

# Obama's New Year's resolution? Fix the economy

REUTERS, Honolulu

US President Barack Obama has set his New Year's resolution high for 2011: repair the struggling economy.

In his weekly radio and Internet address on Saturday, the vacationing president said recent data showed the economic recovery was gaining traction even as millions of Americans are still out of work.

"Our most important task now is to keep that recovery going," Obama said. "As president, that's my commitment to you: to do everything I can to make sure our economy is growing, creating jobs, and strengthening our middle class. That's my resolution for the coming year."

Unemployment of nearly 10 percent and dissatisfaction with Obama's efforts to spur an economic recovery from the worst recession in decades helped fuel Republican victories in congressional elections in November.

Republicans will control the House of Representatives this year and Democrats will have a smaller majority in the Senate, a new political reality that will affect Obama's ability to push through his policy priorities.

The president, who forged a deal with Republicans to extend Bush-era tax cuts in the waning days of 2010, sought to strike a bipartisan note in his address.

"In a few days, a new Congress will form, with one house controlled by Democrats, and one house controlled by Republicans -- who now have a shared responsibility to move this country forward," he said.

"I'm willing to work with anyone of either party who's got a good idea and the commitment to see it through."

One area where Democrats and Republicans will be challenged to work together is on deficit and debt reduction. Senator-elect Kelly Ayotte, a Republi-



US President Barack Obama drives a golf cart alongside friend Mike Ramos (R) as he plays golf at the Mid Pacific Country Club in Kailua, Hawaii. Obama spent the last days of 2010 vacationing with his family in Hawaii.

AFP

can from New Hampshire, said her party was ready to spearhead that effort.

"Congress must get serious about meaningful debt reduction," she said in the weekly Republican address.

"This isn't a Republican problem or a Democrat problem -- it's an American problem that will require tough decision-making from both parties. Republicans are ready to lead that fight."

Obama, who arrives back in Washington on Tuesday, will have a new top eco-

nomics adviser soon to help navigate the country's economic challenges. He is expected to name a replacement shortly for Larry Summers, who held the job for the first two years of his presidency.

With Republicans gearing up for the 2012 presidential race, worries about the economy and US deficit are likely to take centre stage in the process of finding a candidate to challenge Obama, who is expected to run for a second White House term.

Ayotte signalled that Republicans would take credit for the deal with Obama to extend tax relief as one key ingredient in boosting economic growth.

"With millions of Americans unemployed or under-employed, we must work quickly to jumpstart our economy," she said.

"The successful Republican effort to prevent any income tax hikes on families and small businesses over the next two years was an important first step."

## India's current account gap widens

REUTERS, Mumbai

India's current account deficit in the September quarter widened to a record high of \$15.8 billion as booming domestic consumer demand sucked in imports and service sector exports suffered from weak global demand.

However, robust capital inflows helped the overall balance of payments remain positive, Reserve Bank of India (RBI) data showed on Friday.

The current account deficit for the September quarter widened compared with a downwardly revised \$12.1 billion in the June quarter.

A recent report by Goldman Sachs said India's current account deficit may widen to a record 4 percent in the current fiscal year ending March from 2.9 percent in the previous year, flagging the deficit as a risk for India.

The report also said the current account gap could grow to 4.3 percent in the fiscal year that ends in March 2012.

However, India's policy makers are more optimistic, with Deputy Chairman of the Planning Commission Montek Singh Ahluwalia saying earlier that India can live with a current account gap of 3 to 3.5 percent of its gross domestic product.

Senior trade ministry officials have said they expect the current account gap in the current fiscal at close to 3 percent of the GDP.

Policymakers are concerned about the manner in which the current account gap is being financed.

The Goldman report suggests that increasingly India's current account deficit is being financed by short-term capital flows, which raises India's vulnerability in the external sector in the event of a reversal of capital flows.

It, however, said India's foreign exchange reserves were adequate to offset temporary reversals in capital.

