

India's embattled government to unveil budget

AFP, New Delhi

India's embattled Congress-led government will seek this week to defuse the anger of inflation-hit voters with a raft of subsidies in a populist budget that stops short of major reforms, analysts say.

The spending plans, to be unveiled Monday by finance minister Pranab Mukherjee, comes as the left-leaning government reels from a slew of corruption scandals and spiralling food prices that have prompted street demonstrations.

Inflation, a lightning rod for political discontent in India, is running at over eight percent while food inflation is at double digits despite aggressive monetary tightening that has raised fears of an economic slowdown.

Mukherjee "will have to walk a tightrope" to tame inflation, sustain India's high growth rate of around nine percent while reining in a high fiscal deficit, said Religare Capital Market managing director Manoj Singla.

With a string of state elections due this year, Mukherjee, 76, known as a canny political strategist more than an economic reformer, is likely to opt for a "common man" budget for the fiscal year starting April 1 -- laden with food, fertilizer and fuel subsidies, analysts said.

"We anticipate a sizeable boost to welfare spending, designed to protect the incomes of the poorest members of society," said Credit Suisse economist Robert Prior-Wandesforde. Some 40 percent of the 1.2



Indian Finance Minister Pranab Mukherjee gestures during a press conference in New Delhi. India's embattled government will seek to defuse the anger of inflation-hit voters with a raft of subsidies in a populist budget that stops short of major reforms, analysts say.

billion population in Asia's third-largest economy live on less than \$2 a day.

In a massive protest, tens of thousands of demonstrators converged on the capital New Delhi last Wednesday, demanding an end to rising food prices and underlining the challenge facing beleaguered policymakers.

Rishi Pal, a 52-year-old member of a farmers' union from the northern state of Punjab, said: "We need the government to

control prices. Poor people can't feed their families."

India's hundreds of millions of poor -- who are the main supporters of the Congress party -- have been hit hardest by the surge in the cost-of-living, especially of groceries with food inflation running at nearly 11.5 percent.

To boost food supplies to ease inflation, Mukherjee is expected to focus on agriculture, providing incentives to set up better storage and irrigation facilities

and help modernise antiquated manual farming methods.

As part of Mukherjee's move to increase supplies and fight inflation, he could announce a long-awaited road map for allowing foreign direct investment for retail, analysts say.

He is also expected to earmark funds for a right-to-food programme awaiting parliamentary passage.

The government may also step up spending on India's dilapidated roads, ports, and

other infrastructure to lessen transport bottlenecks that fuel inflation and threaten growth.

But even though Mukherjee is expected to reaffirm the government's commitment to economic reform, it is expected to duck making any big-bang moves.

"With the government rocked by scandals and worries about loss of support from the poor because of high inflation, I don't expect any risk taking," said Deepak Lalwani, head of India investment consultancy Lalcap.

When the government, led by arch reformer Manmohan Singh, 78, was swept back to power two years ago, investor hopes were high it would move decisively to open up the still inward-looking economy.

But the string of scandals, including a telecom scam believed to have robbed the government of billions of dollars, internal discord and inflation has put the government on the back foot -- sapping its ability to make bold moves.

However, analysts do expect Mukherjee to stick to the government's commitment to narrow the fiscal deficit which at 4.8 percent is the highest among the so-called BRIC emerging market powerhouses of Brazil, Russia, India and China.

But the challenge of narrowing the gap in the country's finances may be tough.

"Pruning the fiscal deficit is tricky, especially when the economy is showing signs of a slowdown," said HDFC Bank chief economist Abheek Barua.

World's biggest IT fair shoots for the clouds

AFP, Hanover

The world's top high-tech fair opens Tuesday with the IT industry in bullish mood, preparing to wow visitors with head-spinning futuristic gadgets and the latest in 'cloud computing' technology.

More than 4,200 tech firms from 70 countries are expected to attend this year's CeBIT -- the self-styled "Davos of high-tech" -- with many of the big names that stayed away during the global financial crisis returning to Germany.

