

# Greece faces critical vote for its debt and for eurozone

AFP, Athens

Greek Prime Minister George Papandreou faced a vote of confidence in his new government on Tuesday in a fight vital to avert bankruptcy and stave off chaos across the eurozone and global markets.

The prime minister was widely expected to squeak through in a vote due to take place around midnight, and a victory would almost certainly mean he would then get backing for vital austerity cuts and privatisations in a separate vote next week.

"The alternative is unthinkable at this juncture," ING bank analysts warned.

A Greek default would hit European banks hard, but would also likely damage investor sentiment towards Ireland and Portugal, already being rescued, and Spain and even Italy and Belgium which have high debt loads.

The eurozone issued an ultimatum to Greece on Monday, when it held back the latest slice of a rescue loan from last year.

It told Greek lawmakers, in effect, to support the government and approve new, deep crisis action on the budget, even while recognising that this further delay and uncertainty could raise pressure throughout the eurozone.

Greece needs the 12-billion-euro (\$17-billion-dollar) loan instalment to pay bills next month, but a much bigger issue for the whole eurozone is a new huge loan needed by Greece to



Employees of state-owned Hellenic Defence Systems wave to tourists aboard a bus as they protest in front of the Greek parliament against the privatisation of the company yesterday. Greek Prime Minister George Papandreou vowed there would be no backsliding on a 28 billion euro programme of cuts ahead of a confidence vote on June 21 seen as key to calming fears for the euro's future.

avoid default on its debt in the months and years ahead.

Germany insists this must involve losses for private lenders such as banks and insurance companies.

But rating agencies have warned that this could spell default even if supposedly voluntary, and the European Central Bank has said that in that event it might be forced to cut lifeline financing to Greek banks.

Analysts say that all these factors raise a serious threat of mayhem in the eurozone with

repercussions on global markets, but the parliament in Athens to approve the austerity measures, and the EU and IMF then to approve further bailout funding.

Despite deep public discontent and distress, Papandreou vowed on the eve of the vote there would be no backsliding on the 28-billion-euro (\$40 billion) programme of cuts needed to unlock further aid needed to keep the country from going broke next month.

"We are determined as a country, as a government to be on track

with the programme, to move forward to do what is necessary in order to get our country into a fiscally much better and viable position," Papandreou said after talks in Brussels on Monday with Herman Van Rompuy, president of the EU Council.

Under rising pressure from the EU and International Monetary Fund, and also on the streets of Greek cities, Papandreou shook up his government last week in the hope of gaining wider political support, but is likely to squeak through

on just his razor-thin majority of a handful of votes.

"The most likely scenario is that the government will win the confidence vote and then get approval for its austerity plan" before the end of the month, Platon Monokroussos, an analyst at Eurobank said.

Thomas Gerakas, of the Marc polling institute, said that a successful vote would enable Papandreou to send a message to the eurozone and Greece's creditors that he will win approval for his austerity cuts.

"It is hard to imagine that any lawmaker could give his backing in the vote of confidence and then vote against the new economic programme," said Gerakas.

At stake for Greece is the 12-billion-euro instalment of a first 110-billion-euro EU-IMF rescue loan last year that is needed to ensure Athens pays its bills next month.

A second bailout of over 100 billion euros is also in the works as Greece won't be able to return to the debt markets in the next few years as was originally foreseen.

Analysts at Citi bank see the IMF, which funds a third of the bailout packages, toughening up its position as behind the latest brinkmanship.

"The IMF wants to keep pressure to find a solution as high as possible both on the Greek government as well as on Europe in order to avoid a short-term Greek default," said the bank.

Citi said the IMF is apparently seeking more formal commitments from the EU on the financing of the second bailout package.

## Indian energy group to invest \$7.7b in gas field

AFP, Mumbai

India's largest state-run oil explorer Oil and Natural Gas Corp plans to invest \$7.7 billion in developing one of India's biggest gas fields off the eastern coast, a company spokesman said Tuesday.

