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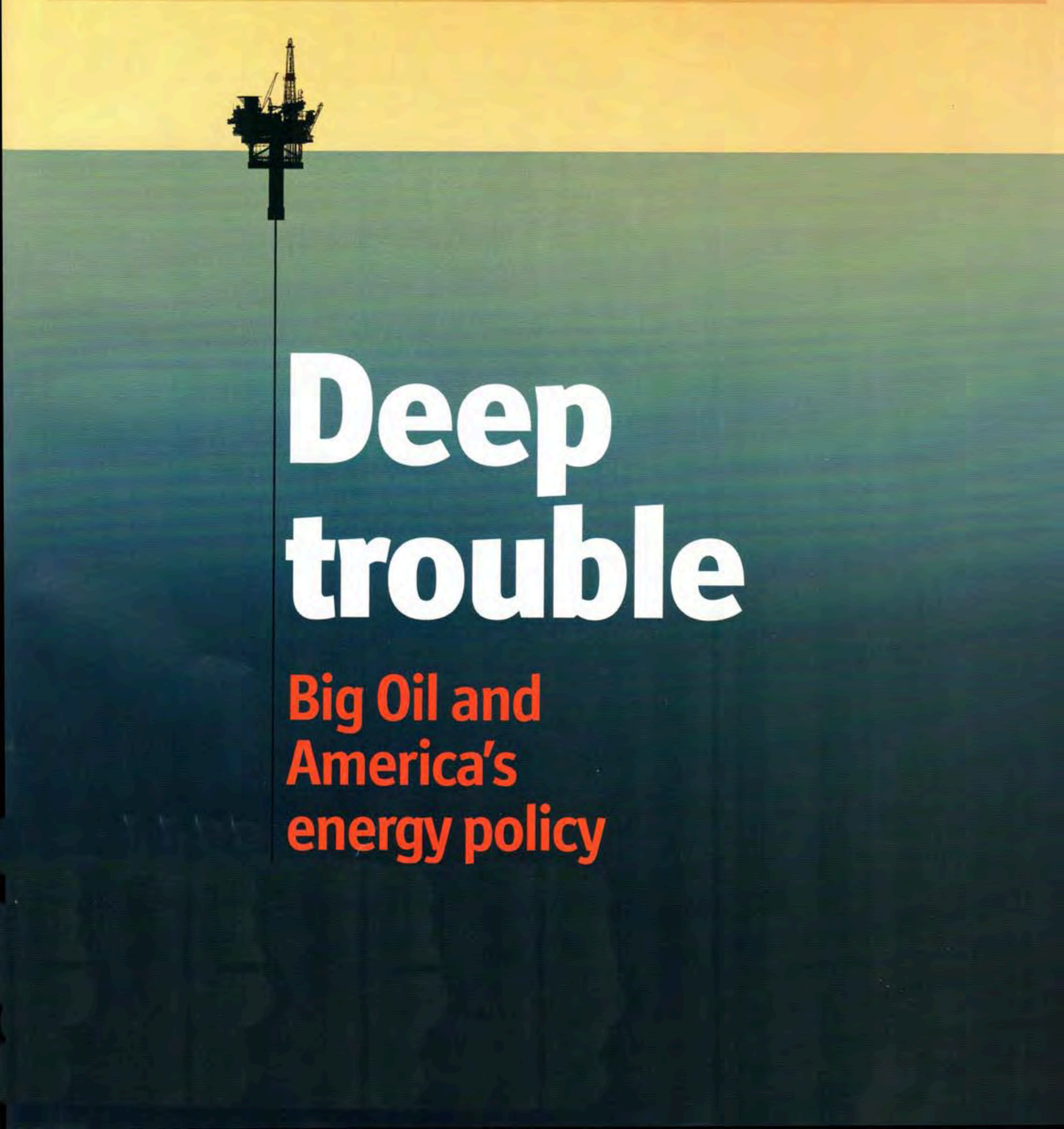
Greece, the euro and contagion

China's two classes

America's Latinos galvanised

Booming cinemas

You are part Neanderthal



Deep trouble

Big Oil and America's energy policy

Sweden's bank tax

SIR – As Sweden has introduced a fee on banks' liabilities we would like to address a few of your concerns about the IMF's work on a bank tax ("Stick 'em up", April 24th). In Sweden we have combined the levy with a resolution fund used to reduce government debt. This gives the government economic and political room for manoeuvre if it becomes necessary to intervene. Importantly, we have introduced a tough resolution framework to combat moral hazard, a lesson from our own financial crisis in the 1990s.

Based upon our principles, a bank's shareholders, subordinated debtholders, and management cannot expect to be rescued by taxpayers. It is essential that any international agreement on a fee contains these elements, which ought to be complemented by other types of regulation. It is true that some countries' banking systems have been largely unaffected by the crisis. However, this does not mean that they will be spared in the next crisis and that the fatal logic of "too big to fail" does not apply to their financial system. Today's luck is not a good reason for being complacent.

