

International Business News

Cisco unveils system for super-fast internet

AFP, San Francisco

Cisco Systems on Tuesday unveiled super-fast internet hardware that promises to boost US competitiveness and bolster economic recovery by moving mountains of data at astounding speeds.

The leader in networking equipment said its new router "triples the capacity of its predecessor," and "enables the entire printed collection of the Library of Congress to be downloaded in just over one second."

The system also would enable "every man, woman and child in China to make a video call, simultaneously; and every motion picture ever created to be streamed in less than four minutes," Cisco said.

The new Cisco hardware is for the backbones of telecom firms and other Internet service providers that will be able to vastly ramp up the amount of data they handle and how fast it travels.

"They are the plumbers of the internet," analyst Rob Enderle of Enderle Group in Silicon Valley said of Cisco.

"They are the ones that make sure that the pipes are clean and large enough to handle the flow of traffic and remain up and running."

AT&T said it is testing the new routers in its network and is eager to use the technology on a wide scale.

Tourism eyes sunnier days as world's top fair opens

AFP, Berlin

The world's largest tourism fair, the ITB, kicked off Wednesday in Berlin with the global travel industry hoping for better times following a crisis-hit 2009.

According to United Nations figures, international tourist arrivals fell by four percent in 2009 and earnings from international tourism dropped by six percent as the world economy went into a tailspin.

However, speaking to reporters as the ITB opened, the secretary-general of the UN's World Tourism Organisation, Taleb Rifai, said that the worst was over.

"We do think that we are leaving the bad year behind, clearly. The last part of 2009 and the first part of 2010 indicate a bottoming out," he said.

"People are going to continue to want to travel. It's unstoppable. It's become engrained in the culture and psyche of people. It's become a human right," he said.

"Even when incomes went down, people continued to travel. They travelled differently, they travelled cheaper, they travelled closer, they spent less money, but they did not stop travelling."

At the Berlin fair, described by Rifai as "the mother of all tourism fairs", 11,127 companies from 187 countries have booked stands, organisers said, a very slight rise from last year.



A street vendor (R) walks past a local commercial bank outlet with a board showing offered annual interest rates for savings both in Vietnamese dong and US dollars in downtown Hanoi yesterday. Local commercial banks are offering competitive interest rates, both for savings and lending, in order to attract more business as the economy grew in 2009 at 5.32 percent.

Cathay Pacific returns to profit in 2009

AFP, Hong Kong

Cathay Pacific said Wednesday it returned to profit in 2009 even as the Hong Kong-based carrier's sales dropped amid turbulence in the global economy.

The airline said the bulk of its 4.7 billion Hong Kong dollar (606 million US dollar) profit came from cost cutting and gains on fuel hedging bets, which had sparked Cathay's massive 8.7 billion Hong Kong dollar loss in 2008.

Cathay said it posted a modest 285 million Hong Kong dollar operating profit last year as it wrestled with weak demand.

Revenues in 2009 were down 23 percent year-on-year to 67 billion Hong Kong dollars, it said.

"The global economic slump last year resulted in extremely challenging business conditions for the Cathay Pacific Group and commercial aviation in general," it said in a statement.

Philippine exports rise at fastest pace in 15 years

AFP, Manila

The Philippines said Wednesday that exports rose at their fastest pace in nearly 15 years in January as the Southeast Asian nation reaped the benefits of an improving world economy.

Exports amounted to 3.58 billion dollars in January, a 42.5-percent increase from the same month in 2009, the National Statistics Office said.

It was the fastest growth rate since April 1995, when the sector grew 42.62 percent, the office's research division said.

Electronics products, the country's top export sector which accounts for more than half of total shipments, rose 51.2 percent to 2.03 billion dollars year-on-year in January, it said.

"The global economy is bouncing back, and demands specially for electronic products are back on track," said Astro del Castillo, an analyst at First Grade Holdings Inc.

IRRIGATION

Indian farmers in the dock

AFP, New Delhi

India faces a water crisis with availability in decline and demand rocketing, and the profligate agricultural sector is in the firing line.

