Indonesian economy grows 6.5pc in Q1

AFP, *Jakarta*

Indonesia said Thursday its economy posted robust growth in the first quarter thanks to rising investment, exports and strong domestic consumption.

Southeast Asia's largest economy expanded 6.50 percent in the January-March period from a year earlier, and 1.50 percent from the previous quarter, the official Statistics Agency said.

This follows growth of 6.90 percent in the October-December period, when the economy usually receives a temporary boost from budget disbursements.

"Looking ahead, we expect growth momentum to accelerate to an average pace of 6.40 to 6.80 percent by 2013," Finance Minister Agus Martowardojo said.

Speaking at a forum of finance ministers organised by the Asian Development Bank, Martowardojo said Indonesia's economy had gained momentum from domestic demand and favorable global conditions.

The government expects the resource-rich archipelegao of 240 million people to grow 6.40 percent this year after expanding 6.10 percent in 2010, when it was among the best performing economies in the Group of 20 nations.

EU courts Southeast Asian business ties

AFP, *Jakarta*

The European Union on Thursday launched a commercial charm offensive in Southeast Asia through its first business summit with the 10-member Association of Southeast Asian Nations (ASEAN).

"After China, Southeast Asia is certainly the most promising for us in Asia," said Jean Rodesh, vice president of French distiller Pernod Ricard and one of some 500 attendees at the meeting in Jakarta, Indonesia.

"In almost all the countries, the middle class is growing strongly and wants to consume."

Indonesian President Susilo Bambang Yudhoyono welcomed delegates with a reminder of the region's economic dynamism in the wake of the global financial crisis, which his country of 240 million people rode out comfortably.

He cited IMF projections that the global economy would grow 4.5 percent in 2011 and 2012, but the "advanced economies of America, Europe and Japan" would only achieve 2.5 percent.

The EU economy, he noted, was forecast to grow at a relatively pedestrian 1.8 percent in 2011, or about the same as 2010.

"Emerging markets will grow up to 6.5 percent per year," Yudhoyono added, attributing much of this success to the "dynamism of new economic powerhouses in Asia, Latin America and Africa".

"We are also seeing rapidly growing South-to-South trade. In 2008, 54 percent of export growth in developing countries is due to demand from other developing countries. The figure was only 12 percent in 1998."

In Asia the picture was "even brighter", he said, citing a Asian Development Bank report that by 2050 the region "could account for about half of global output and half of global trade and investment".

The EU is currently the second biggest trading partner of ASEAN after China, buying about 10.9 percent of the region's exports. On the other side of the ledger, ASEAN is the EU's seventh biggest trading partner.

Between 2002 and 2009 European companies invested an average of \$10.4 billion in the region each year, according to EU figures.

Indonesian Trade Minister Mari Elka Pangestu said Jakarta wanted to boost trade with the EU by 20 percent this year from \$26.99 billion in 2010.

ASEAN's biggest economy, Indonesia mostly exports crude palm oil, natural rubber, coal and cocoa to EU countries. Its imports from the EU mostly consist of motor vehicles and electronic and telecommunications appliances.

Despite optimistic talk about the "Asian century", the Asian Development Bank warned Wednesday that the region's rise was "not pre-ordained" and it faced "daunting multigenerational challenges" such as widespread corruption.

AFP

Police patrol part of the Jakarta Convention Centre yesterday ahead of the May 7-8 Association of Southeast Asian Nations (ASEAN) summit.

Facebook, Google mull Skype deals

REUTERS, *New York*

Facebook and Google Inc are separately considering a tie-up with Skype after the web video conferencing service delayed its initial public offering, two sources with direct knowledge of the discussions told Reuters .

Facebook Chief Executive Mark Zuckerberg has taken part in internal discussions about buying Skype, according to one of the sources. Another source said Facebook had reached out to the Luxembourg-based company about forming a joint venture.

Google has also held early talks for a joint venture with Skype, the second source said.

A Skype deal could be valued at \$3 billion to \$4 billion, the first source said. Skype's IPO is expected to raise about \$1 billion, several other sources said.

The discussions are in early stages, and it is not clear which option the companies favor, the first two sources said.

Although an IPO is still in the cards for the second half of 2011, Skype remains in discussions with other companies, two of the sources said. If it goes through, a Skype IPO would be one of the most hotly anticipated debuts by a U.S. technology company this year.

Securing Skype as a partner would expand Facebook's user base, help it grow in international markets where Skype is popular, and give its half-billion users another reason to remain active and connected to its online community.

Analysts say a tie-up between Facebook and Skype would make more sense than one with Google, which already has a similar service -- Google Voice.

