GLOBAL ECONOMY 172
BUSINESS AND POLITICS IN THE MUSLIM WORLD

Weekly Report on Global Economic and Business Developments
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Report Outline

GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD

World Bank, ASEAN launch report on conflict, security, development

JAKARTA-- The World Bank and the Association of Southeast Asian Nations (ASEAN) on Wednesday launched a report on conflict, security and development saying that conflict and insecurity affect development for millions worldwide. The report also says that capable and accountable institutions that can provide citizen security, justice and jobs are crucial to prevent violence.

The World Development Report 2011: Conflict, Security and Development shows how organized violence in the 21st century is provoked by a range of domestic and international stresses, including youth unemployment, income shocks, tensions among ethnic, religious or social groups, and organized crime and trafficking networks.

In citizen surveys done for the report, unemployment was cited as the most important factor into gangs and rebel movements. These stresses, when combined with national institutions that lack in capacity or legitimacy, can also heighten the risk of violence.

"More than 90 percent of civil wars in the last decade occurred in countries that already had a civil war in the previous 30 years. Capable, legitimate institutions are needed to mediate the stresses that lead to these repeated waves of violence," said Sarah Cliffe, the World Bank's Co-Director and Special Representative for the World Development Report in a teleconference.

She added that national and global leaders need better ways to respond to calls for security, jobs and justice in the most fragile situations.

"Good examples of what has worked in the past can be found right here in East Asia: the combination of local and national leadership, regional assistance plus global support helped restore stability in Timor-Leste after the 2006 violence. The same combination was important in Aceh after the peace agreement, and in Myanmar following cyclone Nargis," said Cliffe.

ASEAN Secretary General Surin Pitsuwan said that what ASEAN's experience has shown, and what the 2011 World Development Report illustrates, is that an alliance of local, national, regional and global groups can help build the strong institutions that are essential to providing citizen security, justice and jobs.

"If we are to convince today's youth that there is a brighter future, and that tensions and conflicts could be avoided, then we need to help build the institutions that will educate them, help them find productive and stable employment, protect them from harms and provide them with the public services their counterparts in wealthier, more secure countries take for granted," he said.

Currently, there are around 1.5 billion people living in countries affected by political and criminal violence. No low- income fragile or conflict-affected country has yet to achieve a single Millennium Development Goal. Children living in fragile states are twice as likely to be undernourished, and three times as likely to be out of school. The effects of violence in one area can spread to neighboring states, hurting development and economic growth for entire regions.

http://news.xinhuanet.com/english2010/world/2011-05/04/c_13859029.htm

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IMF warns Brazil and Latin America on possible economic crisis

May 13, 2011

BEIJING --In an unusually stark warning to both policymakers and investors on Thursday, the IMF said Latin America's economic boom could end in a "full-blown" crisis unless the region's governments properly manage the situation. The IMF's warning comes as Brazil's Real and some other regional currencies have weakened in recent days in tandem with global commodities prices. The fund has criticized Brazil's and Latin America's record of overspending during good economic times. It says that Brazil's run of prosperity could cause the economy to overheat.

Nicolas Eyzaguirre, IMF Director for Western Hemisphere, said, "In the foreseeable future, of the most possible combinations of external factors is going to be high commodity prices and low domestic interest rates. Therefore, Brazil will be subject to strong tailwinds that could create too much credit, with the economy growing too fast and with vulnerabilities."

The IMF urges policymakers in the region to take steps to keep their economies from overheating, and set aside as much of the windfall from the current boom as possible.

Otherwise, it warns the region could see its currencies dramatically weaken as a result of a sudden external shock, such as a fall in global commodities prices or an unexpectedly fast increase in interest rates in the US.

Brazil's Central Bank President Alexandre Tombini, says the bank is committed to bringing inflation down as close as possible to the government's target.

Alexandre Tombini, President of Brazil's Central Bank, said, "Inflation is a concern for most countries. Brazil's Central Bank has been one of the fiercest fighters against it among fiscal authorities from the world's main economies. Currency conditions will continue to be adjusted for a prolonged period, which will be enough to guarantee that inflation will meet its targets in 2012."

The 12-month inflation rate for Latin America's largest country hit 6.51 percent in April, higher than the ceiling of the central bank's target range of 4.5 percent.

With interest rates near zero in many developed economies, investors have been borrowing money cheaply abroad to pour into higher-yielding assets in Brazil, where interest rates remain among the world highest at 12 percent.

http://news.xinhuanet.com/english2010/video/2011-05/13/c_13873516.htm

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Emerging economies to grow 4.7% between 2011 and 2025: World Bank

May 17, 2011

WASHINGTON -- The world's emerging economies as a group will grow 4.7 percent annually between 2011 and 2025 on average, the World Bank projected Tuesday.

This growth rate is twice as quick as a 2.3 percent to be registered by advanced economies over the same period, the Washington-based agency said in a report released Tuesday.

The fast rise of emerging economies has driven a shift whereby the centers of economic growth are distributed across developed and developing economies, a truly multi-polar world, said Justin Yifu Lin, the World Bank chief economist.

