

Record Asian order dominates Paris air fest

REUTERS, Paris/Atlanta

A record 200-plane order from Asia's largest budget carrier looks set to dominate a jackpot of deals at next week's Paris Air Show in clear evidence of a multi-speed recovery shaping global industry, sources said.

While Western powers display military hardware that their armies can no longer guarantee to buy, all eyes at the world's largest air show will be on civil demand from growth-hungry Asia which has supplanted North America as the busiest travel market.

The roughly \$17 billion deal from Malaysia's AirAsia for revamped Airbus A320 jets is seen as the centrepiece of an industry show once again buzzing with orders.

"With the global economy, you're seeing some soft spots but yet you're also seeing some acceleration in some parts of the world. We are seeing a lot from Asia-Pacific and the developing economies," said Gleacher & Co analyst Peter Arment.

Sources close to the deal, which is still being finalised, said AirAsia was expected to beat a record for the largest number of planes sold in one contract, even before a recent 180-plane order from India's IndiGo is formally signed.

The deal will also be a boost for French-US engine venture CFM International, owned by GE and Safran, which is scrambling to catch up with rival Pratt & Whitney.

New developments by both firms have allowed planemakers to offer extra fuel savings to airlines and prompted Airbus to update its best-selling narrowbody A320 with new engines.

Boeing has not yet decided whether to copy Airbus in putt-



AFP

Dassault Aviation jetfighters are moved on the tarmac at Le Bourget airport near Paris on Friday during the preparations for the opening of the International Paris air show tomorrow.

ing new engines on its popular 737 plane. It is weighing this against its preferred option of a bolder redesign, meaning Airbus faces pressure to prove its point with big market wins.

In a build-up resembling the kind of mind games played by team coaches before a sporting clash, a Boeing official speculated this week that Airbus could sell up to 1,000 jets. European sources dismissed the remark as a bid to embarrass Airbus. Still, barring a last-minute deferral, industry sources said AirAsia's deal was being arranged for Thursday as the finale for a week in which Airbus alone is expected to sell over 500 jets.

Other customers expected to sign up for the revamped A320neo are India's Go Air with 72 planes and U.S. leasing giant GECAS.

The 150-seat A320 and 737 narrowbody planes are the

biggest segment of the market and a cash cow for both Airbus and Boeing.

A question unlikely to be answered at the air show, at least in public, is how much they are getting for their planes.

Evidence seen by Reuters indicates that planemakers came out of the industry's worst ever recession offering sharply reduced prices to try to keep up sales momentum, even as they increase production to record levels to keep up with resurgent demand.

According to a US diplomatic cable on talks that led up to a sale of Boeing 737s to Caribbean Airlines last year, Boeing offered a 50 percent discount plus training in what the cable described as an "aggressive business offer" to beat Airbus.

The cable is part of a cache of messages obtained by the Wikileaks website and supplied

to Reuters by a third party.

An aviation industry source, who asked not to be named, told Reuters that such steep discounts from both Boeing and Airbus had not been uncommon in the periodic price wars between the two plane manufacturers.

Boeing declined to comment. The State Department did not respond to a request for comment.

Some also question how far the Asian boom is sustainable.

"With ambitious figures like these (aircraft sales) the economy can sometimes pay you an unpleasant visit," said Washington-based analyst Richard Aboulafia of Teal Group.

Airbus and Boeing are refreshing their product lines amid future competition from China, which will display a cabin mock-up of its first large passenger jet, and Russia, whose prime minister Vladimir Putin will visit

Le Bourget on Tuesday.

The two companies are involved in another strategy battle over the market for 350-seat wide-body twinjet planes like the Boeing 777 and A350, also being driven by engine manufacturers.

Wheeling and dealing is carried out in luxury chalets with a view of passenger jets like the new Boeing 747-8, the world's longest airliner and one of the stars of this year's show.

The jet is painted in orange and red "sunrise" livery symbolising the rise of Asia as a hugely important market.

Even though the air show tarmac will be a Paris muscle beach for the world's most powerful transporters and fighters, Western powers facing heavy defence cuts are expected to keep the military side of the world's largest air show in check.

