

## Economic risks of disasters soar over \$1.5 trillion: UN

AFP, Geneva

More than \$1.5 trillion of the world's wealth is exposed to harm from natural disasters, as the economic risks soar despite signs that efforts to reduce the human toll are working, the UN said Tuesday.

A report for a biennial UN conference on disaster risk that opened here estimated that the amount of global GDP exposed to harm by disasters had nearly tripled from \$525.7 billion 40 years ago to \$1.58 trillion.

Meanwhile, the risk of economic losses in wealthy (OECD) countries due to floods has increased by 160 percent over the past 30 years, while for tropical cyclones the risk has grown by 262 percent, the report estimated.

"The risk of losing wealth in disasters is actually increasing faster than that wealth is being created," said Andrew Maskrey, coordinator of the 2011 Global Assessment Report on Disaster Risk Reduction.

"Losses from disasters are often at least as great as those a country is experiencing through high inflation or armed conflict for example," Maskrey told journalists.

About 2,000 experts from around the world are attending the four-day conference.

It includes a discussion spearheaded by UN Secretary General Ban Ki-moon on preparations for nuclear accidents, following the destruction wrought by the earthquake and tsunami in Japan on the Fukushima-Daiichi

# China's April trade surplus balloons to \$11.4b

AFP, Beijing

China's politically-sensitive trade surplus ballooned to \$11.4 billion in April and exports hit a record monthly high, data showed Tuesday, as Washington pressured Beijing for a stronger currency.

The trade surplus -- a constant thorn in the side of Sino-US relations -- dwarfed the \$139 million surplus posted in March and a Dow Jones forecast for \$1 billion in April.

Exports rose 29.9 percent year-on-year to \$155.7 billion -- a record high value for a single month -- while imports increased 21.8 percent to \$144.3 billion, customs authorities said in a statement.

The data also showed China swung to a surplus of \$10.3 billion for the first four months of the year compared with a deficit of \$1.02 billion in the January to March period -- its first quarterly deficit in seven years.

The Shanghai Composite Index closed up 0.63 percent at 2,890.63.

Analysts said the surplus was due in large part to weaker imports after a recent correction in global commodity prices and a slowdown in the Chinese economy.

The surplus was caused by "weaker imports because of lower commodity prices and slower demand growth in China", Citigroup economist Ken Peng told AFP.

"I expect an even bigger surplus in May."

China's tight control of the yuan and its massive trade surplus with the United States are at the forefront of talks



A labourer works at a textile factory in Jinjiang, southeast China's Fujian province. China's politically-sensitive trade surplus ballooned to \$11.4 billion in April and exports hit a record monthly high, data showed, as Washington pressured Beijing for a stronger currency.

between US and Chinese officials meeting in Washington for the annual Strategic and Economic Dialogue.

Ren Xianfang, an analyst at IHS Global Insight in Beijing, said the surplus was bad timing for Chinese officials participating in the two days of high-level talks, which are set to wrap up on Tuesday.

"I think it will give support to the US case that China is not making enough effort to rebalance," Ren told AFP.

The United States has led a chorus of international calls for a stronger unit, claiming China's currency control gives its exporters an unfair trade advantage by

making their products artificially cheap.

The currency has strengthened five percent against the dollar since last June when Beijing pledged greater flexibility -- but the gains have not satisfied critics who claim the yuan is undervalued by as much as 40 percent.

The central bank on Tuesday set the yuan central parity rate -- the midpoint of an allowed trading band -- at 6.4950 to the dollar, the strongest rate since last June.

Beijing typically allows the yuan to strengthen ahead of important meetings in an attempt to defuse criticism of its exchange rate policy.

US Treasury Secretary Timothy Geithner opened the Sino-US talks on Monday by placing China's need for a more flexible exchange rate and more open capital markets at the top of the economic agenda.

China's commerce minister Chen Deming said the forex argument over the trade issue between the world's two largest economies was "not founded".

"The way to resolve this imbalance is to ease the export control regime of the United States towards China and to encourage US exports to China rather than restricting Chinese exports to the United States," Chen told reporters.