Google, IBM, SAP, Microsoft, HP and Dell are among the top companies setting up their stalls in Hanover, northern Germany, for the five-day event that is likely to attract around 350,000 punters and self-confessed technology geeks.

"CeBIT 2011 is the heart of the digital world and will show how rapidly the pulse of the IT industry is beating," said Ernst Raue, board member of Deutsche Messe that organises the event.

As the event approached, BITKOM, which represents Germany's telecom and high-tech sector, forecast a 4.8-percent gain in the global IT market to 2.6 trillion euros (\$3.6 trillion) this year, driven by double-digit growth in China.

Despite the optimism, however, the CeBIT fair is not the global showcase it once was. Exhibitor numbers are up only fractionally on last year and at the height of the dot.com boom, more than 8,000 firms set up shop at the show.

The major theme of this year's fair is cloud computing which "runs like a leitmotiv through the different exhibitions," according to BITKOM president August-Wilhelm Scheer.

Firms will be hoping to move cloud computing -- the idea of storing data online rather than physically on users' machines -- from the realms of the IT world into consumers' everyday lives, said Scheer.

"Cloud computing is going to change IT and its business model enormously. We expect cloud computing sales in Germany to quadruple by 2015," he said.

Other hot topics at the exhibition will be web security, high-speed Internet and bringing 3D computing into everyday life.

But as ever at the CeBIT, it won't be all work and no play.

US billionaire Buffett ready for more takeovers

AFP, New York

US billionaire chief executive Warren Buffett said Saturday he is "itchy" for more takeovers less than one year after his \$26.5-billion purchase of the Burlington Northern Santa Fe Railway company.

In his annual letter to his Berkshire Hathaway shareholders, Buffett wrote that in 2011 "we will need both good performance from our current businesses and more major acquisition."

"We're prepared," said Buffett, 80, the third richest man in the world. "Our elephant gun has been reloaded, and my trigger finger is itchy."

Buffett said that his company is "envisioning a year free of mega catastrophe in insurance and possessing a general business climate somewhat better than that of 2010, but weaker than that of 2005 or 2006."

Berkshire Hathaway reported that 2010 net income was up 61 percent compared to the previous year to 12.97 billion dollars, and its per-share book value increased by 13 percent.

Buffett, widely seen as one of the most savvy investors in the United States, was bullish on the future of the US economy. "Money will always flow toward oppor-

tunity, and there is an abundance of that in America," he wrote.

He said that much of his 2010 success was due to the Burlington Northern Santa Fe Railway acquisition, which he said has been "working out even better than I expected."

Owning the railroad, he wrote, "will increase Berkshire's 'normal' earning power by nearly 40 percent pre-tax and by well over 30 percent after-tax."

Berkshire Hathaway also said that capital spending would rise sharply this year.

"In 2011, we will set a new record for capital spending -- \$8 billion -- and spend all of the \$2 billion increase in the United States," Buffett wrote.

The man known as the "Oracle of Omaha" also said his company will increase its share of Marmon Holdings Inc.

Buffett bought a 60-percent stake in the company in 2007 from Chicago's Pritzker family for \$4.5 billion.

"We will soon increase our ownership in this company to 80 percent by carrying out our scheduled purchase of 17 percent of its stock from the Pritzker family. The cost will be about \$1.5 billion," he wrote.

"We will then purchase the remaining Pritzker holdings in 2013 or 2014."

Europe races to meet March debt deadline

AFP, Brussels

European leaders get back to the pressing business of trying to fix the eurozone debt crisis with a hectic series of summits counting down to a March 25 deadline.

Governments know they have their work cut out to satisfy expectant markets, with the heat still on over fears for Portugal and Greece, a country that wants its existing bailout renegotiated.

Final decisions are due to be reached on the size, shape and scope of a permanent financial rescue system being set up for January 1, 2013.

