the WTO.

The 27-nation EU is Russia's biggest trading partner, accounting for 50.4 percent of volume in the first nine months of this year, according to the Federal Customs Service in Moscow. Trade in goods and services between the two economies climbed almost 35 percent in the first nine months of 2010 to $217.8 billion, according to data distributed by the Kremlin.

Mineral-Fuels Products

The EU shipped about 66 billion euros ($88 billion) of products such as machinery, transport equipment, food and live animals to Russia last year and bought 115 billion euros of Russian goods. Energy and mineral-fuels products make up 77 percent of EU imports from Russia. The bloc relies on Russia for more than a quarter of its natural-gas demand, according to EU statistics office Eurostat.

The accord signed at the EU-Russia summit in Brussels today doesn't iron out all Russian WTO accession issues. The world's biggest energy supplier must negotiate multilaterally on unresolved matters such as conditions for a trade-related investment regime and its application of health rules for food imports, some of which concern the EU, said John Clancy, the commission's trade spokesman in Brussels.

Overflight Fees

"We will continue negotiations alongside other WTO members on technical regulations and will monitor that Russia implements the commitments it undertook in such areas as sanitary and veterinary conditions for agricultural imports, intellectual- property rights and other market-access-related non-tariff regulations," he said.

Russia also agreed during discussions that ran parallel to its WTO accession talks to alter the way it imposes fees on European planes for the right to pass over Siberia. The changes will be made when Russia joins the WTO, Clancy said.

“Once all multilateral questions are resolved and negotiations in Geneva are finished, the EU countries will have to agree to the whole WTO accession package,” he said. “As Russia made the link to WTO accession, the implementation of the overflight agreement will be an important element to be considered at that stage, which could be in six to 12 months from now, if negotiations proceed in a good pace.”

Russia, with an economy of $1.23 trillion, expects to complete negotiations to join the WTO in the first half of 2011, Deputy Economy Minister Andrei Klepach said in a Nov. 30 interview. While accession will initially have a negative impact on the auto and aircraft industries, it will be positive for Russia in the long term, he said.

Trade Organization

“Russia’s accession to the WTO appears an increasingly likely possibility in the coming two years, allowing the country to fully join the other BRICs at the trade organization,” ING Groep NV said in a research report on Dec. 6. “This will prove of particular importance for increasing foreign direct investment limits on Russia’s telecoms, insurance and banking sectors, so we could see a ramp-up in valuations for corporates in these areas as WTO accession nears.”

Russia and the U.S. won’t complete accession talks this year because sticking points remain over issues including U.S. demands for greater access for agricultural products, mainly poultry and pork, legislation to protect intellectual property and Russian curbs on imports and exports,Myron Brilliant, senior vice president for international affairs at the U.S. Chamber of Commerce, said in September.

Russia also has yet to reach an agreement on its WTO accession with Georgia. The former Soviet republic has threatened to block Russia’s entry to the WTO if its northern neighbor doesn’t lift a four-year-old economic embargo.

“Confirmation that Russia is finally at the last stages of entry to the WTO would be positive for the steel names, as it would remove some export barriers, and for the bank-sector stocks,” Chris Weafer, chief strategist at UralSib Financial Corp. in Moscow, said in a research note today. WTO membership may also prompt credit-rating companies to raise Russia’s sovereign-debt grade, which is “long overdue,” he said.

Bloomberg
http://www.bloomberg.com/news/2010-12-07/russia-moves-closer-to-wto-membership-with-eu-deal-settling-key-issues.html

EU to Help China Set Up Carbon Trading Project as Climate Summit Falters

Dec 7, 2010
The European Union is setting up a project to help China begin trading emissions in about eight cities, a collaboration that transcends an impasse between rich and poor nations over the future of the Kyoto Protocol. A work program between the 27-nation bloc, which runs the world's biggest emissions market, and China will cover regulations, verification and registries that track ownership of carbon allowances, Jos Delbeke, head of the European Commission's climate unit, said in an interview yesterday at global climate talks in Cancun, Mexico.

Consultations with China "are going much better than anticipated," he said. The Chinese program, still in the development phase, won't cover the entire nation from the start nor include a so-called offset program for industries, the EU official said. "There are going to be a number of cities and provinces." The nation already has exchanges that might handle emissions trading in Beijing, Shanghai and Tianjin, he said.

China said industrial nations should extend pledges to cut greenhouse-gas emissions after the limits set by the Kyoto Protocol expire in 2012, Xie Zhenhua, China's top official on climate policy, said at a briefing yesterday in Cancun. That could potentially create a global market. The U.S. has resisted joining Kyoto without limits on China. Developing countries under the 1997 accord still can choose to make "voluntary" pledges to cut emissions, the Chinese official said.

EU emission allowances for delivery this month dropped 0.6 percent to 14.78 euros ($19.75) at 10:45 a.m. on London's ICE Futures Europe exchange. While the permits are up 18 percent in 2010, they are down 11 percent from this year's high in May. UN emission credits dropped 0.9 percent to 11.57 euros on ICE. They are down 20 percent from their high in May.

Five-Year Plan

Even as climate talks falter, developing countries potentially including Brazil "will move ahead with domestic carbon market regimes," said Caio Koch-Weser, vice chairman at Deutsche Bank AG and a member of the United Nations advisory group on climate finance. "China, as part of its next five-year plan, is quite advanced in its thinking," he said Dec. 5 at the Green Solutions conference in Cancun.

China will have a cap-and-trade system by about 2015 as the world's biggest emitter takes a lead role in developing clean energy, London School of Economics professor Nicholas Stern said Dec. 5. "There will be cap and trade in China within four or five years," said Stern, who published a widely cited study of climate-change economics for the British government in 2006. China wants "to win the green race, and good luck to them," he said Dec. 5 in conjunction with the climate talks in Mexico. "This is the kind of green race that we need."

Bloomberg
http://www.bloomberg.com/news/2010-12-06/eu-to-help-china-set-up-carbon-trading-delbeke-says-update1-.html

Cable shows US global security list

WikiLeaks file reveals that the US equates threats to many overseas facilities as a threat to its national security.