ONGC is aiming to drill eight additional wells in a block in the KG basin and has sought approval from the regulator and the petroleum ministry, he said.

The oil giant will also explore tie-ups with foreign partners, who have expertise to develop hard-to-exploit reserves in the basin, he added.

"We will look for partners who have expertise in ultra deepwater drilling," the spokesman said, asking not to be named.

ONGC, which produces about 30 percent of India's crude requirement, is involved in exploring for and exploiting hydrocarbons in 26 sedimentary basins of India.

The KG basin is India's most prolific gas basin, where some of the country's largest natural gas discoveries have taken place in recent years.

Oil and natural gas companies are raising spending on exploration and production, as demand and prices remain high.

Earlier this year, British giant BP agreed to pay \$7.2 billion for a 30-percent stake in 23 oil and gas blocks owned by private energy giant Reliance Industries.

India imports about 70 percent of its total fuel needs.

He declined to say who ONGC was talking to but media reports last week said was holding discussions with the BG Group and Italian oil giant ENI with a plan to sell up to a 30-percent stake in two other gas blocks, off eastern India.

"ENI and BG have evinced interest," the Economic Times financial daily on Tuesday quoted an unnamed ONGC official, who added it was too early to say if deals would be signed with either firm.

ONGC has bagged more than 50 percent of the 238 blocks awarded in bidding under India's exploration licensing policy.

ONGC produced 27.27 million tonnes of crude oil and 25.32 billion cubic metres of gas in the year to March 2011.

## Hong Kong inflation hits three-year high

AFP, Hong Kong

Hong Kong said Tuesday its inflation hit 5.2 percent year-on-year in May, its highest level since July 2008, and warned that prices will continue to go up due to soaring food costs and housing rent.

The rate was up from 4.6 percent in April, the Census and Statistics Department said in a statement, the highest since July 2008 when inflation jumped 6.3 percent.

The hike was driven largely by rises in the cost of alcoholic drinks and tobacco, up 19.8 percent, food (10.1 percent) and housing (6.1 percent).

A government spokesman said inflation "is likely to go up further in the coming months", due to price pressures from both external and domestic factors.

"The rising inflation in Hong Kong has to be viewed against the background of elevated global food and commodity prices amid abundant liquidity and the continued robust expansion of the local economy," the spokesman said.

"The government will remain vigilant on the inflation situation, particularly its impact on the lower-income people," he added.

The southern Chinese city's finance chief John Tsang on Sunday warned that the government may take further measures to curb rising property prices if necessary, amid fears of an asset bubble forming.

Property prices have surged past the record levels seen in 1997 prior to the Asian financial crisis, with the rocketing cost of owning a home in the teeming city of seven million a major head-

## S Korea must boost birthrate, welfare spending: OECD

AFP, Seoul

South Korea should push more family-friendly policies in the workplace to boost the birthrate and narrow the education gap between rich and poor to ensure long-term growth, the OECD said on Tuesday.

The Organisation for Economic Cooperation and Development, in a report entitled "A framework for growth and social cohesion", also called for a big rise in welfare spending and labour market reforms to lessen income disparities.

Its chief Angel Gurría urged Seoul to "double or perhaps more" its welfare spending, which at the present 7.5 percent of gross domestic product is far below the OECD average of 20 percent.

"Growth is important but growth alone cannot solve all the problems," said Gurría, calling the task of achieving more inclusive growth a "go-social chal-

lenge" faced by Seoul policymakers.

"Tackling these challenges requires public spending, thus room has to be made to meet this demand... you need high social spending without weakening Korea's very sound fiscal position," he told a news conference.

The report, requested by President Lee Myung-Bak, calls on Seoul to increase its current 10 percent value-added tax as well as environmental and property holdings taxes to finance better social protection.

It says the state pension age should rise to 65 from 60 to maintain fiscal health, and poor families should be able to claim assistance more easily.