A temporary fund, already tapped by Ireland in December, offers little room for manoeuvre if Portugal needs help in the short term.

Eurozone paymaster Germany won't guarantee its backing unless Berlin wins concessions on how other nations govern their finances first. Germany, supported by France, wants to reform everything from pensions to business taxation across the 17-nation eurozone in particular.

"We need to see a clear message from European authorities to be sure that the crisis is behind us," said analysts from Dexia this week.

The sluggish pace of decision-making has already been criticized by a host of ministers, including Portugal's Fernando Teixeira dos Santos.

Analysts from the Bruegel Institute in Brussels also say the EU

China lowers its economic growth target a tad

AP, Beijing

China is slightly lowering its annual economic growth target, to 7 percent from 8 percent, the premier said Sunday, in a move that signals a shift in government priorities to put the breakneck economy on a more sustainable footing.

The tweak to the growth rate, announced by Premier Wen Jiabao in an online chat with Chinese citizens, is largely symbolic. Economic growth has exceeded the 8 percent target each of the past six years that it has been a fixture of government plans. Last year, growth reached 10.3 percent, making China the world's fastest-expanding major economy.

Along with the growth, however, inflation has picked up, especially for food and housing. Economists and senior Chinese officials have said for months that Beijing must downshift the economy to help tame prices and move toward growth that is driven more by consumer spending than by the hefty investment and bank lending that fueled the latest spurt.

The questions selected for the premier's well-orchestrated online chat highlighted popular concerns about inflation and home prices -- problems that Wen acknowledged could cause protests if left unchecked.

"Rapid inflation affects people's livelihoods and may affect social stability," Wen said. He later added: "I know the impact that prices can cause a country and am deeply aware of its extreme importance."

Asked about the high rates of growth set by local governments and worries they could worsen environmental degradation, Wen said that the 7 percent target would be embedded in the current five-year plan for 2011-2015 "to raise the quality and efficiency of economic growth."

"We absolutely cannot again sacrifice the environment as the cost for high-speed growth, to have blind development, and in that way to create overcapacity and put greater pressure on the environment and



A Chinese bank worker counts a stack of 100-yuan notes at a bank in east China's Anhui province. A sharp rise in the Chinese yuan would bankrupt businesses and leave workers jobless, Premier Wen Jiabao said in one of the strongest recent defences of the country's forex policy.

resources," he said. "That economic development is unsustainable."

The premier's two-hour online chat on the government's Xinhua News Agency website came six days before the opening of the national legislature's annual session, during which the largely powerless, Communist Party-controlled body will approve the five-year plan and other policies.

Wen has held the Internet chat on the eve of the National People's Congress for three years. The event is designed to give a more modern cast to the often distant, authoritarian leadership and show its concern for the public. Wen is the leadership's most popular figure. Grandfatherly, polite and solicitous, he is sometimes shown on state television consoling victims of natural disasters and dining with workers and the poor.

In one of the more colorful gripes Wen heard Sunday, a person who identified himself as a worker complained about the local officials who

cut off electricity supplies to meet severe targets Beijing issued to save energy. The worker, who used the online name Fengyun Bianhuan, said that in his neighborhood, the cutoff forced people to use flashlights while cooking breakfast.

Wen said that when he learned about such measures, he became angry and ordered local government officials to stop. Some officials were disciplined for their actions, he said.

The premier also struck a sympathetic note on one of China's most divisive social issues: controls that divide the population into rural and urban households and use that classification to deprive rural migrants of urban social services when they move to cities. Wen said rural migrants now number 240 million -- far higher than previous figures.

The migrants and their children "should never be discriminated against in pursuing jobs, receiving compulsory education and training just because they are farmers under the household system," he said.



Volkswagen cars (Golf and Tiguan models) are transported by rail from Volkswagen's Wolfsburg plant. Europe's biggest carmaker unveiled record 2010 results Friday and said it would do even better this year, sending its shares soaring.