## Australia vows to be world's first back in surplus

AFP, Canberra

Australia on Tuesday vowed to be the first advanced economy to return its budget to surplus after the global financial crisis, saying it will be "back in the black" within two years.

Treasurer Wayne Swan is set to release an austere, belt-tightening budget Tuesday evening to haul in a reported Aus\$50 billion (US\$54 billion) deficit, in part created by stimulus spending during the worldwide slump.

"Tonight's budget will get us back in the black," Swan told reporters, saying that forward estimates would show a return to surplus in 2012/13.

"We will come back to surplus before any other major advanced economy."

Resource-rich Australia, with its strong banking system and wealth of natural minerals, survived the crisis better than most and was the first advanced economy to lift interest rates in its wake.

As it prepares for the next stage in the Asia-driven mining boom, interest rates are at 4.75 percent and unemployment at 4.9 percent.

Despite the upside of the commodities boom, massive summer floods and a monster cyclone are weighing on expenditure and will force sharp cuts when the national accounts are released, Prime Minister Julia Gillard has said.

As her centre-left Labor government flails in opinion polls, Gillard said the tough accounting could prove unpopular.

"This budget won't be about buying your vote," she wrote in a commentary for The Australian newspaper on Monday. "The cutbacks will be clear."

Gillard said the enduring effects of the global financial crisis and natural disasters had hurt government revenues, while business had suffered from consumer caution and the impact of the high Australian dollar.

The Aussie, which reached parity with the greenback in October and has continued to climb since, is increasingly making life difficult for export industries such as manufacturing, tourism and education, she said.

## Microsoft to acquire Skype for \$8.5b

AFP, New York

US software giant Microsoft will buy Internet phone service company Skype for \$8.5 billion dollars, the companies announced Tuesday.

"Skype is a phenomenal service that is loved by millions of people around the world," Microsoft chief executive Steve Ballmer said in a statement.

"Together we will create the future of real-time communications so people can easily stay connected to family, friends, clients and colleagues anywhere in the world."

Microsoft said Skype will become a new business division within Microsoft, and that Skype CEO Tony Bates will assume the title of president of the Microsoft Skype Division, reporting directly to Ballmer.

Microsoft and Skype said the deal has been approved by the boards of directors of both the Redmond, Washington-based Microsoft and the Luxembourg-based Skype, which is owned by investor group Silver Lake.

Bates said Microsoft and Skype "share the vision of bringing software innovation and products to our customers."

"Together, we will be able to accelerate Skype's plans to extend our global community and introduce new ways for everyone to communicate and collaborate," Bates said.

Silver Lake managing director Egon Durban said he is "excited about Skype's long-term future with Microsoft, as it is poised to become one of the world's most dynamic and comprehensive communications platforms."

The companies said Skype will support Microsoft devices like the Xbox game console and Kinect motion controller, Windows Phone and a wide array of Windows devices.

Microsoft will also support Skype clients on non-Microsoft platforms, they said.

Skype was founded in 2003 and acquired by online auction giant eBay in September 2005. It was sold to the investment group led by Silver Lake in November 2009.

## India's troubled lender SKS sees 'near-term pain'

AFP, Mumbai

India's biggest microlender SKS Microfinance said Tuesday it would succeed in overcoming some "near-term pain" after its shares collapsed amid a crisis in the industry.

"There will be some near-term pain for a quarter or two," SKS's chief financial officer S. Dilli Raj told AFP from the firm's headquarters in the southern city of Hyderabad.

But he dismissed fears for the firm's future, predicting a positive medium-term outlook that would get stronger over the longer term.

Analysts have raised concerns over the microlender's growth potential as the company's stocks lost nearly half their value this month on weak earnings and two high-profile downgrades by analysts.

On Tuesday, SKS shares rebounded from a record low of 262 rupees, up 9.99 percent or 27.05 rupees at 297.85 on the Bombay Stock Exchange, snapping a 12-day losing streak.

That followed a more than 19 percent fall on Monday and a near 20 percent loss last Friday, even before SKS posted a fourth-quarter loss of 697.7 million rupees (\$16 million) -- down from a profit of 628.9 million rupees last year. SKS initially listed at 1,159 rupees a share last August.