07 Dec 2010

A new diplomatic cable released by the WikiLeaks website shows the US had listed a extensive number of facilities around the world that it considered vital for its national security. The February 2009 cable released on Monday is an "action request", which states that under the auspices of the Department of Homeland Security's National Infrastructure Protection Plan (NIPP), US missions overseas are required to file a report by the following month, listing why posts - overseas infrastucture facilities - might be critical to US interests.

The sheer breadth of the facilities the US considers pertinent to its national security is extraordinary, and the cable does not detail why or how potential attacks on many of them constitute a threat against US national security.
It is also unclear how or if their protection would fall under the purview of the US Department of Homeland Security.

'Irreplaceable' facilities

The value of some of the listed potential targets, however, are explained. For example, a Canadian hydroelectric plant is described as a "critical irreplaceable source of power to portions of Northeast US", while a Siemens factory in Germany does "essentially irreplaceable production of key chemicals". Also listed are European manufacturers of vaccines for smallpox and rabies, an Italian maker of treatment for snake-bite venom, and a German company making treatment for plutonium poisoning.

The leaked cable itself lists a comprehensive, geographically expansive number of key facilities and infrastructure in dozens of countries as "vital" to US national security, and therefore "under the protection of a single programme".

Washington said on Monday that WikiLeaks's decision to publish the document provided groups like al-Qaeda with a "targeting list" for possible attacks. "It is irresponsible. Information is classified for good reason, most especially information involving critical infrastructure that supports our economy and those of other countries," PJ Crowley, the US state department spokesman, said.

"Julian Assange [the founder of WikiLeaks] has released what amounts to a targeting list that will be of interest to groups like al-Qaeda."

Will Geddes, a security specialist with International Corporate Protection in London, told Al Jazeera that the details of the leaked cable could "without a question" pose a threat to US security.

"When you consider how most terrorist groups operate in a very conventional sense,the first part of any operation will be the selection of a target.

"When we look at some of the sites listed on this document these things make it very easy to then say these are the sorts of targets we should be aiming for and then they can move very quickly to a reconnaisance phase."

Potential targets

The cable categorises the potential targets in several sectors as such:
The NIPP identifies 18 CI/KR sectors: agriculture and food; defense industrial base; energy; healthcare and public health; national monuments and icons; banking and finance; drinking water and water treatment systems; chemical; commercial facilities; dams; emergency services; commercial nuclear reactors, materials, and waste; information technology; communications; postal and shipping; transportation and systems; government facilities; and critical manufacturing.
While the release of the US diplomatic cables has put Hillary Clinton, the US secretary of state, in a difficult position, this leak is also the cause of consternation, as it exposes some critical, classified facilities, such as undersea cables, satellite systems.

A spokesman for David Cameron, the British prime minister, on Monday condemned the release of the secret list of key global infrastructure, saying such leaks were "damaging to national security".

The cable indicates that the list is built upon a 2008 survey of resources or facilities, and requires that each post "reassess and update information about the infrastructure and resources in each country whose loss could immediately affect the public health, economic security, and/or national and homeland security in the United States."

Al Jazeera
http://english.aljazeera.net/news/americas/2010/12/201012681418198508.html

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China Hit with Tariffs After Tianjin Pipe Gets Subsidized Loans

Dec 8, 2010
Tianjin Pipe Corp.'s 850-acre campus is unlike any other steel factory in the world. Ostriches, spotted deer and peacocks roam the grounds amid willow trees, bamboo bridges and Chinese pavilions. The plant has its own light-rail stop and hotel.

Another feature -- the presence inside the fence of large branch offices of China's three biggest state-owned banks -- symbolizes the government financial support that puts Tianjin Pipe at the center of a growing trade dispute, Bloomberg Markets magazine reports in its January issue.

The U.S. International Trade Commission in October upheld tariffs of 63 percent and higher on steel products from Tianjin and other producers, finding that U.S. steelmakers are harmed by subsidies the Chinese companies receive and by unfair pricing.

“While we say, ‘Let the markets work,’ China is building up these national champions,” says Alan Price, a Washington lawyer who has represented U.S.-based steelmakers in trade cases.

This battle over the government’s backing for its exporters marks a further deterioration in Chinese-American relations, already strained by charges and countercharges of currency manipulation.

A review of bond prospectuses shows how Tianjin Pipe benefits from close government ties. The company was insolvent a decade ago. Its ownership fell entirely to four asset-management companies set up by the central government to dispose of bad debts owed to Industrial and Commercial Bank of China, China Construction Bank Corp., Bank of China and Agricultural Bank of China, all of which are state-controlled.

Cheap Funding

The revival of Tianjin Pipe, based in the port city of Tianjin in northeastern China, began after it was bought by the local government in 2003. Since then, the company has thrived with cheap funding from the banks, tapping capital at a rate closer to that of a government entity than a commercial borrower.

“The very existence of this company is due to massive subsidies through state banks which will bail out state firms favored by local and central governments endlessly,” says Victor Shih, a professor at Northwestern University in Evanston, Illinois, who studies the Chinese financial system.

When Tianjin Pipe issued 3.48 percent one-year bonds in July, China’s one-year benchmark bank lending rate was almost 2 percentage points higher, at 5.31 percent. The company’s funding costs were closer to that of China’s Ministry of Railways, which issued one-year bonds in July at 0.89 percentage points below the rate on the Tianjin Pipe debt.

Tianjin’s Debt

Tianjin Pipe’s debt surged as China’s government directed its state-owned banks to increase lending starting in late 2008 to combat the effects of the global economic slowdown. At the end of March the company’s long-term debt stood 6.72 billion yuan ($1 billion), up from 1.89 billion yuan at the end of 2008, according to the company’s financial statements.

The profits of China’s government controlled companies would be entirely wiped out if they paid market rates of interest, according to a 2009 study by the research institute of Hong Kong’s central bank.

Liu Yunsheng, the chairman of and Communist Party secretary for Tianjin Pipe, who wasappointed by the Tianjin government, wasn’t available for an interview. The company declined to answer faxed questions.