This trend is strengthened by the two-speed economic recovery in recent years, Lin told reporters at a Tuesday World Bank press conference releasing the new report entitled "Global Development Horizons 2011".

"Emerging market multinationals are becoming a force in reshaping global industry, with rapidly expanding South-South investment and FDI inflows. International financial institutions need to adapt fast to keep up," added Lin, also senior vice president for development economics of the Bank.

http://news.xinhuanet.com/english2010/business/2011-05/17/c_13879574.htm

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Walmart reports strong sales in first quarter

May 17, 2011

WASHINGTON -- Wal-Mart Stores Inc, the world's largest retailer, posted gain in sales and earnings for the first quarter of fiscal year 2012, the company said Tuesday in a financial report.

Net sales for the first quarter ended April 30, 2011 were 103.415 billion U.S. dollars, an increase of 4.4 percent from the same period last year, said the company.

Income from continuing operations attributable to Walmart for the quarter was 3.427 billion U.S. dollars, up 3.8 percent from the first quarter last year, according to the report.

Moreover, diluted earnings per share from continuing operations attributable to Walmart for the first quarter of fiscal year 2012 were 0.98 U.S. dollars, compared with 0.87 U.S. dollars in the same period last year.

"Walmart is reporting first quarter earnings from continuing operations of 0.98 dollars per share, which was above guidance," said Mike Duke, Walmart's president and chief executive officer. "This reflects the stability and strength of our global operations."

http://news.xinhuanet.com/english2010/business/2011-05/17/c_13879630.htm

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Care spending for seniors to double by 2050: OECD

May 18, 2011

PARIS -- Spending on long-term care for senior citizens is set to double in OECD countries by 2050 and government support is urgently needed, the Organization for Economic Cooperation and Development says.

Long-term care is the assistance for people needing support in many facets of living over an extended period of time, including bathing, dressing, and getting in and out of bed. It would be mostly for seniors lacking the independent ability to tackle their daily lives, the Paris-based organization said in a report published Wednesday.

The share of the population over 80 years old in OECD countries will reach nearly one in 10 by 2050, up sharply from one in 25 in 2010, the report said, enumerating Japan's percentage to reach 17 percent and Germany's to 15 percent by 2050.

Given the context, the advanced countries' advisory agency said the spending on long-term care to bulge accordingly. The spending now accounts for 1.5 percent of gross domestic product (GDP) on average across the OECD, while Sweden and the Netherlands top the ranking with spending at 3.5 percent and 3.6 percent of GDP respectively.

"With costs rising fast, countries must get better value for money from their spending on long-term care," OECD Secretary-General Angel Gurria said, urging governments to make their long-term care policies more affordable and better for family careers and professionals.

Measures should also include taking migrants as a substantial part of long-term care workers to meet future demand, and establishing financially sustainable systems by the government, such as caring institutions, according to the organization.

http://news.xinhuanet.com/english2010/world/2011-05/18/c_13881837.htm

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Iran sets stage for tense OPEC meeting

May 18, 2011

Iran's president, who has declared himself "acting" oil minister, might chair next month's meeting of OPEC, according to a senior aide, setting the stage for a highly politicised gathering of the cartel.

Mahmoud Ahmadi-Nejad, who is locked in a power struggle with rivals in Iran's conservative establishment, has put himself in temporary charge of the oil ministry at a time when Iran holds the rotating presidency of OPEC. As such, he could become the first head of state to chair a gathering of the world's biggest oil producers if he goes to Vienna for the June 8 meeting.

"Iran's oil ministry holds the OPEC presidency currently and if any meeting takes place, the president or a government representative would attend," Mohammad Reza Mir-Tajeddini, the vice-president, told the official news agency.

OPEC first conclave since December will take place during exceptional volatility on the market, with the price of a barrel of Brent crude, the benchmark, rising to $125 on April 28, before experiencing one of the biggest falls on record and trading at $112 on Wednesday.

Experts fear that rivalries within OPEC, particularly between its two biggest producers – Saudi Arabia and Iran – could prevent any big decisions from being reached in Vienna.

The kingdom has increased its own output to make up for the shortfall left by Libya's crisis.

But Saudi Arabia dislikes acting unilaterally and it could ask OPEC members to raise their production quotas at the Vienna meeting, said Leonidas Drollas, chief economist of the Centre for Global Energy Studies. "But with Ahmadi-Nejad there and Libya in disarray, it's hard to see how anything could be done," he added.

The situation has been worsened by confusion over the representation of Libya. Shokri Ghanem, the oil minister, has left for Tunisia, leading to claims that he has defected.

"The market has become more volatile and OPEC is just sitting there, with ministers defecting, a president taking on the mantle of a minister, playing politics while the world is facing many problems on the economic front," said Mr Drollas.

OPEC had no idea who would represent Libya in June, said a person familiar with the situation. Nor can it be certain who will speak for Iran. Some clarity may emerge when officials from the 12 member states gather on Monday to prepare an agenda.