India's microfinance sector has seen a backlash over alleged abusive practices by debt collectors and exorbitant rates of interest equivalent to the loan sharks they initially vowed to put out of business.

## Rescue auditors probe Greece amid eurozone debt storm

AFP, Athens

Greece was again at the eye of a storm over debt on Tuesday with rampant talk of a second rescue or restructuring, and a warning that a Greek "disaster" would hit the entire eurozone.

Experts from the European Union and International Monetary Fund began an audit of finances and reforms in Greece to determine if it merits a critical new slice of rescue funding. This was just as a top official at the European Central Bank (ECB) warned that debt default or restructuring would hit the entire eurozone.

A restructuring would put Greece's banking system "on its knees," Lorenzo Bini Smaghi told the Italian daily La Stampa. Smaghi, who sits on the ECB executive board, warned of "the contagion that a Greek disaster would inflict on the rest of the eurozone."

The bailout for Greece, put in place a year ago as the result of a deep rethink by EU policy makers and some U-turns by the ECB, involves loans of 110 billion euros (\$157 billion) over three years.

The audit, although routine, is followed with trepidation in Greece because each such probe leads to recommendations and conditions the next slice of aid.

Greece is struggling to meet its deficit-reduction targets because of a deeper-than-expected recession, and the next 12-billion-euro loan instalment is crucial to its finances.

Smaghi issued his warning the day after credit rating agency Standard & Poor's hit Greek debt with a severe two-notch downgrade, saying there were strongly rising signs that Greece could not escape a restructuring which would mean big losses for investors who had lent it money.

Senior EU and Greek officials have denied that any restructuring is on the agenda, although eurozone officials have begun to admit that Greece is likely to need more aid in some form.

"The process of (Greek) internal reforms has slowed down... and we find ourselves one year on having to re-adjust the programme to have more guarantees," Smaghi acknowledged.

The rescue for Greece, a year ago, was the first of three bailouts, covering also Ireland and now Portugal, and the renewed strain over the Greek debt mountain is seen as another severe challenge for the credibility of the eurozone. Ireland has said it wants to renegotiate its rescue terms.

The finance ministry in Athens said that the EU-ECB-IMF team would stay for at least a week.

