

Obama calls crisis debt talks as default looms

AFP, Washington

US President Barack Obama angrily summoned top lawmakers for crisis talks Saturday on averting a disastrous early August debt default that could send shockwaves through the fragile global economy.

With an August 2 deadline fast approaching, Obama warned that polarized lawmakers must have a plan for raising the \$14.3 trillion US debt ceiling by the time skittish world markets pass judgment Monday on the stalemate.

"We have run out of time," Obama said at a hastily called press briefing late Friday, declaring himself "confident" ultimately of a breakthrough "that avoids a self-inflicted wound to the economy at a time when things are so difficult."

Obama convened the emergency meeting shortly after Republican House Speaker John Boehner delivered the shock announcement that he was quitting negotiations with the president in favor of talks only with Senate leaders.

"We can come together for the good of the country and reach a compromise; we can strengthen our economy and leave for our children a more secure future," the president said in his weekly radio address. "Or we can issue insults and demands and ultimatums at each another, withdraw to our partisan corners, and achieve nothing."

But Boehner, who said he left the talks because Obama insisted on tax increases, later told reporters he would attend the Saturday meeting and insisted: "I don't believe that our relationship is permanently damaged."

Boehner, House Minority Leader Nancy Pelosi, Democratic Senate Majority Leader Harry Reid, and Republican Senate Minority Leader Mitch McConnell were expected at the White House.

Washington hit its debt ceiling on May



Barack Obama

16 but has used spending and accounting adjustments, as well as higher-than-expected tax receipts, to pay its bills and continue operating up August 2.

Finance and business leaders have warned failure to raise the US debt ceiling by then would send shock waves through the world economy, while Obama has predicted a default would trigger economic "Armageddon."

Republican aides said the deal left on the table included plans to cut some \$3-\$3.5 trillion from US debt over 10 years by paring down annual spending as well as slicing into social safety net programs dear to Democrats.

"I've been left at the altar," said Obama, noting that his party would have resisted that accord. "One of the questions that the Republican Party's going to

have to ask itself is, can they say yes to anything?"

Boehner and Obama were at odds on a range of issues, but a key sticking point was the White House's push for increasing tax revenues from the rich and wealthy corporations, something Republicans fiercely opposed.

Obama did not back away from this demand on Saturday.

"Before we cut medical research, we should ask hedge fund managers to stop paying taxes at a lower rate than their secretaries," he said in his address.

Obama has insisted that the debt-limit increase be large enough to last through his November 2012 reelection bid, avoiding a politically dangerous vote in the heart of a campaign defined by his handling of the US economy.

But with time ticking down, it was hard to see how polarized congressional leaders could work out a large-scale deal, turn it into legislation, and push it through the Democratic-led Senate and Republican-held House of Representatives.

Spurring them on, a senior White House official told reporters late Friday that "there's a very real prospect" that Washington may lose its sterling Triple-A debt rating "for failing to take serious action to control our deficit" even if lawmakers agree on a debt-limit increase.

On Thursday, ratings agency Standard & Poor's reiterated its warning that it could downgrade the US debt rating if politicians cannot reach a deal.

"We believe any additional stresses caused by a protracted standoff in the US would likely amplify already tense market conditions in Europe in light of significant fiscal imbalances in Greece, Portugal, and Ireland," S&P said.

The response from the other congressional leaders did little to fuel expectations that a deal could quickly be reached, though most agreed that a short-term deal was undesirable.

McConnell called the talks collapse "disappointing" and vowed to tackle "the nation's unsustainable debt" but "without job-killing tax hikes."

Reid stressed that "we must avert a default at all costs" but condemned Republicans for an "ideological opposition to ending taxpayer-funded giveaways for millionaires, corporate jet owners and oil companies."

Pelosi said it was time for Boehner to act like an "adult," and vowed to protect social safety net programs dear to Democrats but targeted by Obama and Boehner alike for savings.

Boehner said at a press conference later that "no one wants to default on the full faith and credit of the United States government. And I'm convinced that we will not."