State-owned companies such as Tianjin Pipe fend for themselves and are not aided by the state, Vice Commerce Minister Chen Jian told reporters on Nov. 1. “The government does not give any subsidies,” Chen said. “Maybe some people have seen how Chinese enterprises are booming and they are feeling confused.”

Tariffs and Retaliations
Michael Pettis, a finance professor at Peking University and a former managing director at Bear Stearns Cos., says the funding received by state-run companies such as Tianjin Pipe allows them to undercut foreign rivals.

Trade complaints against China have surged since Barack Obama became president -- as have retaliatory steps by China. The U.S. has slapped duties on Chinese-made tires, glossy paper and aluminum products. China has put tariffs on poultry and specialized steel.

State support for key companies is a policy that China won’t easily abandon, says Price. “It’s a pattern we see to varying degrees throughout Chinese industry,” he says.

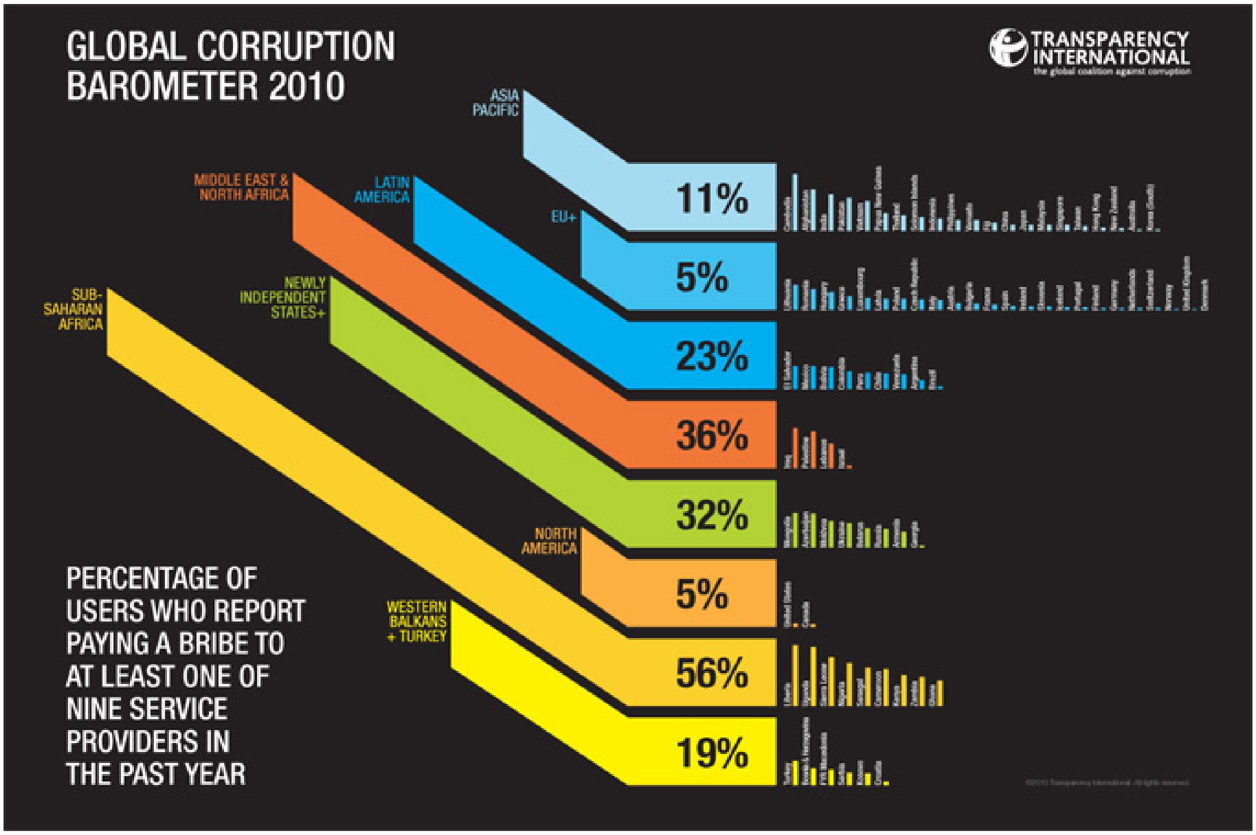
In the case of Tianjin Pipe, whose exports to the U.S. have plunged since the tariffs were imposed, China may have a workaround. The company is set to begin construction next year on a $1 billion steel pipe plant in south Texas, near Corpus Christi, that is designed to produce 500,000 metric tons of pipe from recycled steel scrap each year.

Texas Jobs
The plant will create 300 jobs in the first year it operates and lead to a total of 600 jobs, says Josephine Miller, executive director of the San Patricio County Economic Development Corp. The company says the factory will have an annual payroll of $18 million. In Texas, Tianjin Pipe is getting a boost from government support of a different kind: State tax breaks to offset the cost of pollution-control equipment and property tax reductions.

The Tianjin investment “sounds strange, strange, strange, but they have been selling pipe in the Houston area for 20 years,” Miller says in an interview. “If someone said they were investing a billion dollars in your area, you would perk up.”

Bloomberg
http://www.bloomberg.com/news/2010-12-08/china-hit-with-tariffs-from-u-s-after-tianjin-pipe-gets-subsidized-loans.html

Poll: World is getting more corrupt
One person in four worldwide paid a bribe during the past year, according to study by Transparency International.
09 Dec 2010



Corruption worldwide has increased over the last three years, said six out of 10 people [Transparency International]

One person in four worldwide has paid a bribe during the past year, according to a study released on Thursday to mark International Anti-Corruption Day.

The study, by the Berlin-based non-governmental agency Transparency International, focuses on small-scale bribery and was put together from polls conducted among more than 91,000 people in 86 countries and territories.

In the past 12 months, one in four paid a bribe to one of nine institutions, such as health, education or tax authorities, according to the 2010 Global Corruption Barometer.

But it was the police who proved most corrupt, according to the study which reported that 29 per cent of those having dealings with police said they had paid a bribe.

Worldwide, sub-Saharan Africa was the region reporting the greatest incidence of bribery with more than one person in two saying they had made such payments to officials in the past 12 months.

The Middle East and North Africa was the next most corrupt region with 36 per cent of people there reporting having paid a bribe.

