Greeks rage against austerity while EU argues

REUTERS, *Athens/Brussels*

Striking Greeks raged against a new wave of austerity on Wednesday after euro zone finance ministers failed to agree how to make private creditors contribute to a second bailout for their indebted country.

As workers staged a national strike, thousands of protesters -- some chanting "Thieves, traitors! Where did the money go" -- massed at parliament to try to prevent lawmakers enacting more tax hikes, spending cuts and sell-offs of state property.

Socialist Prime Minister George Papandreou must push through a five-year deficit reduction and privatization program to continue receiving aid from the European Union and International Monetary Fund and avoid default after Greece fell behind on its first 110 billion euros ($158.1 billion) rescue plan.

In Brussels, finance ministers of the 17-nation single currency area debated late into the night how to make private bondholders share the cost of the second rescue in two years without triggering even worse turmoil in financial markets.

They are aiming for a deal at a European Union summit on June 23-24 and will meet again on Sunday evening in Luxembourg. However Tuesday's apparent impasse, and the absence of the usual news conference, sent the cost of insuring Greek debt against default rocketing to an all-time high.

Highlighting contagion risks from the Greek crisis, shares in top French banks tumbled after credit ratings agency Moody's said it might downgrade them because of their exposure to Greece's debt-stricken economy.

Greek bank stocks also fell by as much as 7 percent on growing political uncertainty.

The French government sought to deflect market pressure by noting -- perhaps pointedly in the light of differences between Paris and Berlin over the Greek bailout -- that German banks were actually more exposed.

"French banks are exposed to Greece... (but) they are less exposed than the German banking sector, for instance," Secretary of State for European Affairs Laurent Wauquiez said.

However, figures from the Bank for International Settlements show that France has the highest overall net exposure to Greece with $65 billion, compared to $40 billion for Germany and $41 billion for the United States.

A leaked European Commission working paper on options for private sector involvement, published by the Financial Times, showed the difficulty facing euro zone ministers in avoiding creating market havoc.

A voluntary rollover of bonds at maturity, favoured by France and the European Central Bank, offers the lowest risk of causing a credit downgrade for Greece and leading to wider contagion, but it would be impossible to quantify the private sector contribution in advance.

That means official lenders would have to provide more of the required 120 billion euros in funding, of which 30 billion are expected from privatisation revenues.

Furthermore, ratings agencies have said they could classify even an ostensibly voluntary debt swap as a "selective default," since it is hard to imagine a rational investor maintaining Greek exposure without coercion.

A bond exchange involving a generalised renewal of exposure for seven years, favoured by Germany and the Netherlands, would raise the most money but carry the highest risk of contagion as investors in other sovereign bonds took pre-emptive action to avoid similar measures elsewhere, the paper said.

A middle option of a voluntary rollover with some limited positive incentives could draw broader participation and make it possible to estimate the private sector contribution in advance, but it would raise the risk of a Greek downgrade and contagion.

The northern euro zone creditor states are demanding private sector burden-sharing in response to strong public opposition, expressed in national parliaments, to any further bailouts.

Greece's Papandreou also faces public protests and resistance from a conservative opposition that has surpassed his Socialist party in opinion polls, but backbenchers in his own parliamentary caucus are also threatening to reject the plan.

Around 1,500 police closed a swathe of central Athens and erected two-meter metal barricades to protect parliament and surrounded it with police vans and a water canon.

The latest austerity plan foresees 6.5 billion euros in tax hikes and spending cuts this year, doubling measures agreed with bailout lenders that have pushed unemployment to a record 16.2 percent and extended a deep recession into its third year.

AFP

Protesters demonstrate outside the Greek parliament during a general strike against government austerity plans, in Athens yesterday. Greek workers staged a general strike disrupting public transport on land and sea and forcing offices to close as protesters voiced outrage at a new round of austerity proposals.

Ericsson to buy Telcordia for $1.15b

AFP, *Stockholm*

Sweden's Ericsson, the world's biggest mobile network equipment maker, said Tuesday it would pay $1.15 billion (796 million euros) in cash for US communications software developer Telcordia.

Ericsson said the transaction was a key move in reinforcing and expanding the company's position in operation support systems and business support systems.

The Swedish giant described Telcordia, based in the US state of New jersey, as a "global leader in the development of mobile, broadband and enterprise communications software and services."

Currently held by private equity firms Providence Equity Partners and Warburg Pincus, Telcordia has about 2,600 employees who will transfer over to Ericsson. It generated revenues of $739 million in the fiscal year ending January.

"The importance of operations and business support systems will continue to grow as more and more devices are connected, services become mobile and new business models for mobile broadband are introduced," Ericsson chief executive Hans Vestberg said in a statement.

"Telcordia brings the good customer footprint, leading service fulfillment and service assurance and a strong presence in North America," he added in a conference call, describing the transaction as "a strong business case."

Telcordia chief executive Mark Greenquist also hailed the deal.

"The combination of Ericsson's global leadership position and Telcordia's long-standing expertise in solving the most complex communications challenges will benefit customers through new services and expanded capabilities," he said in the statement.

Lars Soderfjall, an analyst with Aalandsbanken, told Dow Jones Newswires that Ericsson's acquisitions were "generally positive for its earnings."

Bernstein analysts agreed, describing the deal as "positive for shareholders."

British jobless rate sees sharpest fall since 2000

AFP, *London*

Britain's jobless total fell by the biggest amount in more than ten years in the three months to April, official data showed on Wednesday.

The Office for National Statistics (ONS) said in a statement that the number of unemployed in Britain fell by 88,000 to 2.43 million people. That was the largest decline since the three months to August 2000.

However the unemployment rate held steady at 7.7 percent in the three months to the end of April, compared with the previous three months, in line with market expectations.

