# Europe's Greek tragedy

REUTERS, *Berlin*

Valentine's Day is supposed to be a celebration of love between partners, but that was in short supply when ministers from Europe's single currency zone met on the fifth floor of the Justus Lipsius building in Brussels on February 14.

After a brief lull in their debt crisis at the start of 2011, tensions in the 17-nation euro area had returned and financial markets were piling new pressure on the bloc's weakest members.

Ten days earlier, German Chancellor Angela Merkel and French President Nicolas Sarkozy had sparked an angry EU backlash by unveiling a plan to impose debt limits and harmonize wage policies across the vast economic area of 330 million people.

Deep divisions over the shape of a new anti-crisis package that European leaders had promised to unveil by late March were opening up.

Also hanging over the meeting was a new fear so troubling the finance ministers had taken special care not to discuss it in public -- the rising risk that Greece would have to restructure its 327 billion euro ($470 billion) debt mountain.

The week before, inspectors from the European Union and International Monetary Fund (IMF) had approved 15 billion euros in aid to Athens, the latest tranche of a 110 billion euro bailout package sealed in May 2010.

But Poul Thomsen, the IMF envoy monitoring Greece's economic progress, had coupled that decision with an unusually stark warning to the government of Prime Minister George Papandreou which instantly rang alarm bells for investors.

Without a "significant, broad-based acceleration of reforms," he said, Greece's rescue program was doomed.

Even with the curtains drawn and their words safely muffled by heavy wood paneling in the large

AFP

**A homeless man sleeps outside the Athens main train station on Wednesday. Thousands of Greeks took to the streets again on Wednesday as a general strike shut down the country against a new raft of government austerity measures designed to forestall a costly debt overhaul.**

Brussels conference room named after Finland's first permanent EU representative Antti Satuli, the ministers were uneasy.

Jean-Claude Trichet, the grey-haired 68-year old president of the European Central Bank, who had travelled from Frankfurt for the meeting, accused the ministers of "shooting at your feet" for broaching the idea of buying up Greek debt and then retiring it to reduce the country's burden.

In the same building nine months before, Trichet had come under intense pressure to allow the ECB to acquire Greek debt on the open market, later pushing this controversial decision through over the objections of German Bundesbank chief Axel Weber. With his term at the helm of the ECB nearing an end, he was desperate to get tens of billions of euros in toxic Greek paper off his books. But governments were not cooperating.

As the barbs flew, Jean-Claude Juncker of Luxembourg, who was chairing the meeting and sat at the opposite end of the room from Trichet in a black suit and lavender tie, reminded participants that it was important to present a positive, united message on Greece's woes to the public.

Staying positive was not easy. To the left of Trichet, wearing a black dress and white Chanel jacket, Christine Lagarde of France grew impatient. Discussion of a Greek default, the former synchronized swimming champion said, should be avoided at all costs as it could unleash consequences beyond the control of the bloc and its members.

"You can't stroke an elephant just a little bit," Lagarde warned, according to confidential minutes of the meeting seen by Reuters.

Elephant indeed. Despite the best efforts of policy-makers to suppress discussion of Athens' problems, the expectation that Greece will become the first western European country to restructure its debts since post-war Germany in 1948 has taken on a sense of the inevitable in the past two months.

Last week a small group of euro zone finance ministers met in Luxembourg and admitted what had been clear to others for some time -- that last year's bailout of Greece had failed to restore confidence in the country's finances and new steps were urgently needed to alleviate its debt burden.

Sources tell Reuters they are now considering throwing more money at Greece and easing the terms of existing loans, possibly in combination with the "voluntary" involvement of Greece's private creditors.

But this strategy will only delay the real pain until a later date.

Most economists now believe that without an aggressive restructuring which forces private creditors to take losses of 50 percent or more on their Greek holdings, the country will not emerge from its downward spiral.

The only obvious alternative -- keeping Greece on EU life support for many years -- seems a political non-starter given the growing opposition to further aid in northern European countries such as Germany, Finland and the Netherlands.

Greece's debt crisis is the biggest challenge the bloc's policymakers have faced since the launch of their bold currency experiment 12 years ago. European monetary union was always more about politics than it was economics. That's been part of the problem. Now those two factors -- economics and politics -- are on a collision course that could ultimately fracture the bloc, with Greece and other vulnerable countries like Ireland and Portugal forced to consider exiting the euro zone.

That would be a devastating setback for Europe, whose common currency is the culmination of half a century of closer integration.

"Greece's debt is at levels where it is very rare for a country to make it without a restructuring," Kenneth Rogoff, an economics professor at Harvard University and co-author of "This Time is Different", a best-selling 2009 book on debt crises, told Reuters.

"It is a manageable problem but it needs to be managed. You can't just put your head in the sand and hope it goes away."

**THE BENEFIT OF HINDSIGHT**

It wasn't supposed to come to this. Last year, when the EU and IMF teamed up to rescue Greece, they mapped out what they believed was a realistic plan for overhauling its ailing economy through a combination of spending cuts, tax hikes and deep structural reforms.