This compared to 32 per cent in the former Soviet republics, 23 per cent in South America, 19 per cent in the Balkans and Turkey, 11 per cent in the Asia-Pacific region, and five per cent in the European Union and North America.

Countries topping the list for reported bribe payments over the year were Afghanistan, Cambodia, Cameroon, India, Iraq, Liberia, Nigeria, the Palestinian territories, Senegal, Sierre Leone and Uganda, where more than one person out of two said they had handed out financial sweeteners to officials.

Nearly half of respondents said they paid to avoid problems, while a quarter said it was meant to speed up procedures. Lower income earners reported paying more bribes than the better paid.
"The fall-out of the financial crises continues to affect people's opinions of corruption, particular in North America and Western Europe.

Institutions everywhere must be resolute in their efforts to restore good governance and trust," Huguette Labelle, chair of Transparency International, said.

The study, the seventh on the matter by Transparency International since 2003, this time involved a greater number of countries, including for the first time China, Bangladesh and the Palestinian territories.

Polling, mostly by the Gallup Institute, was conducted between June 1 and September 30.

"The message from the 2010 Barometer is that corruption is insidious. It makes people lose faith. The good news is that people are ready to act," Labelle said.
"Public engagement in the fight against corruption will force those in authority to act - and will give people further courage to speak out and stand up for a cleaner, more transparent world."

The UN established International Anti-Corruption Day in 2003 to raise awareness of graft and promote the global fight against it.

Al Jazeera
http://english.aljazeera.net/news/europe/2010/12/20101297627332580.html

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U.S. pressured Russia on behalf of Visa and Mastercard

09 Dec 2010
One day after Visa and MasterCard announced the suspension of all payments to Wikileaks, the organization founded by Julian Assange has responded. And its answer could not be otherwise than making public a cable in which two U.S. financial giants are involved. This follows from the cable number 246 424 (February 2010) which reports that there was U.S. pressure on Russia

to try to change a bill in the Duma so that the two U.S. credit card companies, Visa and MasterCard, would not be put in a position of disadvantage.

Visa and MasterCard, as well as Amazon and PayPal, which also have cut all ties to the Wikileaks site, have justified their decision to cut off the supply of donations to the organization, ensuring that they had acted illegally when publishing leaks of 250,000 U.S. diplomatic cables.

According to the cable, sent earlier this year by Matias Mitman, a U.S. diplomat specializing in economics and based at the embassy in Moscow, the Russian deputy finance minister, Alexei Savatiuguin, would lead plans to create a new system for credit card payments for which it would collect all the commissions on transactions within Russia, which would mean depriving Visa and MasterCard of a large amount of income from these operations.

Representatives of Visa and MasterCard defined this bill at the U.S. Embassy Russia, as recorded in the cable, like "the last Chinese model" in methods to pay with credit cards. This system would consist of a consortium of Russian state banks that would be responsible for managing the entire process of credit card transactions and collect the commissions, which would be about "4 billion dollars a year." Given these revelations, the Obama administration pressured senior officials the Russian government to 'correct' the difficult situation in which Visa and MasterCard would see reduced computer information of each of the financial transactions that were occurring in Russia.

The diplomat Mitman reported that "the bill has not yet been submitted to the Duma and can still be modified" and requested that a presidential commission of the Obama administration be sent to Russia to address this issue and focus their efforts on establishing a new bilateral commission with the Russian president, Dmitri Medvedev, as part of a realignment of the relations between Russia and the United States. "We recommend that senior officials of the U.S. government also benefit from meetings with their counterparts from Russia, including through a bilateral presidential commission to pressure and to change the text of the law to guarantee that payments to American companies are not affected," concludes the cable.

The Law on the National Payment System was introduced by the Russian Government to the State Duma last month and its first public discussion and voting on the first reading is scheduled for the day after tomorrow, on Friday. The project will be defended before the deputies and by deputy Alexei Savatiuguin himself, who has been responsible for its creation, Rodrigo Fernandez reports.

Pravda.Ru

http://english.pravda.ru/russia/economics/09-12-2010/116134-us_pressured_russia_on_behalf_of_visa_mastercard-0/

US: China lacks 'morals' in Africa
Leaked cable says that China's support for some governments on the continent is "politically challenging".

09 Dec 2010
The United States believes that China has "no morals" in its dealings with Africa, according to an assessment in a leaked diplomatic cable. The cable quotes Johnnie Carson, the US assistant secretary of state for African affairs, describing China as a "pernicious economic competitor" whose investments prop up unsavory regimes.

"China is a very aggressive and pernicious economic competitor with no morals. China is not in Africa for altruistic reasons," Carson said in a February meeting with oil executives in Nigeria. "China is in Africa for China primarily," he said, according to a confidential cable written by the US consul-general in Lagos earlier this year.

Chinese investment in Africa has exploded in recent years, reaching a total of $9.3 billion by the end of 2009. Chinese state media say that more than 1600 businesses are investing in Africa in a range of industries, from mining to manufacturing. But Beijing has come in for major criticism over its support for some governments on the continent. Many African leaders have praised Beijing for not lecturing them about human rights, something which Carson recognises as a problem.

"The United States will continue to push democracy and capitalism while Chinese authoritarian capitalism is politically challenging," Carson said.

Beijing pursues a "contrarian" approach by dealing with the "Mugabes and Bashirs of the world", he said, referring to the Zimbawean and Sudanese leaders respectively.

Carson said the US had "trip wires" in terms of China's presence in Africa.

"Is China developing a blue-water navy? Have they signed military base agreements? Are they training armies? Have they developed intelligence operations?" he said.

"Once these areas start developing, then the United States will start worrying," he said, though noting for the time being, Washington did not perceive China as a "military, security or intelligence threat".
China has not commented on any of the contents of the diplomatic cables, which were made public last month by the WikiLeaks whistleblower website.

Pen-portraits

The cable was one of dozens relating to Africa, revealing how US diplomats view the continent.
In another, the US ambassador to Kenya warns that corruption in country could trigger a wave of violence worse than that which engulfed the country following the 2007 election.

"Failure to implement significant reforms will greatly enhance prospects for a violent crisis in 2012 or before -- which might well prove much worse than the last post-election crisis," the cable says.