More IMF aid for Greece -- or not?

AFP, Washington

Europeans are convinced that the International Monetary Fund is going to lend more money to Greece. The banks that hold Greek debt say it must.

But the global crisis lender, already heavily committed to Athens, is biding its time.

After the agreement reached Thursday between eurozone leaders on a new rescue plan for Greece, IMF managing director Christine Lagarde summed up all the caution that reigns in Washington, affirming "the IMF will continue to play its part."

What that "part" covers is not yet quite clear.

At a minimum, the IMF is expected to continue to press Athens for austere budget measures and structural reforms under the 30-billion-euro (\$43 billion) loan it extended in May 2010, through 2013. About 12.5 billion euros remain to be disbursed.

But the IMF could promise more to a country in dire straits, as part of the new 159-billion-euro (\$229 billion) second bailout the European Union has crafted for Greece.

That would take a new loan request from Greek authorities, whose conditions would be discussed with IMF officials. Then the IMF executive board, where 24 representatives of countries or groups of countries, would need to approve it.

It could easily take to September at the earliest, given the customary time needed for IMF procedures. Lagarde considers a request from Greece imminent. "I'm sure it will be coming shortly," she said at a news conference following the EU summit Thursday.

"I'll wait to see what the request will be" and notably the amount, she said, but added that "it's clearly the intention of the International Monetary Fund to be an active participant in this program going forward."

European Union president Herman Van Rompuy is banking on additional IMF money. The new aid to Greece will be "financed by both the European Union and the IMF," he said in Brussels Thursday.

The joint declaration released by the heads of state or government in the 17-nation eurozone was less direct: "We call on the IMF to continue to contribute to the financing of the new Greek program."

Aging PC giants see writing on the wall

REUTERS, San Francisco

Silicon Valley's old guard is waking up to the fact that the era of consumer PC may be in its twilight, accelerating the need to invest and adapt to rapidly changing tastes.

This week's earnings from the giants of technology had one thing in common: they underscored yet again how consumers are increasingly shunning desktop PCs and going mobile.

Intel, which had argued that pessimistic expectations about the market were out of whack, reduced its 2011 PC forecast. Microsoft Windows sales, that reliable indicator of PC market strength, fell short of expectations for the third straight quarter.

And Apple Inc, which single-handedly showed with its iPad that many consumers are more than happy with an unladen, light and mobile computer, obliterated all estimates by selling a whopping 9 million tablets.

"The desktop, at least for consumers,

probably doesn't have a great future, and the iPad and similar tablets can deliver a lot of the functionality of a laptop," said Tim Ghriskey, chief investment officer of Solaris Asset Management.

Worldwide shipments of smartphones are already overtaking PCs, and by 2015, more than 300 million tablets will ship -- not far behind 479 million PCs expected to be made, according to IHS iSuppli.

To be sure, there's time left for PCs. Adoption and sale continue to grow rapidly in emerging markets and among corporate users. But even there, increasingly powerful smartphones are entrenched and tablets are creeping in.

Research in Motion's Playbook -- despite poor reviews as the minnow of the tablet market -- became the first to win U.S. government certification.

Judging by share performances, Wall Street is taking notice as well. Shares of Apple reached a record this week and are up 21 percent in 2011. Intel has gained 10 percent, a bit better than the broader market, but Microsoft is down about 3 percent.



AFP

Visitors take a look at a new vehicle model from China's Geely company during the Indonesian Motor Show 2011 exhibition in Jakarta yesterday. The 19th Indonesian Motor Show will continue until July 31 with a sustainable green technology theme.

Vietnam sees inflation at 22pc in July

AFP, Hanoi

Vietnam's inflation rate, already one of the world's highest, accelerated for the 11th straight month in July, according to official estimates released Saturday.

The consumer price index is expected to rise 22 percent this month compared with July last year, the General Statistics Office (GSO) said, as food costs soar. Inflation was reported at 20.82 percent year-on-year in June.

