Leaders warn pact could create two-speed Europe

AFP, *Warsaw*

Central European states have given a cool reception to a Franco-German proposal for a eurozone competitiveness pact, pointing to the risk of a two-speed Europe, even though few are in any rush to adopt the single currency.

Leaders of the 17-member eurozone will hold a special Brussels summit on March 11 on the proposed pact aimed at reinforcing policy coordination at a time when the bloc is battling a debt crisis.

The move has raised eyebrows among the 10 EU members who are not yet a part of the euro club and have not been invited to attend the summit.

This is particularly the case in Poland, Central Europe's heavyweight.

Prime Minister Donald Tusk has warned against the proposed pact "leading to a return to a two-speed Europe."

European budget commissioner Janusz Lewandowski, a fellow Pole, recently echoed him.

"We are almost on the path of a two-speed Europe," Lewandowski said commenting on the proposed eurozone pact.

Countries which have not yet joined the eurozone "must try to keep the door open, to be part of the decision-making mechanisms," he said on a recent visit to 2007 EU entrant Bulgaria.

"After being integrated, we cannot tolerate being excluded once again because the eurozone is constructing some kind of internal structure," he added.

AFP

French Dominique Strauss-Kahn, managing director of IMF, speaks at a press conference as part of the G20 Finance summit on Saturday at the Finance Ministry in Paris. Finance chiefs from the G20 wrestle over how to steady the world economy at two-day meetings in Paris.

For now, Poland appears to be in no hurry to join the zone plagued by a debt crisis.

Deputy finance minister Ludwik Kotecki has suggested 2015 as "the first possible date, but not the most likely one" to adopt the common currency.

But 2020 seems a "more likely" target according to Professor Krzysztof Rybinski, head of the Warsaw-based University of Economics and Computer Sciences.

"Poland still has a lot of work to do to meet Maastricht criteria" of macro-economic prerequisites for eurozone entry, he told AFP.

"Being outside the eurozone allowed Poland to survive the (global economic) crisis," due to a market-driven devaluation of its currency buoying exports, observed Poland's central bank president Marek Belka.

"But politically, it is no good" to be outside the single currency bloc, he insists.

Struggling to overcome its public debt and economic crises, Hungary's Prime Minister Viktor Orban is also loath to name a target for euro adoption.

In the Czech Republic, setting a eurozone entry date is also tricky. Right-wing Prime Minister Petr Necas said he has no intention to peg a date during his mandate which ends in July 2014.

Necas recently agreed that a number of the proposals made by Berlin and Paris in the areas of pension reform and limits on public debt are steps in the right direction.

"On the other hand, the idea of harmonising direct taxes is clearly a move in the opposite direction when it comes to the competitiveness of the Czech Republic, hence we find this idea very hard to accept," he said.

A eurozone member since 2009, Slovakia has joined the camp slamming the competitiveness pact. According to centre-right Prime Minister Iveta Radicova, economic policy harmonisation "has its limits."

Meanwhile, the eurozone's newest member, the tiny Baltic state of Estonia which joined at the New Year, has voiced optimism over the Franco-German proposals.

"These opportunities must be used in full to promote sustainable budgetary policies and necessary structural reforms in support of improved competitiveness," Jurgen Ligi, Finance Minister of Estonia told AFP.

With its lat currency pegged to the euro, neighbouring Latvia is optimistic about the proposed pact but is also keen to be involved in eurozone decision-making.

"From my point of view, this plan is in some aspects very important because of course France and Germany are very important players," Latvia's Foreign Minister Girts Valdis Kristovskis told AFP recently.

"But at the same time, we are very interested in participating in the decision-making process which is related to the stability and the power of Europe," he said.

Hoping to adopt the euro by 2014, neighbouring Lithuania has also termed the proposed pact "positive".

"All initiatives which bolster European Union competitiveness are welcome," Mykolas Majauskas, a senior finance and economic advisor to the Lithuanian prime minister told AFP. But he also insists the club of "17 must remain open."