Gurría urged Seoul to offer more high-quality child care services and promote family-friendly policies at workplaces to "reconcile work and family life" in the country with the highest working hours among OECD member states.



David Vasquez, who is homeless, panhandles on the street in New York City on Monday. According to an annual report on the city's homeless population conducted by the Coalition for the Homeless, a record 113,553 people turned to shelters last year. This was an eight percent increase over the previous year and is a 37 percent increase since 2002. While the reasons for the increase are numerous, the economy and the unemployment rate played a significant part in the numbers.

## Airbus piles pressure on Boeing; Putin in Paris

REUTERS, Le Bourget, France

Airbus piled up orders for its revamped A320neo passenger jet at the Paris Air Show on Tuesday, putting more pressure on Boeing and limiting scope for new rivals as Russian premier Vladimir Putin arrives to tout his country's aerospace industry.

European planemaker Airbus notched up \$14.4 billion of orders on the first day, outselling US rival Boeing's \$9.3 billion. Early on Tuesday its sales chief said it had 544 commitments for its new A320 aircraft, including a memorandum of understanding with leasing company CIT for 50.

Airbus had also won almost 100 orders and commitments for its A320neo family of planes worth about \$8.3 billion based on list prices by 0939 GMT on Tuesday.

Boeing and Airbus are locked in a strategy battle over a huge market for single-aisle aircraft, with Airbus marketing a revamped version of its A320 and Boeing holding back on deciding whether to upgrade or redesign its 737.

"I think it is going to be a different conversation at the end of the week, depending on what Airbus achieves this week in terms of orders for the neo," Henri Courpron, Chief Executive of International Finance Lease Corporation, the world's largest aircraft leasing company told Reuters.

"So if we assume, based on rumours and reports, that the neo is going to be a great success this week, then it prompts Boeing to do something. It cannot do nothing," he said. But Boeing outsold Airbus in the market for more expensive long-haul planes, including for a new version of its most recognisable jetliner, the 747.

Airbus believes it has the upper hand with the A320neo, whose more efficient engines save airlines 15 percent in fuel costs, according to the company.

Analysts expect narrow-body planes, the backbone of the fast-growing budget airline market, to be



Technicians prepare the Airbus A380 carrying the colours of major Korean Air which made fly-pasts for visitors to the show after a demonstration version of the model clipped a structure by the taxiway at the Paris International Air Show at Le Bourget airport near Paris.

a key battleground for orders between Airbus and Boeing at the biennial air show.

Beijing conceded it might lose some custom while it ponders the future of its 737. The firm said on Sunday it would decide by year-end on its new strategy.

China and Russia have a major presence at the air show as they look to muscle in on the two traditional passenger aircraft manufacturers, although their offerings still seem distant.

Moscow is currently pushing for Russian companies to up their spending in research and development as the government seeks to modernize and diversify the economy away from oil and gas and resources.

United Aircraft Corp will push its Sukhoi 100 superjet, and also has high hopes for its mid-sized airliner, the MC-21/MS-21.

Russian Prime Minister Vladimir Putin, who arrives at the air show after meeting French President Nicolas Sarkozy and Prime Minister

Francois Fillon, will look to promote the Russian civilian and military aerospace sector.

Beijing also moved a step closer to creating its first passenger plane after signing deals on Monday with Safran and GE for engines and electrical cables.

Commercial Aircraft Corporation of China (Comac) expects to have its C919 up and running by 2014 with first deliveries two years later, Wu Guanghui, Comac's vice-president in charge of design and engineering said on Monday.

The plane could eventually rival Airbus' A320 and Boeing's 737 in the short- and medium-haul market and it received a boost on Tuesday after signing a deal with budget carrier Ryanair for aircraft development.

Airbus had been left red-faced following a series of mishaps on the eve of the show, including a taxiway collision involving an A380 superjumbo. But it managed to scramble a Korean Air A380 to replace the damaged aircraft in aerial displays at the show.