Foreign direct investment (FDI) has fallen by over 24 percent in the first seven months this year to \$12.56 billion and analysts say FDI flows are likely to remain subdued for the rest of the fiscal year as concerns abound on the slow pace of reforms and political volatility in India.

## Estonia rings in 2011 as Euro member

AFP, Tallinn

Estonia adopted the European single currency at midnight, ringing in 2011 as the 17th member of the eurozone, a bloc threatened by bailouts in Greece and Ireland and debt woes in Portugal and Spain.

As a spectacular fireworks show lit up the sky over Tallinn, the 2004 Baltic EU entrant of 1.3 million which broke free from the crumbling Soviet Union in 1991 made a reluctant farewell to its kroon, adopted in 1992 to replace the Soviet ruble.

While the centre-right government of Prime Minister Andrus Ansip has championed the switch to the euro as economic good sense despite the eurozone's turmoil, replacing Estonia's highly symbolic kroon has received a muted welcome among average Estonians.

"Estonia is the poorest country in the eurozone, so we have a lot of things to do also now after the goal of reaching the eurozone has been accomplished," Ansip said hailing the historic moment.

Joblessness shot up to nearly 20 percent this year as Estonia's economy struggled to recover from a recession that saw GDP shrink by some 14 percent last year. GDP is expected to expand by 2.5 percent this year and 4.2 percent in 2011, according to Estonia's central bank.

Ansip symbolically withdrew a new banknote from an automated bank teller at official ceremonies ushering in the euro at the national opera house as onlookers braved subzero temperatures.

"That's one small step for the eurozone and one giant leap for Estonia," Ansip said. "We are now a full member of the second biggest financial region in the world, with all of the advantages and obligations it brings," he added.

"Estonia's entry means that over 330 million Europeans now carry euro notes and coins in their pockets," European Commission Presi-



An Estonian cashier gives changes in euro bills to a customer (R) in a supermarket in Tallinn on Saturday.

AFP

dent Jose Manuel Barroso said in a Friday statement ahead of the official midnight switch.

Most surveys put support for Estonia's entry into the crisis-hit eurozone at around 50 percent, with almost 40 percent opposed.

Opponents say that Estonia's timing could not be worse with the euro under threat after bailouts in Greece and Ireland and concerns about Portugal and Spain.

A recent opinion poll in eurozone heavyweight Germany found meanwhile that 49 percent of respondents wanted the deutschmark back.

But Ansip's government has long insisted adopting the euro is an important signal to investors and will be a boon for businesses as 80 percent of Estonia's trade is within the 27-nation European Union.

"Estonia! Welcome to the Titanic," read posters plastered near the opera house by critics of the currency switch.

"Estonia is like a passenger that got the last ticket for the Titanic," said Anti Poolamets, the eurosceptic head of the "Save the Kroon" campaign.

Pollsters also flag up concerns

over price hikes and simple nostalgia for the kroon.

For the last 19 years it carried much more than just monetary value for Estonians and was seen as a tangible sign of the success of the country's patient post-war struggle for independence from the Soviet Union and came to symbolise national sovereignty.

"Estonians are very emotional, nobody really wishes to say goodbye to kroons and it is a sad moment for me also," Estonia's Finance Minister Jurgen Ligi told reporters.

However bidding the kroon farewell was the "only way to join the eurozone," he said.

"When we switched from rubles to our own kroon currency, I cried like most Estonians that day. There are no such emotions now, just a neutral feeling," Sirje Kaart, 46, told AFP as she withdrew her first euro banknote in central Tallinn after the switch.

Estonian President Toomas Hendrik Ilves meanwhile highlighted the symbolism of becoming the eurozone's third ex-communist member, after Slovenia in 2007 and Slovakia in 2009.

## Merkel must get Germans to back sound EU integration

AFP, Frankfurt

The debt crisis has strengthened Germany's hand in Europe, but Chancellor Angela Merkel will have a tough time convincing voters that leadership might also mean digging deep for additional aid.