The documents also contain some less than flattering pen-portraits of African leaders. Thabo Mbeki, the former president of South Africa is described as a "thin-skinned" and "hypersensitive" leader who requires "deft handling".

In a cable sent by Ronald McMullen, the US ambassador to Eritrea, Isias Afwerki, the country's president, is said to be an "unhinged dictator" who is "cruel and defiant".

The ambassador recounts a conversation with a leading businessman in Asmara, the country's capital, in which Afwerki is described as "sick". McMullen says that Afwerki's government is "one bullet away from implosion", but notes that the regime is "very good at controlling nearly all aspects of Eritrean society."

Al Jazeera
http://english.aljazeera.net/news/africa/2010/12/2010129813466 64660.html

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Berlin and Paris make tax pledge
Germany and France announce closer co-operation on tax and labour policies, but reject call to increase EU bailout fund.

10 Dec 2010
Germany and France have pledged to more closely align their tax and labour policies in order to foster convergence in the eurozone, but rejected calls for an increase in the bloc's rescue fund and a joint eurozone bond.

Earlier on Friday, officials from the European Central Bank (ECB) had told eurozone governments they could not count on the bank alone to solve a debt crisis which has forced bailouts of Greece and Ireland, and heaped pressure on countries like Portugal and Spain.

At a news conference in the southwestern German city of Freiburg, Angela Merkel, the German chancellor, and Nicolas Sarkozy, the French president, presented a united front ahead of a crucial summit next week, where EU leaders are expected to agree the terms of a permanent rescue mechanism for the bloc.

Berlin has opposed calls by Spain and other countries to move towards a full-fledged "fiscal union" in the 16-nation bloc but appeared on Friday to have agreed to a limited form of policy co-ordination in areas such as tax, although little detail was offered.

"We have agreed to the convergence of German and French tax policies and I thank the German chancellor for this opening," Sarkozy said.

Limited 'fiscal union'

Merkel said it was up to Germany and France to set an example on questions of competitiveness, showing partners how far the bloc's biggest economies could co-operate in areas "beyond pure budget policy".

"We are talking about labour law, about tax law and if we are to improve the coherence of the economic aspects of the eurozone, then we should target these issues step by step and propose solutions," Merkel said.

The two leaders said they would present "structural" proposals next year in the area of economic co-ordination, but declined to elaborate.

"We will defend the euro, because the euro is Europe," Sarkozy said. "Our determination, both German and French, is total."

Pressure on high-deficit euro members eased slightly over the past week after the ECB bought government bonds, pushing down the borrowing costs of countries on Europe's southern periphery.

But the ECB said its responsibility was to ensure price stability, while dealing with the crisis was ultimately up to the eurozone governments.

"We expect all other authorities to be up to their responsibilities," Jean-Claude Trichet, the ECB president, told a news conference in Madrid on Friday.

Eurozone stability

Mario Draghi, the governor of the Bank of Italy and member of the ECB governing council, told the *Financial Times* that the ECB could go only so far in helping weaker members by buying their bonds.

"I'm only too aware that we could easily cross the line and lose everything we have, lose independence, and basically violate the [EU] treaty," Draghi, a leading candidate to replace Trichet, said.

The euro, which fell to a 10-week low under $1.30 late last month as the euro crisis deepened, edged higher in the wake of Trichet's comments to trade at $1.32.
Next week's EU summit is expected to finalise plans to introduce a permanent rescue mechanism for the eurozone to replace the $993m European Financial Stability Facility (EFSF) that it set up in May after bailing out Greece.

Yves Mersch, another ECB governing council member, said expanding the stability fund would be preferable to issuing euro area bonds in the short term to tackle any debt problems. But Merkel rejected calls to increase the EFSF.

"I'd say for us in Germany that the question of expanding the rescue mechanism is not now on the table," Merkel said.

"Less than 10 per cent of the rescue mechanism has been used for Ireland. It is not on the agenda."

Sarkozy also supported Merkel by coming out against a proposal pushed by Jean-Claude Juncker, the Eurogroup president and Giulio Tremonti, the Italian finance minister, for so-called E-bonds, or joint eurozone sovereign debt issues.

"I don't think we were consulted before this idea was proposed, so it shouldn't insult anyone if we say we are not in agreement with it," Sarkozy said, suggesting neither German nor French citizens could accept "mutualising" eurozone debt.

Al Jazeera
http://english.aljazeera.net/business/2010/2010/12/20101210192332350403.html

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Senate Tax-Cut Plan Would Add $857 Billion to U.S. Debt

Dec 10, 2010
Senate leaders released an agreement crafted by the White House and Republicans to sustain Bush-era tax rates through 2012, set the estate tax at the lowest rate in 80 years, extend jobless aid and cut payroll taxes by 2 percentage points.

The legislation would add $857 billion to the federal debt over 10 years, government analysts said.

President Barack Obama, in an interview with NPR Newsbroadcast today, said he’s “confident” the tax deal will pass largely intact to keep the tax cuts from expiring at the end of the year. “Nobody -- Democrat or Republican -- wants to see people’s paychecks smaller on Jan. 1 because Congress didn’t act,” he said.

Senate Majority Leader Harry Reid introduced the legislation late yesterday after three days of lobbying by Democrats to include measures excluded from the framework announced Dec. 6 by Obama. The measure includes some provisions favored by Democrats such as renewed ethanol and commuter subsidies. Others, such as an extension of the Build America Bonds program, didn’t make the cut.

Reid scheduled a procedural vote on the bill for Dec. 13.

The congressional Joint Committee on Taxation, which estimates the revenue effects of tax legislation, said the provisions would cost the government $801.3 billion in forgone revenue over 10 years. Extending unemployment benefits for 13 months, another feature of the package, would cost $56 billion, the Obama administration has said.

The proposal would extend Bush-era tax cuts for all levels of income. A two-year extension of those rates would cost $407.6 billion, according to the Joint Committee on Taxation.

