

Euro is not in danger, IMF chief says

The institutions are still thinking too local when they're facing

REUTERS, Washington

IMF Managing Director Dominique Strauss-Kahn sat down with Chrystia Freeland, a global editor at large for Reuters, in Washington, DC, for an interview. The European sovereign debt crisis dominated most of the conversation. The IMF chief admitted that the situation "worried" him and that he wanted Europeans to find a more "comprehensive" solution:

Well, I'm worried. And that's why I'm urging the Europeans--I just attended the Euro Group meeting, which is the group of the finance minister of the eurozone--two weeks ago. I'm urging for the European Union to provide a comprehensive solution. Because this piecemeal approach, which the deal with Greece -- as was Ireland after, and maybe another country later on -- obviously doesn't work. And the markets are just waiting for what's next... The institutions are still thinking too local when they're facing global problems.

A more comprehensive solution will require better coordination among national European governments. As Strauss-Kahn



said: "You can't have a single currency, especially in times where you have troubles, without having more coordination in economic policy."

Two concrete proposals the managing director endorsed were stronger stress tests for the banking sector and an increase in resources for the European Financial Stability Facility, the European bailout fund.

Although the euro has fallen

in recent weeks on speculation that some battered members of the eurozone might be forced out, the IMF chief assured Chrystia that the euro is a resilient currency that will survive this period of panic:

It's a strong currency, which behaved during the last ten years better than even the deutsche-mark in the previous decade. I see absolutely no reason -- I see many reasons why there may be a prob-

lem in the eurozone in terms of growth -- unemployment, even beyond unemployment, social problems, because the question is a very difficult question to solve in the coming 10 years. But that doesn't mean at all that I see any threat to the euro. Any solution other than the euro would be worse for the eurozone members.

When Chrystia asked whether the EU-IMF rescue package for Ireland would work, Strauss-Kahn

replied with an emphatic "yes."

He did concede that the austerity conditions of the rescue package will make the lives of many Irish citizens more difficult. While the alternative solution forcing the creditors of Ireland's crisis-stricken banks to shoulder more of the bad bets which are weighing down the economy is popular, Strauss-Kahn said such proposals were "not responsible" because they would invite contagion:

The role of Ireland in the shadow banking system, also in the official banking system is much bigger than the size of its economy. The Irish economy is more or less one percent of the union's GDP, which is not that much. But the consequences of what's happening to the Irish bank has a lot of influence and spillover in the rest of the world, including German banks, including French banks, and obviously [the] U.K. So I wanted absolutely to say that when some are messing up in the banking sector ... the losses of the bank should not be totally paid by the taxpayer. Fair enough. On the other hand, if you don't take into account the possibility or the risk of contagion, how about putting in some place some haircut that will have to go to other countries, and, finally, put the other countries which are somewhat at risk in a situation where it will be impossible for them to find any funding. If you don't take this into account, it's just not responsible.

Iran petrol prices quadruple

AFP, Tehran

Iranian petrol prices surged four-fold on Sunday as the government started scrapping subsidies as part of a long-awaited overhaul of the economy, despite staunch opposition from conservatives.

The move comes after much debate and strong opposition from part of the Iranian parliament which had criticised the plan as inflationary at a time when the economy was reeling under sanctions and high unemployment.

Police and security forces were deployed across main squares and fuel stations in Tehran to prevent any violence as the new fuel price regime came into force on Sunday.

Motorists were hardest hit by the policy change, which sent petrol prices soaring to 4,000 rials (40 US cents) from 1,000 rials per litre for the 60 litres they receive as a monthly quota, state television reported on its website.

They now have to pay 7,000 rials per litre for any extra petrol they require.

Iran's Mehr news agency said the price of jet fuel was now set at 4,000 rials per litre for domestic flights and 7,000 rials for international flights. Diesel prices jumped to 1,500 rials from 160 rials, the television reported.

Mohammad Reza Farzin, spokesman for the subsidy plan, said the average price of household electricity was now 450 rials per kilowatt an hour, water 250 rials per cubic metre and cooking gas 700 rials per cubic metre.

"The expenses (for households) will depend on consumption. The lesser the consumption, the lesser the cost will be," Mehr quoted him as saying.

The Tehran municipality announced the rise in fuel prices would not lead to hike in fares of public transport such as the metro rail network, buses and taxis plying in the capital, media reports said.

The government plans to phase out subsidies on energy products petrol, diesel, gas, kerosene and electricity, and food items such as water and bread as part of the overhaul which had been in the pipeline for several years.

According to official estimates, subsidies on these products cost state coffers about 100 billion dollars a year.