SUSANNE ACKUM
State secretary
BJORN SEGENDORF
Special adviser
Ministry of Finance
Stockholm

Cyprus

SIR – Allow me a few observations on your article about the new leader of the Turkish Cypriots ("Enter Eroglu", April 24th). Cyprus, including its occupied areas, acceded to the European Union after long and painful negotiations, having fulfilled all relevant conditions. Accepting any plan for a settlement was never a prerequisite. Due to the Turkish occupation the EU *acquis* was suspended in those areas over which the government does not exercise effective control. This suspension has a temporary geographical character. Anyone who knows how the EU operates will realise that the "Direct Trade Regulation" is legally flawed (the opinion of the Legal Service of the EU Council) and politically unacceptable, as it treats the occupied areas as a third country.

My government has consistently supported the economic development of the Turkish-Cypriots, provided that it takes place within the framework of international, domestic and European legality, without infringing on the sovereign rights of the republic. The implementation of the Green Line and the Financial Regulations, despite all obstacles raised by the Turkish-Cypriot regime, are examples. The government of Cyprus has always treated Turkish-Cypriots as rightful, equal and full citizens, giving them access to all public services despite the fact that Turkish-Cypriots do not pay taxes.

I must also remind you that Cyprus has supported Turkey's accession bid, although this country occupies militarily more than one-third of our territory, does not recognise the Republic of Cyprus and refuses to fulfil and comply with its obligations vis-à-vis the EU undertaken in 2005.

ALEXANDROS ZENON
High commissioner for Cyprus
London

Emerging markets

SIR – Your special report failed to discuss the drawbacks of operating in emerging markets ("The world turned upside down", April 17th). I have many friends working in Indian IT firms. From what I hear, the industry treats its employees in the same way as the British Raj treated its Indian tea plantation workers: little regard is given to well-being, overtime is unpaid and employees are badly treated to satisfy foreign clients.

Let us do a simple thought experiment. Let X denote the number of Indians working in Indian IT companies who want to move to similar firms in the United States. Let Y denote the number of Americans working in American IT companies who want to move to similar firms in India. It should be obvious that X is much greater than Y, even after normalising for the two different populations. I will believe that emerging markets have resulted in a world turned upside down when the ratio of X to Y approaches and then exceeds one.

ASHOK RAMASUBRAMANIAN
Schenectady, New York

SIR – The 2009 Pew Global Attitudes Project's discovery that 94% of Indians are satisfied with their lives is so much easier to digest than the Indian Planning Commission's findings that 30% of Indians (400m people) are living below the poverty line of $10 per month per family. Now I can go back to my ivory tower with a more placated conscience.

STANLEY PINTO
Bangalore

SIR – I have just one small gripe with your report on innovation in emerging markets. Your title is a touch Western-centric. After all, if you were from China or India or Brazil you might think that the world is now the right way up.

MORICE MENDOZA
Cambridge, England

White elephant

SIR – You suggest that the Belo Monte dam proposed on Brazil's Xingu river may be a white elephant ("Power and the Xingu", April 24th). In fact it may be the first of many to march upstream. Here's why.

As you say, the government is pouring in subsidies to make the project an attractive proposition in the face of the 83 reais ($47) per megawatt-hour rate cap. Between income-tax breaks and low-cost public financing, each Brazilian will chip in around 67 reais ($38) to the project and then pay for the electricity. But that is unlikely to be enough. In a 2006 study we estimated that cost overruns and delays would reduce the project's probability of economic feasibility to around 35% at best.

Feasible or not, dry-season water shortfalls will cost $11 billion-19 billion (present value) in revenues over the long-term. The solution is big upstream storage dams that would provide water all year round and make Belo Monte's reservoir look like a small pond. Proposed in the 1980s, the first of these would affect many more indigenous people and 30 times as much forest as Belo Monte. For now, a 2008 resolution of the National Energy Policy Council would forestall the dam but that can be undone. Today's energy-environment tussle over the Xingu is a mild warm-up for a larger dilemma that requires open, informed debate.

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SIR – In addition to his previous environmental efforts regarding the Belo Monte dam, James Cameron might consider this. Some of the Xingu locals could live in his 768-square-metre Malibu cottage (electricity included) while he lives in their cottage (electricity TBA). A month should suffice.

DWIGHT BRAMBLE
Cambridge, Massachusetts

Shadow catcher

SIR – I was delighted that Bagehot brought my first sighting of the verb "to adumbrate" in your trendsetting columns ("Farewell, free stuff", April 10th). Having first grasped its shadowy form as a noun from Anita Brookner some years ago, I have used it in my writings ever since, partly to teach uppity clients a thing or two. Are you sketching the outlines of a new era of quality prose or do you think we need to lower our falutings?

PAUL OSBORN
Uithoorn, The Netherlands ■

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