

# G20 seeks elusive deal on economic indicators

AFP, Paris

G20 nations struggled Saturday to overcome Chinese opposition on how best to measure and tackle massive global economic imbalances, key to their flagship initiative to avoid another financial crisis.

Finance ministers and central bankers from the 20 top developed and developing economies sat down for talks after their negotiators worked through the night to resolve disagreement.

"There is still no consensus but it's evolving," a G20 diplomatic source told AFP before the talks got underway.

But faced with Chinese opposition to several of the key indicators being considered, French Finance Minister Christine Lagarde decided to delay discussion on them to the end of the talks later Saturday, a G20 source said.

Discussion as a result shifted to other French priorities for its turn at the G20 helm -- reforming the international monetary system and reducing volatility in commodities markets.

Failure to agree on the indicators could hobble G20 efforts to remedy the huge trade and currency imbalances at the root of the 2008 global crisis and which many believe continue to threaten disaster.

The G20, whose members account for 85 percent of total world output, became the top global forum in the wake of the 2008 crisis, with avoiding a repeat its top priority through the early diagnosis of economic imbalances and better coordination to eliminate them.



debt, plus the level of private savings.

The other two measure external imbalances -- the current account balance or trade balance, or foreign currency reserves or real exchange rates.

The disagreement centres on the external indicators, which capture different aspects of a country's position vis-a-vis the rest of the world and so are crucial to measure the imbalances between them, for example the huge Chinese trade surplus with the United States which Washington blames on a weak yuan.

"China is reluctant, it prefers the trade balance to the current account balance," which is favoured by other countries, said the diplomatic source.

China is also hostile to currency indicators as it has accumulated huge foreign currency reserves and the yuan is not freely convertible.

China last year resisted a US proposal to stabilise current account balances by setting a four-percent cap on countries' deficits and surpluses.

The United States and other Western powers accuse China of holding down its currency to boost Chinese exports. China denies any such manipulation, blaming the imbalance on structural problems in its trade partners' economies.

In welcoming remarks on Friday, French President Nicolas Sarkozy warned the ministers that failure to put aside national interests and reach a deal would kill off the G20.

"The temptation to give priority to national interests is great. But let me tell you clearly -- that would be the death of the G20," said Sarkozy.

Singapore budget targets widening income gap

REUTERS, Singapore

Singapore unveiled a budget on Friday brimming with handouts for poorer citizens, with an eye on elections that are widely expected in the second quarter and the social impact of rapidly rising prices.

Measures for the upcoming financial year included a package of benefits for Singaporeans worth S\$6.6 billion (\$5.2 billion), as well as lower income taxes for middle-income wage earners, Finance Minister Tharman Shanmugaratnam told parliament in his budget speech.

Analysts said that was more than double the incentives announced in the budget before the last election in 2006.

Other handouts included increased subsidies for first-time buyers of government-built HDB apartments and grants to lower-income Singaporeans in the form of salary top-ups. Some benefits would be paid into retirement accounts.

"The incentives are mainly for lower-income and middle-income households," said Chow Penn Nee, an economist at United Overseas Bank. "It is the last budget before elections."

The next election must be held by February 2012.

In response to growing inflationary pressures, Tharman said the central bank would allow the currency to appreciate in order to moderate price increases, but warned that any sharp gains in the Singapore dollar posed dangers to the economy.

European Central Bank President Jean-Claude Trichet (R) reacts as he speaks with China central bank Governor Zhou Xiaochuan at the opening session of the G20 finance ministers and central bank governors at the Bercy Finance Ministry in Paris yesterday.

Despite Beijing's reluctance, France still hopes agreement can be reached on Saturday, said the diplomatic source. Germany, another major exporter nation like China, is trying to mediate a deal so a final accord can be announced.

France wants an agreement as soon as possible so that in the second half of this year the International Monetary Fund can make economic policy recommendations to nations.

"We need a thermometer that works so we can examine the imbalances in all their aspects to make as useful a diagnosis as possible," one negotiator said.

A series of four indicators are under discussion.

Two measure imbalances within countries -- the public deficit and

deficit, plus the level of private savings.

The other two measure external imbalances -- the current account balance or trade balance, or foreign currency reserves or real exchange rates.

The disagreement centres on the external indicators, which capture different aspects of a country's position vis-a-vis the rest of the world and so are crucial to measure the imbalances between them, for example the huge Chinese trade surplus with the United States which Washington blames on a weak yuan.

"China is reluctant, it prefers the trade balance to the current account balance," which is favoured by other countries, said the diplomatic source.

China is also hostile to currency indicators as it has accumulated huge foreign currency reserves and the yuan is not freely convertible.

China last year resisted a US proposal to stabilise current account balances by setting a four-percent cap on countries' deficits and surpluses.

The United States and other Western powers accuse China of holding down its currency to boost Chinese exports. China denies any such manipulation, blaming the imbalance on structural problems in its trade partners' economies.

In welcoming remarks on Friday, French President Nicolas Sarkozy warned the ministers that failure to put aside national interests and reach a deal would kill off the G20.

"The temptation to give priority to national interests is great. But let me tell you clearly -- that would be the death of the G20," said Sarkozy.

