After the Great Recession, the Great Regression?

REUTERS, *Paris*

After the Great Recession, Europe has embarked on a Great Regression. Wages, pensions, unemployment insurance, welfare benefits and collective bargaining are under attack in many areas as governments struggle to reduce debts swollen partly by the cost of rescuing banks during the global financial crisis.

The European Union, which long trumpeted a European social model with a generous welfare state, social partnership between unions and employers and a work-life balance featuring limited working hours and long paid holidays, has lost its swagger.

"The prevailing philosophy is that people have been paying themselves too much in some countries and we should be more like Germany, where people didn't get a real pay raise for 10 years," says John Monks, head of the European Trade Union Confederation.

Unlike bankers and bondholders, the European social model is being given a haircut -- a light trim in Nordic countries but a brutal short-back-and-sides in some others.

The roll-back of wages and social benefits is toughest in Greece, Ireland, Romania and Latvia, which are under international bailout programmes designed by the International Monetary Fund and the European Commission.

"The messages are the same: cut wages, public sector wages, minimum wages, reduce benefits and raise retirement ages and also reduce employment protection in certain countries," Monks told Reuters in an interview.

REUTERS

A vendor inspects a 20 Euro bank note in a shopping centre in Tallinn.

Under the banner of fiscal sustainability, Europe's mostly centre-right governments are unwinding some cherished gains of the era of social progress that began after World War Two, at the price of widening inequality.

A "competitiveness pact" which German Chancellor Angela Merkel wants the European Union to adopt next month includes a greater harmonisation of retirement ages and the abolition of inflation-indexing of wages, according to a leaked draft.

"You cannot share a single currency with completely divergent social systems," Merkel told the World Economic Forum in Davos last month.

She and French President Nicolas Sarkozy ran into resistance when they put the proposals last week to fellow EU leaders, some of whom saw them as socially explosive.

Greek Prime Minister George Papandreou, one of Europe's few remaining socialist government chiefs, lamented in Davos that the global crisis had speeded a race to the bottom in labour standards and social protection in the developed world.

Emerging countries such as China and India had achieved competitiveness through low wages, no collective bargaining, little or no healthcare and social insurance and disregard for the environment in exploiting resources and production.

"The question for Europe is: do we emulate that model? ... because what we are seeing is on the one hand a race to the bottom at the level of the middle class and working class, and at the other end a race to the top," Papandreou said.

Greece, rescued from the brink of bankruptcy last May, has adopted deep austerity measures in return for EU/IMF loans, including steep public sector pay and pensions cuts.

The conditions include a rewriting of its labour laws that trade unions and the labour minister say would gut workers' rights to collective bargaining and job security.

Ireland cut its minimum wage by 11 percent to 7.65 euros ($10.40) an hour under a 2011 budget that forms the basis of its EU/IMF assistance programme.

Where such measures have not been directly imposed by the IMF and the European Commission, they are being adopted out of fear of having to request a bailout (Spain and Portugal), or of the loss of a top-notch credit rating (Britain and France).

Sarkozy forced through an increase in France's minimum retirement age to 62 from 60 last year over the resistance of trade unions which staged seven one-day strikes.

Spain and Portugal, under much fiercer bond market pressure, have avoided such labour unrest by negotiating social pacts.

The Spanish government, unions and employers signed an agreement last week that will gradually raise the retirement age to 67 from 65, with pensions based on the last 25 years' earnings rather than the last 15 years.

The accord included a reform of collective bargaining and measures to fight 20 percent unemployment, particularly targeted at young job-seekers and the elderly unemployed.

AOL to buy Huffington Post for $315m

REUTERS, *Washington*

AOL Inc has agreed to buy The Huffington Post, the influential and rapidly growing news, analysis and lifestyle website, for $315 million, the struggling US Internet company announced on Monday.

The move will create a media group that will have a combined base of 117 million visitors a month in the United States, and reach 270 million people globally, AOL said in a statement.

The deal follows efforts by AOL's chief executive Tim Armstrong to turn around the dial-up Internet access business by trying to turn it into a media and entertainment powerhouse, despite difficulties in attracting investors.

AOL suffered sharp declines in advertising sales and dial-up subscriptions in the fourth quarter of 2010, driving overall revenue down 26 percent.

Arianna Huffington, co-founder of The Huffington Post, said on her blog that she would lead a newly formed The Huffington Post Media Group, which will integrate all Huffington Post and AOL content, as its president and editor-in-chief.

"By combining HuffPost with AOL's network of sites, thriving video initiative, local focus and international reach, we know we'll be creating a company that can have an enormous impact, reaching a global audience on every imaginable platform," she said.

Approximately $300 million will be paid in cash in the purchase, which has been approved by the boards of directors of both companies and shareholders of The Huffington Post, though it still needs government approvals, AOL said.

The deal, expected to be closed in the late first, or early second quarter of 2011, will combine AOL's infrastructure and scale with The Huffington Post's pioneering approach to news and innovative community building, AOL said.

"The acquisition of The Huffington Post will create a next-generation American media company with global reach that combines content, community and social experiences for consumers," Armstrong said in the statement.

AOL said the acquisition would accelerate its strategy to deliver an array of premium news, analysis and entertainment.

The Huffington Post, started in 2005, has grown into one of the most heavily visited news websites in the United States.

"The Huffington Post has already been growing at a prodigious rate. But my New Year's resolution for 2011 was to take HuffPost to the next level -- not just incrementally, but exponentially," Huffington said in her blog.

