# Geithner eyes India financial reforms, US access

REUTERS, *Washington*

India has outgrown its financial system, US Treasury Secretary Timothy Geithner said on Monday, calling for cooperation on reforms that would deepen India's capital markets and allow US firms more access to them.

Geithner, speaking at a business forum with Indian Finance Minister Pranab Mukherjee, said India's future growth largely depended on the "next wave" of financial reforms.

The two finance ministers and their top lieutenants will participate in annual economic talks in Washington on Tuesday.

"I think from our perspective, the most important thing we'd like to see is progress on financial reforms that provide a deeper, more liquid market for corporate debt for infrastructure financing, that allow a little more access of American companies and their technology in the financial area," Geithner said. "Our interests are pretty complementary as a whole."

The second installment of the US-India Economic and Financial Partnership talks, launched last year in New Delhi, are not likely to stir acrimony. The two democracies, both powered by domestic-led growth with market-driven currencies, have many common goals.

"If you look at this relationship, one of the things that's so encouraging about it is the relative absence of drama," Geithner said.

Last month, the United States and China held much more controversial bilateral talks, sparring over currency policies, human rights and US high-technology exports.

The US wants to make India one of its top 10 trading partners in coming years. Currently, bilateral trade between the two countries is about $49 billion annually, just over a tenth of the $456 billion annual US-China bilateral trade.

Mukherjee said reforms in India were "a constant exercise" and pledged that India would press forward with its reform agenda and the legislation that would enable it.

The Indian finance minister also acknowledged that India faced serious inflationary pressures and was acting to contain them. He added that while India "could live with" inflation running at an annual pace of 6 percent to 6.5 percent, the level this year may be higher because of high oil prices.

A top Indian central banker noted earlier on Monday that the recent easing of oil prices will aid the inflation fight.

"If this trend persists, it will provide substantial relief for global inflation management, particularly for large commodities importers," said Subir Gokarn, deputy governor for the Reserve Bank of India.

Earlier this month, India raised interest rates for the 10th time in just over a year, boosting the rate at which it lends to banks by 25 basis points to 7.5 percent.

The RBI's baseline forecast anticipates India's annual growth rate slowing to around 8 percent, Gokarn said. This compares to about 8.5 percent for the 2010/11 fiscal year.

"From the inflation management perspective, this is not an entirely undesirable outcome," he added. "If it results in a significant reduction in the inflation rate, it will represent a soft landing, which in turn opens up the opportunity for a reversal of the interest rate cycle."

A day before the International Monetary Fund's executive board was set to begin deliberations to select its next managing director, both Geithner and Mukherjee declined to be drawn on which candidate they support -- France's Christine Lagarde or Mexico's Agustin Carstens.

Many emerging market officials, who have pushed for a greater say in how the IMF and similar institutions are run, have called for an end to the tradition of appointing a European to head the global rescue lender.

Mukherjee sidestepped a question on the matter, saying only: "I'm quite confident that these institutions will be reformed."

Geithner, who could swing the vote for Lagarde with a US endorsement, declined to answer, saying that an a selection process that he pledged would be "open" had produced "two very credible candidates."


AFP

**US Treasury Secretary Tim Geithner (R) listens to Indian Finance Minister Pranab Mukherjee speak at the US-India Economic and Financial Partnership conference in Washington on Monday.**

## Microsoft puts Office in the cloud, confronts Google

REUTERS, *Seattle*

Microsoft is making its biggest move into the mobile, Internet-accessible world of cloud computing this week, as it takes the wraps off a revamped online version of its hugely profitable Office software suite.

The world's largest software company is heaving its two-decade old set of applications -- including Outlook email, Excel spreadsheets and SharePoint collaboration tools -- into an online format so that customers can use them on a variety of devices from wherever they can get an Internet connection.

It wants to push back against Google Inc, which has stolen a small but worrying percentage of its corporate customers with cheaper, web-only alternatives, which remove the need for companies to spend time on installing software or managing servers.

"It's obvious that Microsoft has to do this if they're going to remain competitive with Google," said Michael Yoshikami, chief executive of money manager YCMNET Advisors. "It's something they have to do."

Microsoft shares rose 3.7 percent on Monday, the largest gain in a single trading day since September, partly buoyed by hopes that it can ultimately boost profits by extending its software dominance to the growing cloud sector.

"If they execute effectively and it's adopted, it could be a game changer," said Yoshikami. "Whether or not that will happen is a whole other story."

Microsoft has offered online versions of some Office programs -- chiefly Outlook email -- for its corporate customers for several years, and last year rolled out free versions for individual home users.

Chief Executive Steve Ballmer is set to present an overhauled and updated set of offerings -- collectively called Office 365 -- at an event in New York City on Tuesday morning, underlining the company's newfound online focus.

The market for web-based software services is heating up, and every company, government department and local authority is getting pitches from Microsoft and Google whenever they reevaluate their office software.

It's a new challenge for Microsoft, which built itself up on expensive versions of software installed on individual computers. That business model turned the Office unit into Microsoft's most profitable, earning more than $3 billion alone last quarter.

## StanChart keeps lid on costs, heads for record profit

REUTERS, *Hong Kong/London*

Staff cuts coupled with growth in Hong Kong and other key Asian markets have put Standard Chartered Plc on track for record profits in the first half of this year, up over 10 percent on a year earlier.

The Asia-focused bank on Tuesday said income and profit were up over 10 percent in the first five months of the year and cost growth would be broadly in line with income growth in the first half.