A mood of austerity has discouraged some US industry leaders from attending and the political climate for arms exports is more difficult to read after the Arab uprisings.

"Exports are being dampened by turmoil in the Middle East. Some countries are making decisions that focus more on social and defence needs," said Byron Callan, a director at Capital Alpha Partners in Washington. "Japan is focusing on its crisis and the economic damage from Fukushima," he added.

Several companies including Eurofighter will however take the opportunity to give briefings on their operations in Libya.

A bright spot for the defence segment is expected to come from Norway ordering its first four F-35 Joint Strike Fighters built by Lockheed Martin Corp Industry and government officials familiar with the plans said the order would be placed at the show.

India's economy skids as leaders sleep at the wheel

REUTERS, New Delhi

If there was ever a sign of rudderless leadership and misplaced priorities over economic policy, it was Finance Minister Pranab Mukherjee's trip to Delhi airport this month to meet Swami Ramdev, who was protesting against the government's inaction on graft.

The highly criticised trip, which initially emboldened the guru and then backfired when police tear-gassed his rally three days later, underscored a sense of distracted leaders fruitlessly trying to put out fires.

Critics would have preferred Mukherjee focus more on dealing with a confluence of worrying economic trends -- accelerating inflation, declining foreign investment and slower growth and domestic investment -- that policy inertia will only make worse.

Asia's third-largest economy is still set to grow around 8 percent this fiscal year, faster than any major economy except China.

However, there are ominous signs, from weaker car sales to a dip in steel imports, that have coincided with global worries that emerging markets could soon hit a financial bump.

Investment was essentially flat in the March quarter and industrial output rose 6.3 percent in April, its slowest in three months. Inflation accelerated faster than expected in May, to 9.06 percent, with price pressures spreading from food to the manufacturing sector, while the central bank may have run out of tools to contain it after ten rate rises.

"India may grow around 7 percent without reforms," said Sanjay Mathur, a Singapore-based economist at Royal Bank of Scotland, one of several economists who have warned India's economic growth could fall below 8 percent.

"In the India context, that's not enough." Halfway through his second term, Prime Minister Manmohan Singh's reformist image been hit by corruption scandals, weak leadership, infighting and a sense of complacency by many politicians focused more on enjoying the fruits of power.

It is a running joke in Delhi that Singh will delay policies by forming committees to probe thorny issues. There is even a "GoM" (Group of Ministers) committee on briefing the media.

Oracle seeks up to \$6.1b in Google lawsuit

REUTERS, San Francisco

Oracle is seeking between \$1.4 billion and \$6.1 billion in a patent lawsuit against Google over the lucrative smartphone market, according to a court filing.

Oracle sued Google last year, claiming the Web search company's Android mobile operating technology infringes upon Oracle's Java patents.

Oracle bought the Java programming language through its acquisition of Sun Microsystems in January 2010.

A US judge this week ordered Google to make public parts of a court filing that contains details about Oracle's damage claims. Google complied with that order on Friday, and revealed the damages

Global recovery at risk: IMF

AFP, Sao Paulo

A fragile global economic recovery could falter unless Europe averts sovereign defaults, the United States gets its fiscal house in order and emerging economies prevent overheating, the IMF warned Friday.

"There are very clear risks to the recovery," the International Monetary Fund's research director, Olivier Blanchard, said in Sao Paulo as he presented the Fund's latest update to its the world economic outlook.

The IMF lowered its 2011 growth forecast a notch, projecting an annual rate of 4.3 percent, a tenth of a point lower than it had forecasted two months ago. Global inflation was forecast at 4.0 percent.

Blanchard said: "The global recovery continues, but the road to health is a long one and there is no time to relax."

In the report, the Washington-based lender noted that "activity is slowing down temporarily" and negative growth headwinds were rising.

"Greater-than-anticipated weakness in US activity and renewed financial volatility from concerns about the depth of fiscal challenges in the euro area periphery pose greater downside risks,"

it said, updating its April economic, financial and budgetary reports.

Blanchard was especially alarmed at the situation in the eurozone, where Greece was tottering on the precipice of sovereign default, causing jitters in other weaker economies in the region.

The debt trouble risks "derailing the European recovery and perhaps even the world recovery," he said.