## Watch over requisitioned Ivory Coast banks

AFP, Abidjan

Security forces loyal to Ivory Coast strongman Laurent Gbagbo were posted Friday outside the shut headquarters of subsidiaries of French banks, a day after they were requisitioned by the regime.

France on Friday condemned Gbagbo for announcing that he was taking control of these banks and stated that the decision was null and void "since it comes from authorities that are not legitimate".

The United States also denounced the nationalisation, with State Department spokesman Philip Crowley telling reporters, that it "could result in serious implications for monetary stability and investor confidence" in Ivory Coast.

In the Plateau business district, about a dozen soldiers were watching over the entrances to the SGBCI, the Ivorian subsidiary of France's Societe Generale, which was closed for business. A police truck was stationed nearby.

In front of the headquarters of the BICICI, subsidiary of French group BNP Paribas, more than a dozen policemen and paramilitary gendarmes were



People walk past a branch of the SGBCI, the Ivorian subsidiary of France's Societe Generale, in Abidjan on Friday. Security forces loyal to Ivory Coast strongman Laurent Gbagbo were posted outside the headquarters of two subsidiaries of the French banks, a day after they were requisitioned by the regime.

posted on guard. The BICICI has been shut since Monday.

Ordinary citizens were going about their business as usual outside the SGBCI building, headquarters of the biggest bank in the country, after a run on banks earlier this week that led Gbagbo to announce Thursday he would take control of the two French affiliates.

"We condemn the announcement by Laurent Gbagbo of the nationalisation of a certain number of foreign banks, including the subsidiaries of BNP Paribas and the Societe Generale," French foreign ministry spokesman Bernard Valero said in Paris.

"This decision has no legal effect since

it comes from authorities that are not legitimate," Valero added. "France reiterates its condemnation of all violence and threats made against financial institutions and violence against civilians."

The west African country has been in political and economic crisis since November 28 presidential elections, which most of the international community recognised as won by Gbagbo's main rival Alassane Ouattara.

In Washington, Crowley said: "The best hope for the Ivorian people to regain their economy and future is for democracy to prevail and Mr. Gbagbo to step down."

But Gbagbo has refused to quit power, despite strong domestic and foreign pressure. He has ruled the country, which was divided by conflict from 2002, since 2000.

The requisitions are "in all illegitimacy and illegality void", said Ouattara spokesman Patrick Achi in a statement.

The banks' closures were due to agitation created by Gbagbo's regime that "undermines the foundations of our banking and financial system, compromises the security and deposits of populations and of economic operators", it said.

## US House defies Obama, passes spending-cut bill

REUTERS, Washington

The US House of Representatives on Saturday approved legislation to cut federal spending deeply through September, a plan that is sure to be stopped by President Barack Obama and his fellow Democrats in the Senate.

The Republican-backed bill is a challenge to Obama to show he is serious about closing record budget deficits and sets up the possibility of government shut downs if a compromise is not worked out by March 4, when current funding expires.

On a largely partisan vote of 235-189, House Republicans won passage of the bill to cut current spending by about 14 percent, or more than \$61.5 billion from current levels, marking a victory for Tea Party conservatives who were elected in November.

House Speaker John Boehner said the legislation was part of Republican efforts "to liberate our economy from the shackles of out-of-control spending."

Obama has outlined his own plan for less severe spending cuts in 2012, and has warned that tightening the belt too much too soon could harm the slow economic recovery.

Attention now shifts to the Senate, which will write its own version of a government funding bill for this fiscal year, which ends on Sept. 30.

The House spending cuts reflect Republican opposition to federal regulation, which they say hampers business growth, and distaste for taxpayer dollars being used for programs ranging from job training and food aid for the poor to NASA space exploration.

In one of the most significant moves during a week of House debate, Republicans passed amendments stopping the Obama administration from carrying out the landmark healthcare reforms enacted last year.

Republicans campaigned against that law all last year, saying it places burdensome regulations on business and stifles job creation.

Many Democrats defend the healthcare law's expansion of medical coverage to the uninsured and toughening of consumer protections. They pledge to defend the law in the Senate.

But the Supreme Court ultimately is expected to decide the law's constitutionality and its fate.

## Nokia sees Windows phone prices dropping fast

REUTERS, Helsinki

Prices of smartphones using Microsoft's Windows Phone software platform will fall fast, Nokia's chief executive Stephen Elop said on Friday.

Last week Nokia, the world's largest phone maker by volume, said it would adopt Microsoft's software across its smartphones, raising fears the firm would miss out during the transition on surging demand for cheaper smartphone models.

Elop said one of the key topics in the talks on doing a deal with Microsoft was convincing Nokia that it could reach a very low price point.

"We have become convinced that we can do that very quickly," Chief Executive Stephen Elop said in a meeting with Finnish business journalists.

Trying to better compete with Apple's iPhone, Microsoft has so far had tight hardware requirements for phone models using its software -- pushing up handset prices and limiting the potential market.

As part of the push to a wider market and lower prices, Microsoft plans to open its mobile platform to other chipset suppliers beyond Qualcomm.



Nokia President and CEO Stephen Elop speaks at the GSMA Mobile World Congress in Barcelona.