Farmers' wasteful use of water is unsustainable in a country with a fast-growing population and rapidly industrialising economy, says Water Resources Minister Pawan Kumar Bansal.

Agriculture "is going to face tough competitive demands from other sectors," Bansal told a water management conference in New Delhi recently.

"To feed 17 percent of the world's population we have only four percent of the world's water resources," he warned.

India's overall annual water consumption is expected to almost double from 634 billion cubic metres (BCM) to 1,180 BCM by 2050, according to the Central Water Commission.

The ministry of water resources predicts per capita water availability by 2050 to be less than half 2001 levels.

The concerns coincide with new worries about India's ability to feed itself as another failed monsoon hits crop yields.

Food prices are up about 18 percent over 12 months and swathes of parched earth in the countryside serve as a stark reminder of how water is inextricably linked to Indian poverty.

Last year's monsoon was the weakest since 1972, which meant the more than 100 million Indian farmers who rely solely on the rains to water their fields were left high and dry.

"What we should do, given the water requirements and demand and supply imbalance, is promote water-saving technologies like sprinklers," said Usha Tuteja, of the Agricultural Economics Research Centre at Delhi University.

Experts say free water supplies for those farmers lucky enough to live near government irrigation canals and rivers encourages waste and inefficiency.

Many farmers flood their crops, using more water than they need to, and often choose water-intensive crops in areas with low rainfall.

Bansal believes pricing water to reflect



Indian farmer Udham Singh examines his wheat crop in a field on the outskirts of Amritsar on Tuesday. India faces a water crisis, with availability in decline and demand set to rocket, placing the profligate agricultural sector in the firing line. Farmers guzzle more than 80 percent of all water used in India for irrigation purposes. The problem, says Water Resources Minister Pawan Kumar Bansal, is that this is unsustainable in a country with a fast-growing population and rapidly industrialising economy.

its scarcity would deter waste and force farmers to take "the last drop to the last mile."

But most farmers are reluctant to pay for something they take for granted now, and most Indian farmers are small-scale operators who would be unable to shoulder the cost.

"The policy needs rethinking. Only small and marginal farmers who are below the poverty line should get these inputs for free," Tuteja said.

Anil Jain, managing director of Jain Irrigation Systems, which sells micro-irrigation systems that use less water, believes his company is part of the solution.

The company sells products that feed water to the roots of crops or the soil directly through small devices such as pipes and valves.

"What farmers are doing today is flooding the entire land," Jain said. "Our concept is you need not irrigate the land, you need to irrigate the crop and provide water to the root."

Sprinklers and micro-irrigation techniques such as drip irrigation consume only half of what a farmer would normally spray on crops, and less water means less energy required to pump it out.

Micro-irrigation also reduces the amount of fertilisers and pesticides which

contaminate declining groundwater supply through runoff from excessive watering of fields.

It can even increase crop output by 40 percent, said Jain.

But many farmers are put off by the investment required in drip irrigation technology -- around 1,000 US dollars per hectare -- though there are government incentives which reimburse half the cost.

Jain believes such technologies will spread slowly across India as water becomes a major national development issue. But "it is going to take decades of work," he admitted.

ECONOMIC CRISIS

Curbing derivatives might hurt Greece

AFP, New York

Derivatives have become a dirty word.

The complex financial products helped blow up the US housing market. They all but sank AIG. Now European officials want to crack down on a derivative called a credit default swap. It's an insurance-like product that they say has worsened Europe's debt crisis and could bankrupt Greece.

Hold on, many experts say: Credit default swaps -- contracts that insure debt -- have actually prevented Greece's debacle from worsening. Without them, they say, investors would be less willing to buy Greece's debt. It would likely need a bailout to run its government and service its huge debt. That could threaten Europe's economic rebound.

"If we get to a point where we've had enough with credit default swaps, then I think Greece will have serious problems," said Darrell Duffie, a finance professor at Stanford University.