Capital Gains, Dividends

The measure would keep the reduced tax rates enacted in 2001 and 2003 on income, capital gains and dividends from expiring on Dec. 31. That would preserve the current 15 percent rate for most dividends and capital gains as well as the 10, 15, 25, 28, 33, and 35 percent income-tax rates.
The $1,000 child credit would avoid being cut in half, the abolishment of the so-called marriage penalty would be retained, and tax credits subsidizing adoption, higher education and child care would be extended.

The bill includes provisions from last year's economic- stimulus law that Democrats favor, including a Treasury grant in lieu of tax credits for solar, wind and renewable energy conversion. The change helps companies that are unprofitable and couldn't take advantage of the credits.

Long-Term Jobless

The bill would extend federal unemployment insurance for the long-term jobless for 13 months, covering all of 2011, and cut workers' share of Social Security taxes to 4.2 percent. It would temporarily index the alternative-minimum tax, rolling back a $136.7 billion tax increase set to affect an estimated 21 million Americans this year and next.

"If this compromise passes, all taxpayers are going to win," said Kathy Pickering, executive director of the Tax Institute at H&R Block in Kansas City, Missouri. "First, by being able to take advantage of the credits that were expiring and by not having the increase in the tax rate."

A provision many Democrats call the most objectionable would create a 35 percent top tax rate on estates that would apply after a tax-free allowance of $10 million per couple is exhausted. The 2001 law temporarily abolished the estate tax for 2010 only, and the levy is scheduled to return in 2011 with a top 55 percent rate and a $2 million per-couple tax-free allowance.

House Democrats cited the provision, advocated by Arizona Republican Senator Jon Kyl, as one of the main reasons they yesterday approved a non-binding resolution to block consideration of the White House-Republican framework "in its current form." House Speaker Nancy Pelosi, a California Democrat, said she may still bring a bill to the floor.

Business Deductions

For businesses, the measure grants a one-year opportunity to deduct the cost of investments such as software, equipment and entire factories rather than depreciate those acquisitions over time as current rules require. The provision would be effective for purchases after Sept. 8, the day Obama first proposed the idea.

Businesses also would benefit from a retroactive two-year reinstatement of dozens of tax breaks, many of which expired a year ago. Among them: a research tax credit claimed by thousands of companies including Harley-Davidson Inc. and Microsoft Corp. Tax deferral on profits associated with foreign lending activities by companies such as General Electric Co. andJPMorgan Chase & Co. would again be allowed.

A 45-cent per gallon tax credit for ethanol production, due to expire at year's end, would be extended for one year.

Bonds Program
The measure doesn't extend some features of the 2009 economic stimulus law that expire at year's end. The legislation allows the Build America Bonds program to lapse, for example. The program has been the fastest-growing segment of the U.S. municipal bond business and has been a source of underwriting fees for companies including Goldman Sachs Group Inc. andBank of America Corp.

Also excluded from the package was a renewal of a tax break sought by timber-state lawmakers. Established by the 2008 farm bill, it created a 15 percent capital-gains tax rate for corporate-owned timber sales. The provision, which would cost $339 million to renew through next year, lapsed in mid-2009.

The measure omits an extension of the advanced energy manufacturing program, which has provided tax credits to companies investing in battery technology. The administration has been seeking a $5 billion infusion into the program.

Companies including Dow Corning Corp., EI DuPont de Nemours & Co., GE and United Technologies Corp. took advantage of an initial $2.3 billion for the program in the stimulus law.
The tax agreement lacks revenue-raising offsets. It doesn't include higher taxes on the carried interest earned by private- equity fund managers and certain real estate investors. Many Democrats had been seeking to tax this compensatory income as ordinary income, not capital gains.

Bloomberg
http://www.bloomberg.com/news/2010-12-10/senate-tax-cut-extension-plan-would-add-857-billion-to-debt.html

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Climate deal reached in Cancun
Delegates hail last-minute accord at Mexico summit, but agreement fails to set specific targets for reducing emissions.

11 Dec 2010
Representatives of almost 200 nations have agreed on a plan aimed at combating climate change, including a target to limit global warming and a fund to help developing nations tackle the effects of the crisis.

However, the deal that was reached at the Climate Change Summit in Cancun, Mexico, on Saturday does not set binding targets on reducing the so-called greenhouse gases that cause climate change.

The draft simply aims to work out a "global goal for substantially reducing global emissions by 2050".

The accord says that the conference "recognises that deep cuts in global greenhouse gas emissions are required according to science ... with a view to reducing global greenhouse gas emissions so as to hold the increase in global average temperatures below two degrees Celsius above pre-industrial levels".

A UN advisory panel had suggested placing levies of some kind on the fuel or emissions of airlines and shipping companies, but such a proposal was dropped during the negotiations.

Green Climate Fund

Many of the accords from Cancun simply firm up non-binding deals from the Copenhagen summit last year, which were endorsed by only 140 nations.

A new $100bn Green Climate Fund is to help developing nations obtain clean-energy technology for cutting their own greenhouse gas emissions and adapt to potentially damaging climate change.

The fund will be steered by a board of 24 members chosen evenly from developed and developing nations.

For the first three years, the international organisation would be overseen by the World Bank.

"This sets the framework for developing countries also to take on their obligations," Barry Coates, New Zealand executive director of Oxfam, told Al Jazeera at the end of two weeks of talks that were overshadowed by disputes between rich and poor countries.

"Filling up this fund of $100bn is an urgent task. We need that funding, not only for developing countries to reduce their emissions, but because there are millions of people around the world right now suffering the effects of climate change."

The Cancun deal also agreed on ways to fight deforestation and on monitoring nations' climate pledges.

Bolivian opposition

Christiana Figueres, the head of the UN climate change secretariat, hailed the agreement as "historic". "It's the first time that countries have agreed to such a broad set of instruments and tools that are going to help developing countries in particular," she said.

Patricia Espinosa, Mexico's foreign minister, told the delegates at the end of the summit that "this is a new era of international co-operation on climate change".

The Cancun accord was passed by the delegates despite opposition from Bolivia's representative, who said that the accord required too little from developed nations.

"We won't sign a document that means an increase in the rise in temperatures when we already have 300,000 people dying every year," Pablo Solon, Bolivia's chief negotiator, said.