Vietnam, long focused on economic growth, has shifted its efforts towards stabilising an economy facing a slew of challenges including rising inflation, a struggling currency and trade deficit.

CPI began to accelerate in September 2010 and prices have continued to rise, although inflation is still below a recent peak of 28.3 percent seen in August 2008, and far from the triple-digit figures seen in the 1980s.

Food prices, which climbed 23.8 percent year-on-year in the first seven months of the year, jumped 32.6 percent this month compared to July 2010, according to the GSO figures.

"The risk of high inflation, an unstable macro-economy and how to ensure social security have become huge challenges for the our economy in 2011," Deputy Prime Minister Nguyen Sinh Hung told a national assembly meeting on Thursday.

He added the government would be "patient but determined" in curbing inflation so that the year-end figure would be

Delhi's swanky airport 'city' hit by security row

REUTERS, New Delhi

A development of luxury hotels next to New Delhi's revamped \$3 billion international airport has been hit by fears its close proximity to a runway makes it a security risk, highlighting teething problems in India's huge push to build infrastructure.

Delhi police have called for a security review at what has been dubbed "Aerocity", a project run in partnership between the government and a private consortium.

The location of the 45-acre site just 200 metres from one of the runways at India's largest airport makes it a potential launch pad for militant attacks, police said.

Asia's third-largest economy is pouring hundreds of billions of dollars into revamping its creaky infrastructure with world-class projects, without which it will struggle to maintain its status as one of the world's fastest-growing economies.

But such developments often stutter under implementation with teething problems ranging from land acquisition, erratic planning or throttling bureaucracy. Delhi airport offers a snapshot of India's infrastructure highs and lows.

Delhi International Airport Limited (DIAL), which contains a consortium led by the Indian firm GMR Infrastructure Limited, says it had received all necessary clearances beforehand to proceed with developing the land. GMR also disputes that the development is a security risk.

"They are very close to the runway," Deepak Mishra, Special Commissioner of Police (operations) at Delhi police, told Reuters.

"They claim that they have got all kinds of clearances regarding the work," he said, adding "security vetting should have been done".

Asked about the dangers of the closeness to the runway, Mishra said it made the airport vulnerable to "any kind of sabotage. It may be some terrorists, it may be some anti-nationals, it may be some weird character".



REUTERS/FILE

Labourers work at a construction site of a government building as an Air India airplane is seen at the airport on the outskirts of New Delhi.

Its gleaming new buildings and a high-speed rail link built by a consortium led by Reliance Infrastructure Ltd, won praise from many Indians as a sign of the country's ability to build projects that matched its rising economic status.

The airport is "a good advertisement for India", said DH Pai Panandikar, head of the think-tank RPG Foundation.

But part of a new terminal's roof, also built by GMR, collapsed after opening in 2009. The rail link, the first such in India, was delayed by months because it had not been given the necessary security clearance.

The underground line was meant to be ready for Delhi's Commonwealth Games last October, an event that was mired in rows over corruption allegations and huge project delays that put India's ability to deliver on infrastructure under scrutiny. GMR was awarded the contract to develop and operate the airport in 2006, with an initial concession period of 30 years.

Such contracts are typical of the government's drive to plug India's huge infrastructure holes with a

thriving private sector taking on a big chunk of the financial burden. Real estate concessions are often given to make a project more viable for private investors. The first hotel is set to open next March.

"Every clearance was taken," said Arun Bhagat, a spokesman for GMR. Bhagat disputed the figure given by police as to the proximity of the commercial development to the runway. Police have given a figure of less than 200 metres, while Bhagat said it was "many times that" but declined to give a precise figure.

"You can say it's in the vicinity of the airport but it's not bang there," he said. "As far as we're concerned, we know that we've complied with everything that was needed to be done."

Delhi police says it has written to the DIAL developers and has also contacted the home ministry to step in.

Mishra declined to give details on what could be done to beef up security at the site, saying he did not wish to prejudice the outcome of a review that would take place within weeks. He did, however, rule out shifting the site elsewhere.