Coupled with an aggressive drive to root out corruption and tax evasion, this austerity was the shock therapy Greece needed to regain competitiveness, reduce its debt and win over investors again, the argument went.

## India and Australia to double trade in five years

REUTERS, *Canberra*

India and Australia committed on Thursday to doubling bilateral trade within five years and trade ministers from the two nations signed an agreement to start free trade negotiations.

Two way trade between India and Australia is currently worth about A$20 billion ($21 billion) a year, with the trade balance strongly skewed in Australia's favour because of India's insatiable appetite for natural resources.

"We agreed to double bilateral trade in the next five years," Trade Minister Anand Sharma told reporters in Canberra after talks with Craig Emerson, his Australian counterpart. "We are convinced that the Australia-India relationship is robust."

India is Australia's fourth largest export market as it is a heavy importer of gold, coal an copper, and in the nine months to March, it had a trade deficit of A$9.6 billion with Australia.

Australia is also a major destination for Indian students and education services to India are worth more than A$3 billion a year.

India is also keen to buy Australian uranium to help its expanding energy sector, but Australia refuses to sell nuclear material to India because the country has not signed the Nuclear Non-Proliferation Treaty.

Emerson said uranium exports were not raised during his meeting with Sharma on Thursday.

India has long complained about Australia's uranium export policy. Australia expects India to build five new nuclear reactors by 2016.

Australia has the world's biggest known uranium reserves but supplies only 19 percent of the world market from three current mines, BHP Billiton's Olympic Dam, Energy Resources Australia's Ranger mine in the Northern Territory, and the Beverly mine, owned by U.S. com-

# Singapore Airlines rebounds sharply

AFP, *Singapore*

Singapore Airlines (SIA) rebounded strongly from the global recession in 2008-2009, reporting Thursday its full-year net profit soared as travel demand recovered.

The carrier said it earned Sg$1.09 billion ($876 million) in the financial year ended March 31, up from Sg$216 million a year ago.

But the airline cautioned that the near-term is expected to be difficult due to surging oil prices, concerns over the US economy, the impact from Japan's quake-tsunami disasters and worries over Europe's sovereign debt crisis.

"The year ahead is expected to be challenging for the airline industry," SIA said.

"These effects are reflected in forward bookings, indicating near term weakness in load factors," it said.

SIA said escalating jet fuel cost, which has surged by over 25 percent to $140 a barrel in the past few months, was also another cause for concern and that management would take steps to adjust to the situation.

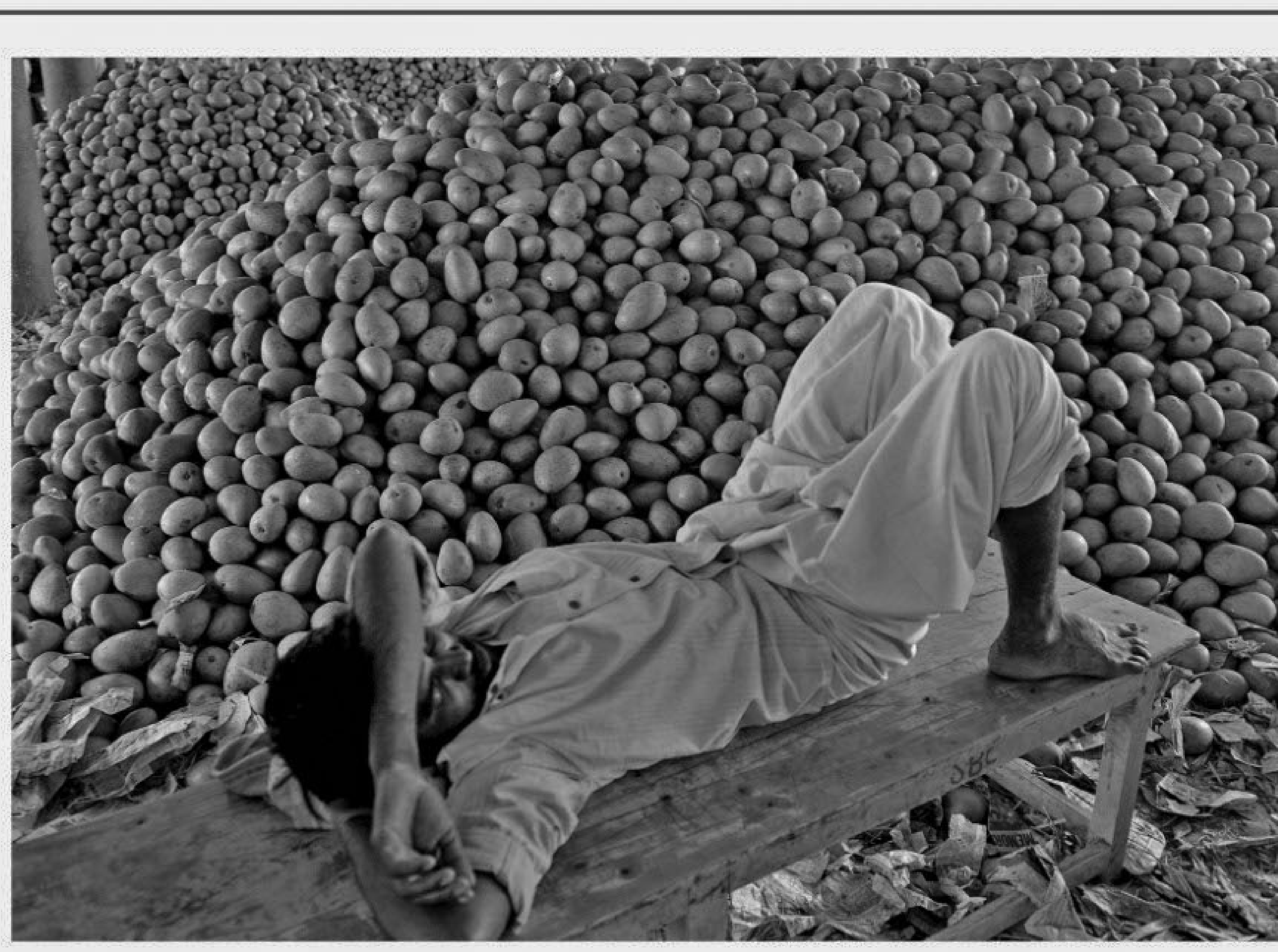
"While there has been some respite in the past week, jet fuel prices are likely to remain high and volatile in the near term," SIA said.