"Bolivia has clearly stated that it does not agree with this document and there is no consensus."

The deal was reached after delegates simply put off until next year differences between developed and emerging economies over the future of the Kyoto Protocol.

Kyoto Protocol

Kyoto, which obliges almost 40 developed nations to cut their emissions of greenhouses gases that cause global warming, runs out in 2012.

Japan and Russia fought off pressure to commit to a second phase of emissions reductions under Kyoto.

The Japanese complained that - with the rise of China, India, Brazil and others - the 37 Kyoto-bound industrialized nations now account for only 27 per cent of global greenhouse emissions.

They want a new, legally binding pact obligating the US, China and other major emitters to cut greenhouse gases.

Al Jazeera's Lucia Newman, reporting from the site of the conference in Cancun, said that most nations other than Bolivia considered that the summit had been a success.
"Fifteen hours ago it looked like this climate conference was going to be a disaster, that nothing would be approved," she said.

"This keeps the process of climate change negotiations under the auspices of the United Nations going, it doesn't allow them to collapse.

"But what it has actually done is defer a lot of the hard decisions until climate conference next year in Durban, South Africa."

Al Jazeera
http://english.aljazeera.net/news/americas/2010/12/20101211102656619655.html

Chinese inflation at 28-month high
Fears of interest rate hikes as consumer prices rise 5.1 per cent year-on-year in November, above market expectations.

11 Dec 2010
China's government has said that inflation has exceeded five per cent for the first time in more than two years, a figure analysts said was likely to lead to fresh interest rate hikes to curb rising prices.

The country's consumer price index rose a faster-than-expected 5.1 per cent year-on-year in November, as food costs continued to soar, compared with 4.4 per cent in October, the National Bureau of Statistics (NBS) said.

It was the fastest increase in consumer prices since July 2008, when inflation hit 6.3 per cent, and is well above the government's target of three per cent for 2010.

Analysts had forecast inflation would be 4.7 per cent this year, according to Dow Jones Newswires.

"Price rises in November are beyond many people's expectations indeed," Sheng Laiyun, an NBS spokesman, said.

"It will take some time for the [anti-inflationary] policies to be implemented and show clear effects."

Planning ahead

Ever fearful of inflation's historical potential to spark unrest in China, Beijing has ordered a range of steps to boost supplies of key goods after severe summer flooding and recent cold snaps hit yields and drove up prices.

As part of these efforts, the central bank announced in October the country's first interest rate rise in nearly three years.
On Friday, the central bank ordered lenders for the sixth time this year to keep more money in reserve as authorities struggle to stem the flood of liquidity into the economy, which is fanning the inflation problem.

Brian Jackson, a Royal Bank of Canada analyst, said the inflation figure showed China needed to "bring out the big guns," in pursuing an aggressively anti-inflationary policy.

He predicted Beijing would raise benchmark rates by 25 basis points before the end of the year, with rates rising a further 75 basis points over the next year.

While food costs remained the major driver of inflation last month, up 11.7 per cent on the year, non-food prices also gathered pace, rising 1.9 per cent year-on-year compared with October's 1.6 per cent increase.

"It is slightly alarming that there is price pressure outside of food," Tom Orlik, a Beijing-based analyst with Stone & McCarthy Research Associates, said.

"I don't think we are going to see rampant inflation but I think 5.1 per cent is certainly enough to have the government accelerate its efforts to contain the problem."

'Prudent' 2011 policy

There had been mounting speculation that an interest rate rise or tighter lending restrictions were imminent after Beijing pledged last week to shift its monetary policy stance in 2011 to "prudent" from "relatively loose".

However, analysts have said November could mark the peak for inflation, citing official figures that show food costs eased in recent weeks after the prices of key vegetables soared more than 60 per cent in early November.

The National Development and Reform Commission, China's economic planning agency, said in a statement it expected CPI growth to slow to less than five per cent as moves to control grain, vegetable and cooking oil prices take effect.

Economists have blamed rampant lending last year and the government's $586bn stimulus package, unveiled in late 2008 in the wake of the global financial crisis, for driving up prices.

Economic indicators

Other key data shows industrial output from China's factories rose 13.3 per cent year-on-year in November, up from 13.1 per cent in October, even as Beijing closed highly polluting operators and rationed power to energy-intensive industries.

Factories have been getting around the power restrictions by using diesel generators to keep assembly lines churning out goods, leading to a nationwide shortage of the fuel.
Fixed asset investment in urban areas, a measure of government spending on infrastructure, rose 24.9 per cent over the January to November period, slightly faster than the 24.4 per cent over the first 10 months of the year.

Retail sales, a key measure of consumer spending, jumped 18.7 per cent year-on-year compared with 18.6 per cent in October.

Al Jazeera
http://english.aljazeera.net/business/2010/2010/12/20101211151421508880.html

Google lists top searches of 2010

Year-end findings show top searches include football World Cup, video chat site Chatroulette and pop star Justin Bieber.

11 Dec 2010

Major sporting events like the football World Cup were among the top searches on the internet this year, Google says. The findings were released in *Zeitgeist 2010: How the world searched* as a year-end aggregation of billions of search queries, which the company says "captures the spirit of 2010".

2010 has been a year of global struggles ranging from the debt crisis and soaring unemployment to catastrophic tragedies caused by both man and nature. Besides world sporting events, people commonly searched for disaster stories, such as the earthquakes in Haiti and Chile, as well as the BP oil spill off the US coast in the Gulf of Mexico. But beyond all else, the results showed people's preoccupation with celebrity, as shown by queries on Canadian teen sensation Justin Bieber and singer Lady Gaga.

Chatroulette, a controversial website that offers random video chat with stranger and iPad topped the list for the fastest-rising queries.

Searching for 'love'

The most popular searches in the United Arab Emirates were for social networking sites YouTube, Facebook, the various email and short messaging services, as well as online job placement, news and entertainment portals. "Love" was the ninth most popular word searched in Kenya, along with popular social networking sites.

In India, the railway ticketing site IRCTC topped the charts of the year-on-year fastest-rising bracket, followed by queries on smartphones, songs, YouTube, movies and Bollywood stars.