A 2007 attempt by government to ration petrol had triggered riots in Tehran, and, on Sunday, police were guarding several fuel stations in the

Spanish unions protest retirement reform

AFP, Madrid

Tens of thousands of Spanish workers staged strikes in 40 cities Saturday to protest state plans to up the retirement age to slash public deficit, the highest in the eurozone after Greece and Ireland.

The strikers gathered in central Madrid carrying red flags and holding placards such as "No to retirement at 67", police said giving the estimates, adding they were essentially from the main UGT and CCOO unions.

"It's a direct attack on the rights of workers, who have already suffered in the crisis for two years," said Juan Carlos Caceres, a railway union leader.

Raising the retirement age "makes no sense because there is a very high level of youth unemployment," said Maria Eugenia Marcos, an unemployed telecommunications worker.

However, the 56-year-old said the protests against the reforms were "weak" as many people realised that something needed to be done safeguard future pension pots.

The government aims to trim the public deficit from 11.1 percent of annual output last year to 6.0 percent in 2011 and three percent, the European Union limit, in 2013.

Ignacio Fernandez Toxo, the leader of the CCOO syndicate, threatened a repeat of a September 29 general strike in January when Prime Minister Jose Luis Rodriguez Zapatero unveils reforms which will see the retirement age

China premier vows to boost strategic ties with Pakistan

AFP, Islamabad

Chinese Premier Wen Jiabao vowed Sunday to boost strategic cooperation with Pakistan as he wrapped up a three-day visit to Islamabad that concluded deals worth around 35 billion dollars.

"It is our collective objective to strengthen strategic ties between our two countries," he told a joint session of Pakistan's parliament before leaving to return to China Sunday afternoon.

Boosting trade and investment with Pakistan was the focus of the first visit by a Chinese premier in five years to the country, which is battling a Taliban insurgency and is at the forefront of the US-led war on Al-Qaeda.

Business leaders and cabinet ministers formalised around 35 billion dollars' worth of trade deals during the visit, signing a raft of agreements designed to prop up Pakistan's ailing economy and ease its crippling energy crisis.

Wen, who arrived in Pakistan straight from a visit to arch-rival India, Sunday predicted "sustained growth of our economic and trade ties" as the 60th anniversary of diplomatic relations between Beijing and Islamabad approached.

He welcomed Pakistani efforts to increase exports to China and said the two countries would explore the possibility of a currency swap agreement.

"The future of economic cooperation between the two countries is very bright," Wen said. "China is Pakistan's all-weather strategic partner."

Pakistan regards China as its closest ally and the deals as incredibly important to a moribund economy, which was dealt a massive blow by catastrophic flooding this year and suffers from sluggish Western investment.

The poverty-stricken country is reliant on China's clout to offset the perceived threat from rival India and rescue its economy.

But the fresh trade deals with Pakistan were dwarfed by those signed on Wen's trip to India, where he and his

400-strong delegation signed deals to double trade to 100 billion dollars a year by 2015.

Wen pledged Sunday that "China will remain steadfast in its support to Pakistan and will expect the same from the international community".

"The people of Pakistan will surely overcome (their) difficulties," he added.

Though not specifically mentioned, behind-the-scenes talks had been expected on China building a one-gigawatt nuclear power plant as part of Pakistani plans to produce 8,000 megawatts of electricity by 2025 to make up its energy shortfall.

The nuclear-armed Muslim nation, with a population of 167 million, produces only 80 percent of its electricity needs, starving industry that has slumped in the face of recession and three years of Taliban-linked bombings.

Pakistan imposed blanket security for Wen's visit, which coincided with a public holiday and the weekend, determined that suicide attacks and bombings that have killed 4,000 people since 2007 would not mar the occasion.

"Pakistan has rendered invaluable sacrifices in the war against terror," Wen said, urging the international community to respect Islamabad's efforts after leaked diplomatic cables showed US officials doubt the commitment of Pakistani politicians to fighting the Taliban and al-Qaeda.

"We should not link terrorism to any specific religion or nation, and avoid pursuing double standards while dealing with the issue. We should rather focus on the root causes of terrorism and ways to eliminate them," he added.

Wen inaugurated a 35-million-dollar cultural centre built as a monument to Pakistani-Chinese friendship and held talks with opposition leader Nawaz Sharif and senior figures in the military, which depends on China for hardware.

But local analysts recognise that China's support comes at a price -- a price that could increase as Beijing edges closer to superpower status.



A group of Chinese children takes ballet class at an exclusive kindergarten in Beijing Friday. After 30 years of rapid economic growth in China, a growing number of people can afford high-end products and the country is forecast to become the world's top buyer of luxury goods by 2015.