US will out-hustle world: Obama

AFP, *Hillsboro*

President Barack Obama vowed Friday to make America "the best place on Earth to do business," making his case for investments that have sparked a raging budget battle with Republicans.

Obama traveled to Intel's most sophisticated semiconductor plant in Oregon to tout his plans to invest in science and education despite seeking ways to rein in spending in other areas to deal with a ballooning deficit.

"In a world that is more competitive than ever before, it's our job to make sure that America is the best place on earth to do business," Obama said.

"Even as we have to live within our means, we can't sacrifice investments in our future," Obama said.

"If we want the next technological breakthrough that leads to the next Intel to happen here in the United States -- not in China or not in Germany ... then we have to invest in America's research and technology, in the work of our scientists and our engineers."

Obama's budget released on Monday would shift billions towards technology and green energy sectors, and into transportation systems, while imposing spending freezes and trimming unaffordable projects.

But Republicans complain Obama is wasting money on big spending programs while doing little to bring the deficit, forecast to reach $1.65 trillion this year, under control.

Since his State of the Union address last month, Obama has been trying to convince Americans that their country can only compete with nations like China and India with a burst of innovation and new investment.

"If we want to make sure Intel doesn't have to look overseas for skilled, trained workers, then we've got to invest in our people -- in our schools, in our colleges, in our children," Obama said in Oregon.

"Basically, if we want to win the future, America has to out-build, and out-innovate, and out-educate and out-hustle the rest of the world. That's what we've got to do."

Gold rush means hard times in Portugal

AFP, *Lisbon*

Portugal's financial woes have triggered a gold rush of sorts, as the country's debt-strapped population sells off family valuables to pay their monthly bills.

From capital Lisbon to the northern city of Porto, home of the famous fortified wine, appeals to trade second-hand gold jewellery for euros are mushrooming.

"We buy used gold for cash," read posters plastered on street corners and shopping malls. The solicitations are also made in page-long newspaper advertisements and radio spots.

"The sector is witnessing a real boom," said Rui Pinhao, director of Valores, which catapulted to leader in the used gold market over the last two years with 150 franchises across the country.

"Last year, we have tripled out gold purchases and 2010 was our best year in two decades," he said.

The used gold market is among the few booming these days in Portugal, as the government enacts tough austerity measures to pare a soaring public debt and deficit.

Recently announced cuts in public sector pay have triggered a series strikes, including one crippling rail services this week.

The market is also blossoming thanks to rising prices for gold over the last 10 years, Pinhao said, benefiting the Portuguese "who have always been very fond of gold jewellery."

Based on data offered by Valores and its top rival Ourinvest, buyers make a profit of between 1.5 - 2 euros ($2 - 2.7) per gramme of gold, which is then melted into ingots and resold on the international markets.

If merchants are celebrating the booming sales of second-hand gold, they also attest to personal tales of loss large and small; middle-aged ladies selling their jewellery to pay their rent or business owners seeking to recapitalise ailing firms.

Faced with an era of belt-tightening, "the Portuguese are not hesitating," Pinhao said.

The tough times translate into good business for 51-year-old Luis Araujo, a former bank employee who opened his boutique in the heart of Lisbon's old quarters six months ago.

The tools of his trade are few -- just an electronic scale and a brochure showing the different types of gold, their colour and their degree of purity.

"People come and show me what they have to sell," Araujo says, describing the average seller as a woman aged between 30 and 50 years.

"I weigh, I observe and I make them an offer. If they accept -- which is almost always the case -- I pay and it's a done deal."

Araujo's prices vary sharply, from 20 euros ($27) for a small gold ring to up to 1,000 euros for some 50 grammes (1.76 ounces) of jewellery.

"It's strange but almost everybody feels obligated to justify why they're selling," he said. "Some needed money to buy Christmas presents or pay for their son's marriage."

Others, hit by unemployment and other difficulties, have become regular clients, "selling their jewels one by one to pay their rent," Araujo said.

"The country's economic situation has turned selling gold as a way of earning money into common practise," said Ourinvest General Director Luiz Pereira.