"The twin challenges of near term weakness in load factors and high fuel prices will adversely affect operating performance of airlines.

"The company will be vigilant in cost management and closely monitor patterns of demand and adjust capacity accordingly."

For the fourth quarter ended March, SIA's net profit came in at Sg$171 million, down 38.5 percent from a year ago, largely due to higher fuel expenditures.

A Dow Jones Newswires poll of analysts forecasted the carrier's fourth quarter net profit would rise five percent to Sg$292 million on improved traffic and demand from premium travellers.



AFP

**An Indian farmer rests prior to the auction of mangoes at the Gaddiannaram Fruit Market on the outskirts of Hyderabad yesterday. India's finance minister Pranab Mukherjee has warned that economic growth will probably miss the government's 9 percent target as rising commodity prices and stubborn inflation slow activity.**

## Value of pirated software nearly $59b: study

AFP, *Washington*

The commercial value of pirated software increased 14 percent last year to nearly $59 billion, with emerging economies accounting for over half the total, according to a study published Thursday.

Businesses and consumers around the world bought $95 billion worth of legal personal computer (PC) software in 2010, according to the Business Software Alliance (BSA), but they installed another $58.8 billion in pirated software.

"This means that for every dollar spent on legitimate software in 2010, an additional 63 cents worth of unlicensed software also made its way into the market," the BSA said.

At $31.9 billion, emerging economies accounted for over half the commercial value of pirated software last year, the BSA said in its eighth Global Software Piracy Study.

While PC shipments to emerging economies accounted for half the world's total last year, the value of paid software licenses in those economies accounted for less than 20 percent of the world total, the study said.

While the value of pirated software rose, the global piracy rate for PC software dropped by a single percentage point in 2010 to 42 percent, the study found.

# Visa to launch digital wallet for US banks

REUTERS

**A man uses his mobile phone as he waits for a skytrain in Bangkok.**

REUTERS, *New York*

Visa Inc, the world's largest credit and debit card processing network, is building a digital wallet that people can use to pay for things online or with their phones instead of with traditional cards.

The network said on Wednesday it is working with several large US and international banks to develop the wallet. Its partners include US Bancorp, PNC Financial Services, Regions Financial, BB&T Corp, Toronto Dominion's TD Bank and the US arm of Barclays PLC.

The "digital wallet" will store the banks' customers' credit and debit card account information, both for Visa cards and other cards. People can use the wallet to pay for things online or in stores, Visa said.

The network will also have to convince merchants to put a new "one-click" button on their websites, so that potential customers can use their Visa digital wallets to buy things by clicking the button instead of by manually entering all of their account information every time they want to make an online purchase.

Banks, mobile phone operators and networks like Visa are all trying to gain a foothold in the small but high-potential market for US mobile payments. Last week Isis, a separate mobile payments venture run by three of the top four US carriers, said it had modified its initial goals and was now open to working with Visa and MasterCard as it introduces its own mobile wallet.

Jim McCarthy, Visa's head of global products, told Reuters in an interview on Wednesday that mobile payments in the United States "will more easily take off" from people using their smartphones' browsers to buy things online.

But Visa and its rivals, including MasterCard Inc, American Express Co and Discover Financial Services, are also trying to figure out ways for people to buy things with their phones in physical stores. McCarthy said that a previous, separate Visa pilot to test smartphone payments with Bank of America Corp and other large US banks will be commercially available this summer.