She said the Huffington Post decided early this year to expand into more local news coverage, launch international sections (starting with HuffPost Brazil) and increase original video content.

Purchase by AOL, with its network of blogs such as AutoBlog, Music, AOL Latino, Black Voices, its local news operation Patch.com and new video-production studios, will allow these goals to be met, she said

"Far from changing our editorial approach, our culture, or our mission, this moment will be for HuffPost like stepping off a fast-moving train and onto a supersonic jet," she said.

Chrysler and VW win Super Bowl ad battle

REUTERS, *New York*

A Chrysler commercial featuring rapper Eminem and a lighthearted Volkswagen advertisement triumphed on Super Bowl Sunday, as the annual battle of the brands turned into an all-out marketing blitz by automakers.

A science-fiction-themed ad for Motorola's new Xoom tablet computer was among the other spots praised by several marketing experts who watched this year's Super Bowl, along with 100 million or so other Americans. Another popular spot came from E*Trade Financial Corp and featured its popular spokesbaby getting measured by his tailor Enzo, "the artiste behind my wardrobe."

Hardly a commercial break passed without an ad from the automotive industry, including those by Mercedes-Benz, a unit of Daimler AG, BMW, Hyundai Motor Co, Kia Motors Corp, Audi and General Motors Co, which sat out the last two Super Bowls.

Standing out from the parade of auto commercials, Chrysler Group LLC ran a rare two-minute ad that showed a gritty, tough, proud Detroit. "What does a town that has been to Hell and back know about the finer things in life?" the narrator asks. "Well, I'll tell you, more than most."

Sweeping views of the city -- joggers, soaring skyscrapers , ice skaters, as well as bleak landscapes -- follow until the ad winds up with Detroit native and rapper Eminem standing on a stage with a gospel choir, declaring, "This is the Motor City and this is what we do."

Volkswagen AG hit a far different note with its equally well-received spot called "The Force." In the lighthearted commercial, a boy dressed as Darth Vader believes he used the mythical "Star Wars" force to start his dad's Passat.

"Volkswagen did really well, a nice creative build that ends with a good positioning of the brand," said Professor Derek Rucker of the Kellogg School of Management, who oversees a Super Bowl advertising review. "Given the number of car companies, this could be a big coup for them."

Nokia likely to sack several executives

REUTERS, *Frankfurt*

The world's biggest cellphone maker Nokia is likely to sack several executive board members in a management shake-up, a German weekly reported.

As rival companies have been eating into Nokia's market share, Chief Executive Officer Stephen Elop, who took over last September, is due to unveil a revamp of the company's strategy, which could include organizational changes, on February 11.

Citing company sources, German weekly Wirtschaftswoche reported on Saturday that Mary T. McDowell, the executive in charge of Nokia's mobile phones unit, may have to leave the company along with Niklas Savander, the manager of the markets unit.

AFP

A worker cleans second hand motorcycles at an outlet in Hyderabad on Saturday. Used cars and motorcycles are a profitable deal and an important segment of the Indian automobile market. India's stockmarket already slumped this year and analysts say any signs of inflation spinning out of control could scare away global investors.

US concerned over barriers to India trade ties

REUTERS, *New Delhi*

US Commerce Secretary Gary Locke said on Monday he was concerned about India's tariff and non-tariff barriers, highlighting the hurdles in boosting bilateral trade despite their growing economic and security ties.

Locke's remarks came after a meeting with Indian Trade Minister Anand Sharma where the two sides reviewed progress on thorny issues such as market access and non-tariff barriers.

Despite India's growing global weight, it is only the United States' 14th biggest trading partner and obstacles, from outsourcing controversies to the Doha world trade round and market access, have put the brakes on faster integration.

"Even though India has made tremendous strides to open up its economy there is much more work that is left to be done," Locke told reporters.

"While many tariffs have come down, others remain. Even when there are not outright tariffs there are non-tariff barriers that limit trade and investment."

The stakes on trade are high as the United States and India need each other to meet ambitious export targets amid a sluggish US economic recovery, yawning trade deficits with China and fears of global imbalances sparking a standoff.

As part of its efforts to boost trade with India, United States has said it would ease restrictions on exports of high-technology goods to India in recognition of stronger economic and national security ties.

On Monday, Sharma welcomed that move.

"... there will be full cooperation in space technology, nuclear technology and other high-end technologies between the US and India," Sharma told reporters.

A bilateral trade boom has seen total flows treble to $36.5 billion in goods in the decade to 2009-10, but the United States slipped from number one to three in India's trade partners. India lags China, which is the United States' third biggest trading partner.

AFP

Indian Minister for Commerce and Industry Anand Sharma (L) shakes hands with US Commerce Secretary Gary Locke (R) prior to a meeting in New Delhi yesterday.

The Obama administration wants to double its exports within five years to bolster domestic growth and create jobs.

But both sides have accused each other of policy foot-dragging, especially over the Doha trade talks. In India there is a sense that New Delhi is much keener to push for a deal than Washington.

The United States complains that India has not accepted the responsibility that comes with its growing economic strength in the world and insists on shielding many sectors.

In recent times temperatures have risen over a US visa fee hike that is expected to hit India's IT industry as well as proposed tax changes that would end breaks for US firms that create jobs and profits overseas.

On Monday, however, Indian Trade Secretary Rahul Khullar said India will not go rushing to the World Trade Organisation (WTO) to settle the dispute over an increase in US visa fees.