"The stakes are very high." The IMF report stressed that the European Union has little time left to resolve sovereign debt problems, amid rising concerns among investors and the public. "Policymakers must act now to make the financial system more robust," according to the report.

Blanchard also pointed to the risk of "overheating" in some emerging economies in Asia and Latin America.

"Inflation is increasing beyond what can be explained by rising commodity and food prices," he said.

Blanchard did not identify specific countries at risk, but appeared to be alluding to at least China and Brazil, both of which have seen inflation spike in recent months.

Meanwhile in the United States, growth has "disappointed" since the beginning of the year, the IMF said.

Papandreou calls up veterans to fight debt crisis

AFP, Athens

Greece's new tough-talking finance minister pledged "a real war" on Friday after embattled Prime Minister George Papandreou picked a team of political veterans to ward off economic meltdown.

Fighting against time to negotiate a new bailout with European peers, the PM reached across rival factions in the ruling Socialist party to quell dissent that threatened to burst into open revolt amid mounting anti-austerity protests.

"I am here by patriotic duty to carry out a real war," said Finance Minister Evangelos Venizelos, a former defence minister, as he took over from his predecessor.

Greece finds itself in a critical situation to secure new funds before its available resources run out next month, but the European Union and the International Monetary Fund demand action before extending additional aid.

"We welcome the determination of Prime Minister Papandreou and the Greek government to take the difficult steps necessary to guide Greece through these financial challenges," White House spokesman Jay Carney said.

European Commission chairman Jose Manuel Barroso added: "I hope the new government can be approved rapidly, so that the process for continuation of financial assistance to Greece may continue smoothly."

The new cabinet was sworn in on Friday and will be put to a confidence vote to be completed by Tuesday.

Finance ministers of the 17-nation eurozone meet Sunday in search of common ground on how to address the Greek debt crisis that threatens to unsettle the entire currency area.

Venizelos, who had challenged Papandreou for the party leadership in 2007, will be attending that meeting.

"Papandreou has forged an alliance with his chief enemy," noted political analyst Ilias Nikolakopoulos.



AFP

Greek Prime Minister George Papandreou arrives for a cabinet meeting in Athens on Friday. Papandreou axed his finance minister, naming a former foe to implement deeply unpopular austerity measures.

"This will essentially serve to calm party rivalries," he told AFP.

Venizelos, 54, is a French-educated constitutional expert who previously headed Greece's frenetic preparations to host the Athens 2004 Olympics.

"We must proceed with greater efficiency, Greek citizens expect to see this," new government spokesman Elias Mossialos told state television NET.

"Clearly there are major social reactions, which are to be expected when there are so many cuts. We will strive to be efficient," said Mossialos, a former health policy professor at the London School of Economics.

Papandreou initially sought to enlist former European Central Bank vice president Lucas Papademos to take over the finance ministry, reports said.

Under fire from party backbenchers on Thursday for leading a failed effort to revive the Greek economy, the prime minister also slimmed down the government, axed a few unpopular allies and gave posts to dissenters. Outgoing finance minister

George Papaconstantinou, who was blasted by fellow party cadres for failing to jumpstart the economy after an 18-month effort, was given the environment ministry, a move analysts see as a demotion.

Papandreou also named a new foreign minister, 49-year-old Stavros Lambrinidis, formerly head of the ruling Pasok party's group of deputies at the European Parliament and a long-term confidant of the premier when the latter held the post a decade ago.

The reshuffle also saw deputy defence minister Panos Beglitis, another close aide of Papandreou, promoted to full minister.

Two other key officials who had handled tough reforms, Health Minister Andreas Loverdos and deputy labour minister George Koutroumanis, were given additional responsibilities, with the latter bumped up to full minister.

But Papandreou axed two of his close associates, former foreign minister Dimitris Droutsas and former environment minister Tina Birbili, who had both drawn fire within the party.



AFP

Russian President Dmitry Medvedev (R) and Economic Development Minister Elvira Nabiullina (C) speak with Sri Lankan President Mahinda Rajapakse (L) during their meeting on the sidelines of the International Economic Forum in St Petersburg on Friday.