In the UK, terms on the national elections such as "register to vote", "Cameron" and "Labour Party" were among the top 10 on the list of fastest-rising searches for news and current events.

Kevin Anderson, a freelance journalist specialising in digital strategy, told Al Jazeera that overall the searches were dominated by queries on gadgets and celebrities.

"Instead of bookmarks, most people were also using Google as an online address book to search for their most frequently visited sites like Gmail, Hotmail, Yahoo Mail, Facebook and Twitter, as well as favourite topics on news, food, sports, health and entertainment," he said.

"There were searches on not only natural disasters like the earthquakes in Haiti and Chile, but also charities which people can contribute to."

Al Jazeera
http://english.aljazeera.net/video/americas/2010/12/20101211122013425717.html

Bolivia lowers retirement age
Bucking a global trend which pushes workers to work longer and older, Bolivians can now retire at age 58, down from 65.

11 Dec 2010
Bolivia has lowered its retirement age to 58, breaking with the global trend of pushing people to stay in the workforce longer. The law, which also nationalises the national pension system and extends coverage considerably to the poor, was passed on Friday. Bolivia's current retirement age is 65 for men and 60 for women.

"We are fulfilling a promise with the Bolivian people. We are creating a pension system that includes everyone," President Evo Morales said at the signing ceremony, surrounded by members of the powerful Bolivian workers' federation, which helped to draft the law.

Significant advance

The law, which takes effect in a year, also extends pensions to the three million people - 60 per cent of the working population - who labour in the informal economy as everything from street vendors to bus drivers to peasant farmers.

"This is enormously important, possibly one of the greatest advances for lower- and middle-income people in South America in the last 15 years," Mark Weisbrot, co-director of the Center for Economic and Policy Research in Washington, said.

Critics say the new law is overly ambitious and unsustainable, and could breed financial disaster. Jacob Funk Kierkegaard, an economist at the Peterson Institute in Washington, says he knows of no other country lowering its retirement age at a time when higher life expectancy is burdening national budgets with pension obligations.

"I would say that they are setting themselves up for a train wreck down the road," he said in a telephone interview. "That they should be willfully going down this road strikes me as very, very shortsighted."

Other countries are moving in the opposition direction. France has led the charge to raise the minimum retirement age in Europe, increasing it last month to 62, with full benefits not available until age 67. Closer to Bolivia, Cuba has raised its retirement ages from 60 to 65 for men, and from 55 to 60 for women.

Bolivia 'unique'

Bolivia's deputy pensions minister, Mario Guillen, says his nation should not be compared to the rest of the world. "A lot of Bolivian workers perform jobs that are eminently physical, not intellectual, and this means that at age 55 they don't have the ability anymore to keep working," he told The Associated Press press agency. "Yet we made them continue."

Bolivia's average life expectancy is 68 years for women and 63 years for men, according to the UN Department of Economic and Social Affairs' Population Division. The division puts the global average at 68 for both sexes, with Western Europe at 80 and Latin America at 73.

In addition, Guillen said, the conditions spurring European governments to raise retirement ages, more elderly people and falling birth rates, don't exist in this country of 10 million where per capita annual gross national income was $1,620 in 2008.

Lowering the retirement age had long been a priority for the labour federation, a strong backer of Morales.

Thirteen years ago, Bolivia privatised pension funds after a state-run system collapsed under a cloud of mismanagement and theft.

Since then, Bolivia's two private pension funds, covering 1.2 million private and public sector workers, have been run by Zurich Financial Services and the BBVA bank. Together, they manage $4.5 billion.

The reform doesn't specify when the funds will be handed over, but Luis Acre, the finance minister, said the government is talking with companies to step down in the coming year.

Al Jazeera
http://english.aljazeera.net/news/americas/2010/12/20101211351424326 06.html

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OPEC makes no change in oil output
The organisation says the economic growth that pushed oil to above $90 a barrel this week is likely to slow next year.

12 Dec 2010
OPEC ministers have agreed to keep oil output at current levels, citing ample inventories amid persisting global economic uncertainty and a price of just under $90 a barrel.

Ministers of the 12-nation organisation of the Petroleum Exporting Countries said after their meeting in Ecuador's capital Quito on Saturday that they based their decision on projections showing demand for crude would grow more slowly in 2011 than this year.

The statement also cited the "challenging risks to the fragile global economic recovery" including "fears of a second banking crisis in Europe."

The world's major industrialized nations continue to face "lower industrial output, lagging private consumption as well as persistently high unemployment," the ministers added.

"The market is in balance and is stable," Oil minister Ali Naimi of Saudi Arabia, OPEC's biggest producer, told reporters. "The fundamentals are good." He said after the closed-door meeting, which lasted less than two hours.

OPEC's next scheduled gathering is June 2 in Vienna, its home. Asked whether it could convene earlier if prices were to shoot up, the group's secretary-general, Abdulla Salem El-Badri said that is always a possibility.

"OPEC is always ready to meet when there is important change in the market," he said.

There was much discussion about whether oil would soon broach the psychological price barrier of $100, or even climb nearer its 2008 historic peak of $147 a barrel.

Rise in demand
Venezuela's minister, Rafael Ramirez, said he thought such a price was "proper" considering how much producers invest in removing crude from the ground.

The "no-change" announcement was widely anticipated and four of the cartel's ministers -- from Iraq, Kuwait, Qatar and Nigeria -- did not even make the trip, sending lower-level delegates to this Andean capital.

OPEC, which is responsible for 35 per cent of global oil production, has not changed its output quotas since late 2008. Last month, Naimi said prices from $70 to $90 per barrel were tolerable for consumers. On Saturday, he lowered the high end to $80 when asked.

The Paris-based International Energy Agency, or IEA, said on Friday that stronger-than-anticipated consumption next year in North America and emerging Asian economies led by China could compel OPEC to boost supply "if prices continue their relentless rise."

Issuing its global oil demand forecast, the IEA said it anticipated a rise in demand next year to 88.8 million barrels a day, 260,000 daily barrels more than previously forecast.

OPEC's monthly market report, released on Friday, forecast a boost in demand of 1.2 million barrels per day in 2011 over this year's levels to an average of 87.1 million.

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