While virtually all of those selling are individuals, Pereira says some include "business owners who sell their personal goods to recapitalise their companies."

Indeed, Pereira may be among the few Portuguese looking forward to a bumper financial year.

"The prospects for 2011 are very positive," he said, "the crisis has settled in and gold prices will likely keep rising."

AFP

A woman checks the purity of a gold ring, in one of many stores that have opened recently to buy gold, in Lisbon. Buoyed by the crisis and an immediate need for cash income, the Portuguese have been increasingly willing to sell off their family jewelery, amidst a stready rise in the price of gold.

Nepal's growing middle class takes to the malls

AFP, *Kathmandu*

When the first indoor shopping complex opened in Nepal's ancient capital Kathmandu in the 1980s, it was such a novelty that visitors had to be shown how to use the escalator.

Few residents of the city, celebrated for its rich cultural heritage and historic palaces, had ever shopped anywhere except the centuries-old bazaars that still do a brisk trade in everything from spices to saris.

Three decades on, a huge rise in land prices in and around the capital and growing remittances from Nepalese migrant workers are fuelling a retail boom that has seen Adidas, Nike and Levi's open their first stores in the country.

Rukeen Maharjan, 21, works in his family business selling handicrafts to tourists. But in his spare time, he goes to one of Kathmandu's dozen or so malls to shop for clothes and catch up with friends.

"It is so much easier to shop when you have all these branded goods under one roof," he tells AFP in the Kathmandu Mall.

"It's often cheaper than shopping on the street, it's convenient because you don't have to worry about finding a parking space and it's where young people like to hang out."

Nepal remains one of the world's poorest countries. The World Bank puts the average annual income at just $440 a head and economic growth has slowed in recent years, constrained by political uncertainty and chronic fuel shortages.

But the World Bank says growing remittance income from India, Malaysia and the Gulf has pushed up spending power among the urban middle classes, with almost a third of Nepal's male working population now estimated to be abroad.

Analyst Chandan Sapkota says the spending rise can also be attributed to a major property boom in Kathmandu as people migrated to the capital from less secure areas during the decade-long Maoist insurgency, which ended in 2006.

AFP

Pedestrians walk through a shopping mall in Kathmandu, Nepal.

"Remittances and urban jobs that pay relatively well are increasing the number of middle class families in urban centres," says Sapkota, who works for Kathmandu research group South Asia Watch on Trade, Economics and Environment.

"Another factor is the real estate boom. Anyone with a small patch of land around Kathmandu became a millionaire virtually overnight because of property inflation."

Remittances now account for almost a quarter of Nepal's gross domestic product, which last year reached $15.5 billion, and the World Bank says consumption is thriving and imports have more than doubled in the past decade.

"Consumers, especially middle class ones, are becoming increasingly brand-conscious due to globalisation and increased Western influence," says sociologist Dilliram Dahal.

"Their shopping habits are also changing rapidly, they prefer to buy goods in malls rather than in stores."

City Centre, which opened in 2009, is the most upscale of the malls, with shops selling designer sunglasses and Western clothing brands. There is also a multiplex cinema and a food court serving Thai and Japanese dishes.

"I come here with my nine-year-old son, who likes the video games and the toys in the children's play zone," says full-time mother Karuna Shahi Gurung.

"Whenever we visit I end up spending about 200 rupees ($3) on him, and I have spent about 5,000 rupees on clothes for him today."

Not everyone has adapted to the new way of shopping so easily. Unesh Shahi, 34, who moved his clothing store from a city-centre street to a mall in 2009, says many customers struggle with his new fixed-price policy.

"It will take time for people to get used to it and stop bargaining," he says.

"But business is good. Customers can go to lots of stores in one place, they feel safe and there's a good atmosphere."

In Kathmandu's Ason market, where residents of the capital have shopped for essentials for more than a century, clothes shop owner Angu-rman Tuladhar is bargaining furiously over a jumper he is trying to sell.

"I don't have any fears about the malls. I have regular customers who depend on my store for their shopping and it hasn't had any impact on business," he tells AFP.