Sellers of credit default swaps agree to pay the buyers if the debt goes bad. With swaps, investors who lend to countries by buying their bonds can reduce their risk. Without them, Duffie and others say, Greece's borrowing costs would escalate because lenders would demand higher premiums.

That's not how Greece sees it.

It argues that traders of the swaps who bet against Greece's debt are raising its borrowing costs, making default more likely. It claims trading of swaps -- which is unregulated -- is racking up big profits for Wall Street banks and hedge funds at Greece's expense.

"Speculators are making billions every day betting on Greece's default," Prime Minister George Papandreou said this week in Washington, where his government is pressing the US to restrict such trading.

Greece favours banning "naked" credit default swaps on a country's debt. In naked trades, the buyers of the swaps don't actually hold the underlying debt. Yet they can still profit or lose money on the bet.

Papandreou likened this practice to buying insurance on a neighbour's house and then burning it down to collect. Without naming names, he said some US banks that were bailed out during the financial crisis are using naked swaps to make "a fortune out of Greece's misfortune."

Such speculation, he warned, could trigger a "domino effect" of higher borrowing costs for indebted countries around the



Musicians play in front of a branch of Emporiki Bank in the centre of Athens on Monday, while homeless people set themselves up. Greek civil servants launched new strike on March 8 as Prime Minister George Papandreou sought backup from Washington, and the European Union discussed proposals for a support fund. A sweeping strike is set to cripple Greece today in the second such protest in a fortnight against debt-driven austerity measures taken by the government.

world.

The prime minister said President Barack Obama, after a White House meeting Tuesday, offered a "very positive" response to European ideas for restricting currency trading. He said the issue would be discussed at the next meeting of the Group of 20 summit of leading and emerging economies in June.

The Federal Reserve is investigating how Goldman Sachs and other banks are using credit default swaps and other derivatives. The Securities and Exchange Commission is examining the issue, too.

The securities industry says that blaming the products for Greece's problems is akin to shooting the messenger. The price of the swaps reflects merely the perceived risk of buying Greece's debt, it says.

A year ago, credit-default swap investors had to pay \$250,000 to insure \$10 million of Greek debt, according to CMA Datavision. By last month, the cost surged to a record \$420,000.

As of Tuesday, the rate had fallen to less than \$300,000 after Greece announced a \$6.5 billion austerity package. Still, that's

about 10 times the cost of insuring \$10 million of US debt.

Analysts acknowledge that heavy buying of swaps can temporarily drive up a country's borrowing costs. Greece on Thursday raised \$6.83 billion through a 10-year bond issue. It paid a hefty premium to buyers willing to take the risk.

Yet without credit default swaps, the country's borrowing costs "would be even higher," said Brian Yelvington, head of fixed-income strategy at Knight Libertas.

Unable to hedge their bets on Greece's debt, lenders would demand punishing premiums from Greece, and would themselves have to pay more to offset the risk of such loans, said Mikhail Foux, a credit strategist at Citigroup in New York.

"It would be destabilising for everybody," Foux said. "As soon as you restrict the credit default swap market in even a small way, it will be more expensive to borrow and more expensive to hedge."

Foux and Yelvington say restricting naked swaps likely wouldn't make a difference for Greece. They say the amount

invested in the swaps represents only a small fraction of Greece's outstanding debt.

Investors hold \$406 billion worth of outstanding Greek bonds, according to Citigroup. But they hold only \$9 billion in insurance against that debt through credit default swaps.

Credit default swaps on countries' bonds "represent only a small percentage of government bond trading volumes, so it is difficult to conclude (they're) dictating price levels," the International Swaps & Derivatives Association said in a statement.

US regulators are trying to determine if that's indeed true. The Federal Reserve is using its supervisory authority over banks to examine swaps and other transactions that Goldman Sachs and other banks made with Greece.

Goldman was already under scrutiny for currency swap deals it undertook with Greece to reduce that country's debt. Goldman defended the transactions last month. It said their impact was minimal and within the rules.