"It's a very positive statement and an improvement on the Q1 stage, as they've clearly improved the situation on the cost to income line," said Mike Trippitt, analyst at Oriel Securities in London, keeping a "buy" stance on the stock.

By 0730 GMT Standard Chartered's London shares were up 1.6 percent at 15.64 pounds, outpacing a 0.8 percent rise by the European bank index.

Cost growth rising faster than income growth, known as "negative jaws", has dogged StanChart for the past year as it battles rivals such as HSBC Holdings Plc to keep and retain talent in key fast-growing Asian markets such as China and Hong Kong. Analysts had expected costs to outpace income again in the first half and be broadly flat for the full year.

Finance Director Richard Meddings said the bank had cut 1,300 staff in the first five months of the year, after adding 7,000 staff last year to give it 85,000 employees.

Investment and hiring will pick up in the second half, he said, resulting in a net increase in staff for the full year in line with previous guidance of a 1,000 rise or slightly fewer.

"We have a relatively high attrition rate consistent with the financial services industry, so when people leave us we are able to manage the pace at which we rehire," Meddings told reporters on a conference call.

## Greece debt must be restructured if no reforms: Slovakia

AFP, *Bratislava*

Greece will be forced to restructure its debt if Greek lawmakers reject a tough corrective budget programme, Slovak Finance Minister Ivan Miklos warned on Tuesday.

"If the Greek parliament fails to adopt the fiscal stabilisation plan the country won't receive the next slice of its loan in July," Miklos told journalists.

"Then it won't receive more money and will have to restructure," he added.

Greece is waiting for the European Union and International Monetary Fund to release 12 billion euros ($17 billion) from last year's 110-billion-euro bailout, which Athens needs by July to avoid financial collapse.

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

Angry Greek workers launched a 48-hour general strike on Tuesday to protest the measures, which the parliament is scheduled to vote on Wednesday and

# Moment of truth as Greece gripped by general strike

AFP, *Athens*

Greece ground to a halt Tuesday as angry workers launched a 48-hour general strike against an austerity drive ordered by its bankruptcy-threatened government in exchange for a European bailout.

Crowds converged early on Syntagma Square, where parliament will vote on sweeping spending cuts as planes, ships and most public transport came to a halt.

"We don't want your money Europe," Iamando, 36, told AFP on the square with police already out in force at 11:00 am (0800 GMT). "Leave us alone -- please, please, please," she cried.

Public transport was halted in Athens for the fourth general strike called this year by the country's two biggest unions, with the exception of the metro whose drivers decided not to strike so as to allow Athenians to swell protest numbers.

In the port of Pireus, near Athens, which links most Greek islands with the mainland as the peak tourist season gets under way, around 200 militant unionists staged a picket to prevent ferries from leaving the port.

Banks, too, were closed and even hospitals were operating on reduced staffing while at airports action by air traffic controllers saw domestic flights cancelled by Greek airlines Olympic Air and Aegean and international departures delayed.

A string of rallies got under way, led by a Communist march to the parliament square -- a magnet for tens of thousands of protesters and a thousands-strong 'indignants' camp some of whom said they have clocked up 38 straight days.

"We're like the donkey -- the more you hit it, the more determined it gets," one of those who keeps coming back to the square, Omiros (Homer), 29, told AFP.

An employee of the soon-to-be privatised electricity company, he spoke for a generation of Greeks educated abroad -- Bath, England, in his case.

"If they sold the power company in the UK, it wouldn't be for pennies, and they wouldn't hit you with 300 percent price rises," he added of the other principal gripe among a generation of Greeks earning just hundreds of euros per month.

AFP

**Protesters run away from riot police during a 24-hour general strike in Athens yesterday. Greece is set to come to a halt on Tuesday as protesters launch a 48-hour general strike against the bankruptcy-threatened government which is desperately trying to push through sweeping austerity cuts.**

AFP

**Pedestrians walk past the skyline in the Pudong financial district in Shanghai yesterday. Excessive borrowing by authorities to fund infrastructure and other projects has sparked concerns among China's leadership about the risks the loans pose to the financial stability of the world's second largest economy.**

# Germany, China ink $15 billion in deals

AFP, *Berlin*

China and Germany signed more than $15 billion worth of deals on Tuesday during a visit to Berlin of high-ranking business and political leaders, Chinese Premier Wen Jiabao said.

"The contracts signed today represent more than $15 billion," Wen told reporters in a joint news conference with Chancellor Angela Merkel in the German capital.

The 14 agreements inked after the German and Chinese governments held their first joint cabinet meeting included four purely commercial deals, the biggest being an order for 62 A320s from European aircraft manufacturer Airbus.

No financial details were given but German press reports said the framework agreement was worth more than seven billion euros ($10 billion).

It was signed by Airbus chief Tom Enders, China Aviation Supplies head Li Hai and Li Xiaopeng, Industrial and Commerce Bank of China Leasing chairman.

Other contracts included one for an electric car project between German auto giant Volkswagen and its Chinese partner FAW and a factory in Foshan.

VW also signed a deal with Shanghai Automotive Industry Corporation, while Daimler and the Beijing Benz Automotive Company inked an agreement on investment in new products, engines and a research and development centre.

The world's second and fourth-biggest economies, with 130 billion euros in bilateral trade in 2010, also signed a series of agreements to deepen cooperation in different areas.

These included a commitment to cut red tape blocking mutual investments, to work together on improving energy efficiency in construction and to deepen cooperation in agriculture and science, a German government statement said.