Skype and Google declined to comment. Facebook was not immediately available to comment. The information is not public and the sources declined to be named.

With a partnership, Facebook can tack another service onto its ever-expanding menu -- a crucial feature given that many mobile devices, including tablets, now come equipped with front-facing cameras.

"This is very synergistic," said Trip Chowdhry, an analyst with Global Equities Research. "It puts Facebook two steps ahead of Google because of

ECB holds rate amid rescue for Portugal

AFP, *Helsinki*

The European Central Bank kept its main interest rate steady at 1.25 percent Thursday as ECB governors met here after Portugal became the third eurozone country to accept a bailout.

The bank also kept two other benchmark rates, the marginal lending rate and the deposit rate, unchanged at 2.00 percent and 0.50 percent.

Rising inflation will probably lead to rate increases in June or July, but the ECB stuck to the level reached in April as 78 billion euros (\$116 billion) in loans for Lisbon underscored the eurozone's debt woes.

Economists are divided on how high the benchmark rate could climb this year, but put the ceiling at 1.75 to 2.0 percent.

In Portugal, International Monetary Fund and European Union negotiators unveiled terms of the eurozone's latest financial rescue package.

The measures include reform of Portuguese laws protecting the labour market and cuts in the amount and duration of unemployment benefit, but also a reduction of charges on employment.

In throwing a lifeline to the last of three seriously threatened peripheral eurozone countries, the others being Greece and Ireland, EU officials seek to keep the crisis from pulling down a much bigger member, Spain.

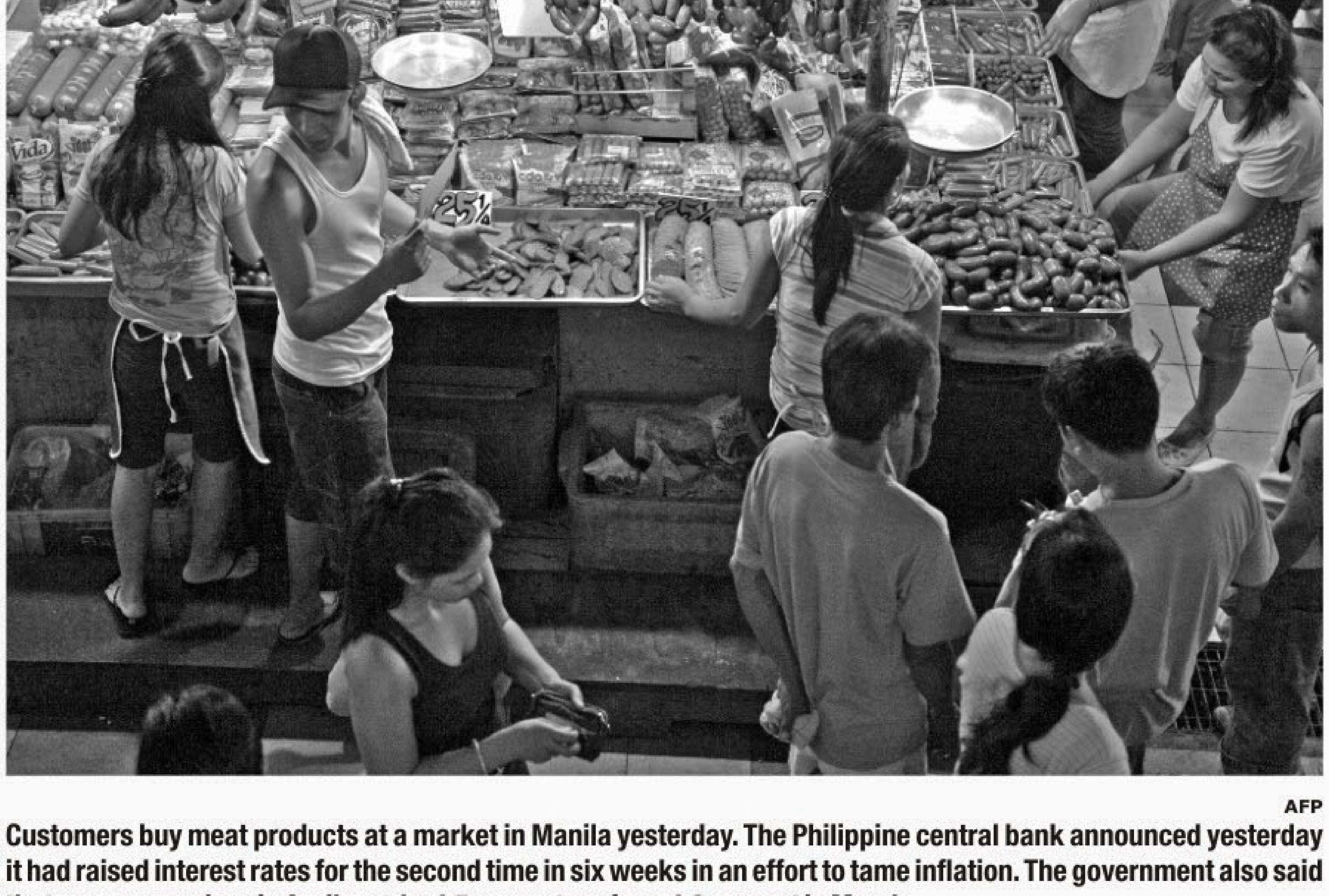
The ECB governing council, after one of its rare meetings outside the bank's headquarters in Frankfurt, is expected to comment on the agreement and also try to keep markets from targeting Madrid with steeper rates to finance its debt.