"So far, people do not see the costs that is associated with what politicians have agreed to, namely some nation states underwriting the debt of others," Barclays Capital economist Thorsten Polleit told AFP.

"It is an open question whether the crisis is over or we are just in the eye of the storm."

As the de facto eurozone paymaster, Merkel imposed strict aid conditions and insisted member countries coordinate economic policies to parry future crises.

But she must still persuade voters that Germany cannot turn its back on Europe even if it means contributing to a permanent rescue fund.

"A unified Europe is the guarantor of our peace and freedom. The euro forms the basis of our prosperity," she stressed Friday in her New Year's address.

But the crisis' final cost is unknown and perpetual change generated by the eurozone project unsettled many Germans already, psychologist Monika Mueller said.

## Spanish downturn ends immigrants' dream

AFP, Madrid

After losing her job as a maid several months ago, 26-year-old Magaly Baez is preparing to return to Paraguay with her husband, an unemployed waiter, and their nine-month-old baby.

"The plan had been to stay in Spain, bring over our children and obtain residency papers," she said as she left a government-run soup kitchen set up by the regional government of Madrid specifically for immigrants.

Spanish visa rules deny renewal requests if immigrants become unemployed and fail to make social security payments. So without jobs the couple are no longer living legally in Spain, putting an end to their hopes of having their three other children to join them in the country.

Just three years after moving to Spain, the couple has decided to accept the offer to have their return trip home paid for by the Spanish government.

Spain's sharp economic downturn has put an end to the dream of a better life for tens of thousands of immigrants from Latin America like Baez who moved to the country over the past decade.

The country has 5.7 million immigrants, just over one-quarter of them from former Spanish colonies in Latin America, out of a total population of 47 million, up from around half a million in 1996.

Many were drawn to jobs in the construction sector, which collapsed when the bubble burst on Spain's credit-fueled property market at the end of 2008, causing the unemployment rate to soar, especially amongst immigrants.

Spain's jobless rate stands at around 20 percent for the general population but it is ten percentage points higher amongst immigrants, according to official data.

Of all the member states of the Organisation for Economic Cooperation and Development with a foreign population of at least ten percent, Spain has the highest immigrant unemployment rate. Without steady jobs, many immigrants struggle to cover basic necessities. Baez said she earned some

money babysitting or doing housecleaning but relied on charities like the soup kitchen to survive.

"At the beginning I felt ashamed. But if it wasn't for this, who knows what we would eat," she said as she held bags of food provided by the soup kitchen to feed herself, her husband and her baby.

The soup kitchen has gone from feeding 300 people a day before the collapse of the property sector to 500 last year and over 600 currently.

Prime Minister Jose Luis Rodriguez Zapatero's Socialist government launched a programme at the end of 2008 to ease the "voluntary return" of jobless immigrants which allows them to collect their unemployment benefits in two lump-sum payments if they go back to their countries of origin.

At the time the government estimated around 100,000 people would take advantage of the programme but so far only 15,000 people have applied, according to labour ministry figures.

"It has been a failure," said Raul Jimenez, the spokesman of Ruminahui, a group which represents Ecuadoreans living in Spain.

"The amount of money offered is not enough to pay for return flights, buy a house and set up a small business."

Many immigrants say they do not want to accept the lump-sum payments because of the requirement that they give up their right to live and work in Spain for three years in return.

Others say they are embarrassed to return home with little to show for their time in the country, or have mortgages and other debts in the country to pay or they do not want to pull their children out of school.

"The return is not right for us now," said German Cuellar, a 44-year-old Bolivian who lost his job as a waiter a year and a half ago as he left the soup kitchen with food for his wife and their two sons aged 17 and three.

"We will fight to the end. If we have to leave, we will. But as our sons are in school we do not want to interrupt their studies."

But Cesar Lezcano, a 40-year-old Ecuadorean, said he did not think too long about accepting the offer after he lost his job at a bakery in the town of Alcala de Henares located just outside the Spanish capital.

"Every day I would see friends who could not find work. I wanted to make use of the little which I had," he said