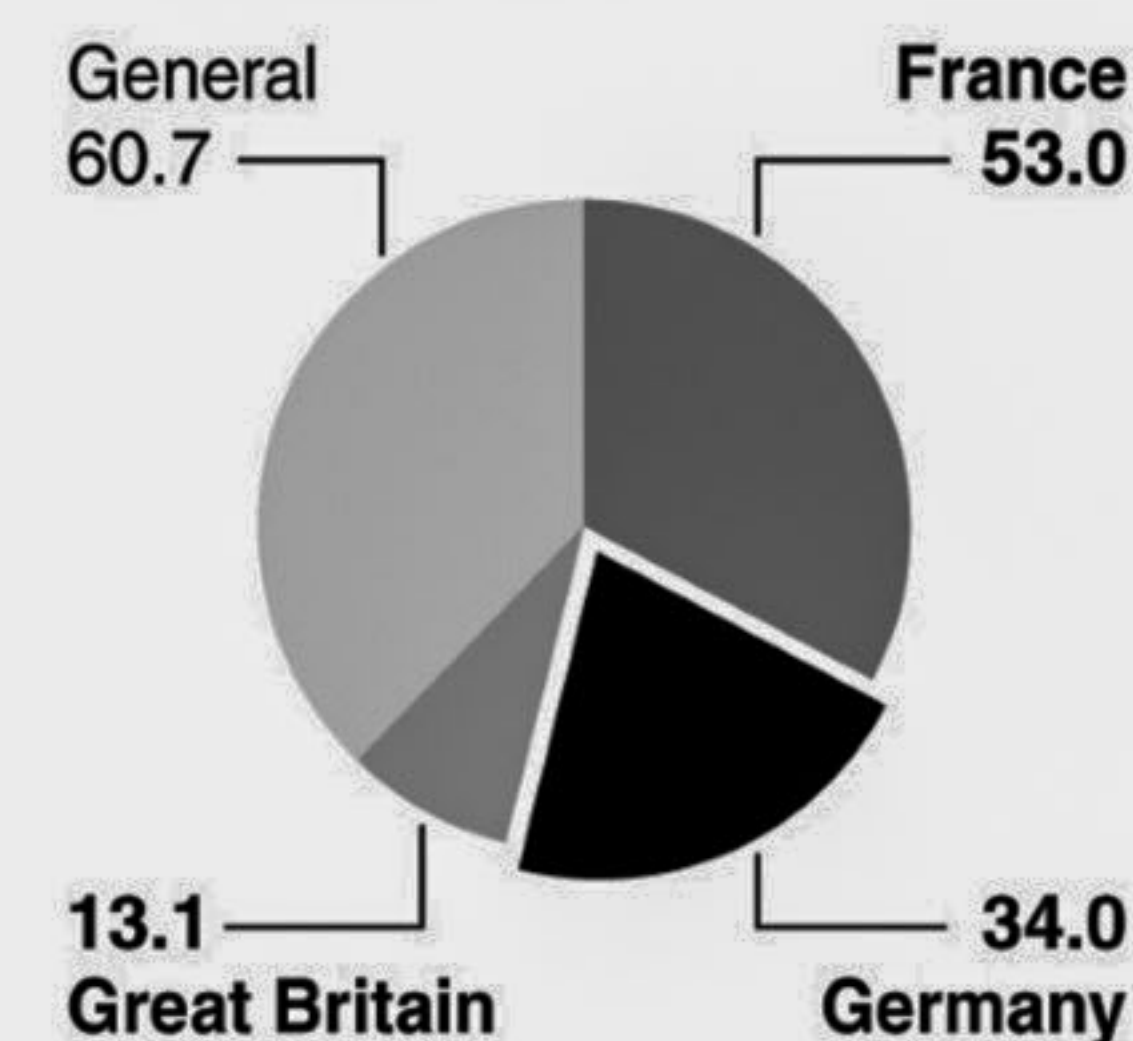
At the time of the last such regular audit in February, experts said that Greece had to accelerate a programme of privatisation to raise 50 billion euros by 2015.

On Monday, the governor of the Greek central bank, George Provopoulos, urged the government to accelerate privatisation to correct "deviations and delays."

At the weekend the head of the Eurogroup of

## Greece's biggest creditors

Bank loans at end of 2010 in billions of Euro



Total bank loans: 160.9 billion Euro

Source: Bank for International Settlements AFP

eurozone finance ministers Jean-Claude Juncker said that "we think that Greece does need a further adjustment programme".

And an EU source told AFP on Monday that eurozone ministers were considering extra help for next year.

There is also growing cacophony in Europe over Greece, with the head of the Austrian central bank chief suggesting a rescheduling of Greece's official loans from the EU and IMF.

"It needn't be that new loans are made available," said Ewald Nowotny, who also sits on the ECB governing council. "It can also be an issue of timescale, by when these things must be paid back," he told Austria's Oe1 public radio.

However even a rescheduling of the aid loans could rattle markets as Standard and Poor's evoked the possibility the EU would insist private bondholders accept similar delays.

Nowotny also hit out at finance ministers from major eurozone countries who tried to hold a secret meeting last Friday, which ratcheted up tension on markets after reports they would discuss Greece's exit from the eurozone.

The reports about Greece leaving were denied, but the meeting did take place.



This file photo shows Tata Motors Passenger Car Business Unit President Rajiv Dube (R) and Managing Director of AMP Motors Gurmeet Singh Anand pose in front of Jaguar and Land Rover cars during the inauguration of a Jaguar-Land Rover showroom in New Delhi. Jaguar Land Rover has launched a \$1.6 billion bond sale, the company's Indian parent Tata Motors said yesterday, as part of a drive to refinance debt and develop its operations. A successful sale would highlight the profit-making firm's ability to raise debt without relying on the support of Tata Motors, India's leading vehicle maker.