At Barclays Capital, chief European economist Julian Callow told AFP the initial market response had been positive.

"The concerns that are out there ... about Europe's ability to deal with the issues that exist in particular parts of Europe are taken care of by programmes such as this one that's just been agreed...," he said.

The ECB is also striving to pull monetary policy for the 17-nation bloc back towards normal, by slowly returning interest rates to pre-crisis levels and unwinding exceptional measures taken during the financial meltdown.

Some commercial banks are now dependent on unlimited and cheap ECB funds to stay afloat and another step towards normal conditions would be to strengthen the banking sector, which is facing a second round of stress tests.



AFP

Customers buy meat products at a market in Manila yesterday. The Philippine central bank announced yesterday it had raised interest rates for the second time in six weeks in an effort to tame inflation. The government also said that consumer prices in April rose by 4.5 percent, up from 4.3 percent in March.

China less welcoming to business: US

AFP, *Washington*

US Commerce Secretary Gary Locke said Wednesday it was increasingly difficult to do business in China and called restrictions on foreign investment a major impediment in relations.

Locke, the nominee to be the next ambassador to Beijing, said the US government and companies had "real frustrations" that would be raised during high-level talks between the world's two largest economies next week.

Speaking at the launch of a think-tank report that supported further Chinese investment, Locke said that Washington imposed few impediments on Chinese companies seeking to enter the United States.

"Unfortunately, that is not the case for American companies operating in China, where they are frequently shut out of entire industries or they are forced to give up proprietary information as a condition of operating in China," he said.

"This imbalance of opportunity is a major barrier to continued improvement of the United States and China's commercial relationship," he said.

"And it is part of a broader trend of China recently narrowing its commercial environment after a long and fruitful period of opening," he told the event attended by China's ambassador to Washington, Zhang Yesui.

Locke said that China's recently revised Foreign Investment Catalogue, which lists sectors in which outside firms are barred from participation, "falls far short" of past promises to the United States for more openness.

He strongly criticized a new review system in which he said that commercial competitors would be able to ask the Chinese government to review a particular item of foreign direct investment (FDI).

"I am aware of no other country which allows this potentially abusive element in their FDI reviews," Locke said.

The United States and China on Monday and Tuesday hold their annual Strategic and Economic Dialogue, with the US side led by Treasury Secretary Timothy Geithner and Secretary of State Hillary Clinton.

Geithner said this week he would press China on reforms in the financial sector, saying that controls on bank deposits and loan rates were designed to give an advantage to state-owned companies.

While Locke said that the United States was open to Chinese businesses, a number of high-profile Chinese bids have proven controversial after lawmakers voiced fears over national security.

China's Huawei Technologies has repeatedly been blocked or given up on deals in the United States, including a plan to take a hefty stake in technology firm 3Com, amid US concerns it could acquire sensitive information.

The study released Wednesday, produced by the Woodrow Wilson International Center for Scholars and the Asia Society, said that the United States needed to send an unambiguous message that Chinese businesses are welcome if it wants to attract their growing investment.

Despite the Asian power's soaring growth, only 3.5 percent of the foreign investment around the world now originates from China and the figure is expected to shoot up, the study said.

The United States is by far the world's biggest recipient of FDI and China accounts for only a sliver of it, with Europeans providing nearly two-thirds of US investment and Japan far exceeding other Asian nations.

Presenting the report, Stapleton Roy, a former US ambassador to Beijing, recalled that he used to have to try to persuade China that US businesses had no ulterior motive in trying to enter the market.

AFP

Pedestrians walk past high-rise buildings in a business district of Shanghai yesterday. China insisted that foreign companies receive the same treatment as domestic firms, after US Commerce Secretary Gary Locke hit out at what he said was a worsening business climate in the country.