However, the ONS added that the number of people claiming benefits rose by 19,600 between April and May to 1.49 million -- which was the biggest increase since July 2009.

Expectations had been for an increase of just 5,000 in the claimant count, according to analysts polled by Dow Jones Newswires.

"The labour market is currently showing resilience in the face of a struggling economy, but the key question is can it last?" said economist Howard Archer at IHS Global Insight.

"We have serious doubts about this and suspect that unemployment will head up in the second half of the year as public sector jobs are increasingly pared and private sector companies become more cautious in the face of persistently sluggish growth."

Swiss banks to see tough rules

AFP, *Zurich*

Swiss legislators have moved to drastically toughen capital requirements on big banks Credit Suisse and UBS amid concerns their failure in a crisis could drag down the Alpine country's economy.

Lawmakers in the upper chamber of parliament, the Council of States, approved the measures expected to cost each bank $90 billion in a preliminary vote late on Tuesday and were due to cast a final vote on Thursday.

The measures would require the banks to hike their high-quality core common equity to 10 percent of assets plus hold another nine percent in bonds that could be converted into equity if needed.

The measures are considerably tougher than the Basel III international standards under which banks are to raise their high-quality core common equity to 7.0 percent of assets from the current 2.0 percent.

UBS has criticised the measures which it says will put it at a competitive disadvantage.

Credit Suisse meanwhile has voiced support for the regulations, with its chief executive Brady Dougan declaring that the bank is an "early adopter" of more stringent rules.

In February, the bank raised $6 billion by issuing convertible bonds to Qatar Holding and Saudi Arabia's Olayan Group, in order to get ahead with meeting the new capital requirements.

"The capital requirements are strict but will be achievable for the bank," a Credit Suisse spokesman said on Wednesday.

The lower house of parliament will not take up the government-proposed bill until after the summer break, according to a spokesman.

The measures were proposed by experts last year after a government rescue of UBS during the 2008 financial crisis.

Last year a commission of experts advised the government to adopt measures tougher than the Basel III standards as Credit Suisse and UBS are regarded as "too big too fail" because of their size and influence on the Swiss economy.

Beyond tougher capital rules, the government also wants oversight on the remuneration policies of large banks that have to be bailed out using federal funds.

Russian Prime Minister Vladimir Putin adjusts his headset after he addressed the 100th annual conference of the International Labour Organisation at the United Nations Offices yesterday in Geneva. Putin set an ambitious goal for the country to become one of the five largest economies in the next decade.

AFP

India set to produce 700MW solar power in 2011

REUTERS, *New Delhi*

India is on track to produce 700 megawatts of solar power at a cost of $2.2 billion by December, ahead of an initial target for an ambitious plan that seeks to boost green power generation from near zero to 20 gigawatts (GW) by 2022.

Under India's Solar Mission, investors bid to build solar power plants and the winning bids are determined by the electricity tariff that they accept as viable. Such has been the interest that the government has been flooded with investment pledges for the first batch of projects rolling out in December.

India's 20 GW solar plan is likely to attract overall investment of about $70 billion, the government has estimates. Issued in 2009, the plan envisages India producing 1,300 megawatts (MW) by 2013, another up to 10 GW by 2017 and the rest by 2022.

"The entire solar industry is no longer worried about the upheavals that are taking place in the European markets because they find a very new and very promising market is developing in India," said Debashish Majumdar, chairman and managing director of Indian Renewable Energy Development Agency.

IREDA, a state-run agency, is the leader in the country's solar energy financing.

"So far, every year the general mood was that nobody knew what would happen to the German policy or what would happen to Spanish policy," said Majumdar, who attended a global summit on clean technologies in Munich last week.

Germany, the world's top solar power producer with about 17 GW installed by end-2010, is considering cutting incentives for photovoltaic energy by an additional six percentage points in another step on March 1, 2012.

Germany, Spain, Italy, Japan and the United States are the leading producers of solar power in the world.

For a Graphic on India's CO2 emissions, energy needs, click link.reuters.com/kew77p

For other news from Reuters Global Energy and Climate Summit, click here

While India's solar sector remains a risky venture because of a shortage of data and trained manpower, such deficiencies also open up a huge market for expertise and technology such as Colorado-based Juwi Solar, Schneider, Schott Solar.

"The (Solar Mission's) second phase would create a very large market for service providers, especially EPC contractors and people who can analyse data to ascertain how much resources like sunlight are available and how much (solar energy) is going to be produced," Majumdar said.

"These agencies would get lots of business," he told the Reuters Global Energy and Climate Summit in New Delhi, adding it was still not possible to determine the size of such a market.

EPC contractors handle the engineering, procurement and construction of solar power plants.

If everything goes to plan, and the rollout of the first projects in December should be an indicator, solar would contribute the equivalent to one-eighth of India's current installed power base by 2022.

This will help the world's number three carbon polluter to limit its reliance on coal and ease a power deficit that has crimped the world's second-fastest growing major economy.

The Solar Mission has certain local content mandates, in other words some imports of equipment and technology will be allowed until 2013 after which capacity has to be built locally.

The special incentive package offers a capital subsidy up to 25 percent on investments for setting up solar cell manufacturing plants. A plant has to be worth at least $225 million to qualify.

With about 250-300 clear sunny days a year, India's solar power reception is about 5,000 trillion kilowatt-hours per year, meaning just 1 percent of India's land area can meet the country's entire electricity requirements till 2030.

Coal, available in abundance in India, provides power at about 2 rupees (4 cents) a unit, compared to a kilowatt hour of solar power at 11 to 12 rupees.

REUTERS

A labourer cleans solar cells placed on a window of a solar housing complex in Kolkata.