The cartel's last change in production quotas came in December 2008. Since then, its oil ministers have held seven meetings without announcing any substantial decisions, while oil prices have moved between $40 and $125 per barrel. Mr Drollas said the club was "only effective when the chips are down and prices are falling".

http://www.ft.com/intl/cms/s/0/345902e2-817a-11e0-9c83-00144feabdc0.html#axzz1NMZVxntC

IEA urges OPEC to increase oil production

May 19, 2011

Oil-producing countries have been warned to increase output to safeguard global economic recovery or face the threat of the release of strategic stockpiles of oil by western countries for the first time since 2005.

The International Energy Agency urged the OPEC oil cartel to step up output, saying there was a "clear, urgent need for additional supplies".

In a statement the IEA, the advisory body for western countries on energy, added: "We are prepared to consider using all tools that are at the disposal of IEA member countries."

These tools are limited to reducing demand for oil and drawing on strategic reserves held by member governments, which total 1.6bn barrels. Any decision to use these stockpiles would be taken by the IEA's board, where all 28 member states are represented.

Such a decision has only been taken twice before. Stocks were released in 1991 when western allies attacked Iraq in response to its invasion of Kuwait, which deprived the market of 4.3m barrels per day, and hurricane Katrina in 2005, which stopped 1.5m b/d of output.

The IEA can only release its reserves in response to stoppages in supply. If the board did make this move, it would probably cite the loss of Libyan output since the country's civil war began in February.

The IEA's latest assessment of the oil market states that OPEC's total production in April was 1.3m b/d below the level recorded before Libya's crisis.

It added: "The loss of Libyan crude volumes now looks likely to be a protracted one." Before the uprising, Libya produced 1.58m b/d in January.

Helen Henton, head of energy and environment research at Standard Chartered, said OPEC members were unlikely to agree a formal increase in production quotas when they meet in Vienna next month. Instead, individual producers, led by Saudi Arabia, may raise output unilaterally. Brent crude, the main benchmark, was trading at $112.59 on Thursday.

http://www.ft.com/intl/cms/s/0/708eb660-8226-11e0-a063-00144feabdc0.html#axzz1NMZVxntC

Asian emerging nations to post stronger growth than developed economies: world bank report

May 19, 2011

MANILA -- Emerging economies in the Asia Pacific region would continue to post growth rates that would exceed those of the developed countries, making it possible for the world's total production being equally divided among the rich and the emerging markets by 2025.

It was among the highlights of the latest report of the World Bank, entitled "Global Development Horizons 2011 - Multi-polarity: The New Global Economy".

The report forecasted that emerging economies could grow by an average of 4.7 percent this year until 2025, while the industrialized nations are only projected to expand by an average of 2.3 percent. Because of this, the developing economies will eventually catch up with the rich nations in terms of contributions to global output, the report added.

"One of the most visible outcomes of this transformation is the rise of a number of dynamic emerging market countries to the helm of the global economy," the World Bank said.

The World Bank noted that emerging markets now account for two- thirds of the world's foreign exchange reserves--a reversal of the picture of the previous decade when industrialized countries owned the bulk of the reserves.

China has the biggest share of the global reserves among emerging markets at 3 trillion U.S. dollars.

"In short, a new world order with a more diffused distribution of economic power is emerging--thus the shift toward multi- polarity," the World Bank report.

The rising role of emerging markets would eventually diminish the primacy of the U.S. dollar in international trade and finance. Eventually, countries would keep almost equal shares of the U.S. dollar, the euro and the renminbi in their foreign exchange reserves, the bank added.

"Over the next decade or so, China's size and the rapid globalization of its corporations and banks will likely mean a more important role for the renminbi. The most likely global currency

scenario in 2025 will be a multi-currency systm centered around the dollar, the euro, and the renminbi," the report said.
After the worst global financial crisis, which peaked in 2009, industrialized nations like the United States and those in Europe have posted only moderate growths, some of them cannot even be sustained, according to some economic analysts.
The United States is battling with its growing debt. Some members of the European Union are also trying to cope with their debt woes.
On the other hand, emerging economies grew significantly last year and are expected this year to again outperform rich countries in terms of growth rates.
The report highlights the diversity of potential emerging economy growth poles, some of which have relied heavily on exports, such as China and South Korea, and others that put more weight on domestic consumption, such as Brazil and Mexico.
With the emergence of a substantial middle class in developing countries and demographic transitions underway in several major East Asian economies, stronger consumption trends are likely to prevail, which in turn can serve as a source of sustained global growth.
"In many big emerging economies, the growing role of domestic demand is already apparent and outsourcing is already under way. This is important for the least developed countries, which are often reliant on foreign investors and external demand for their growth," the bank said.
The Philippine government earlier said that the economy grew by 7.3 percent last year. But President Benigno Aquino III said last Wednesday that after all the data have been gathered by the Department of Finance, the country's economy actually grew by 7.6 percent in 2010.
The administration is also confident that the country's economy will continue to grow by at least 7 percent this year although the Asian Development Bank and the World Bank have said that growth would only be around 4 to 5 percent.

http://news.xinhuanet.com/english2010/business/2011-05/19/c_13882725.htm

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Gold outlook positive for 2011 on strong demand: WGC

May 19, 2011

BEIJING -- The global outlook for gold demand remains robust throughout 2011 against the background of another strong quarter, geographic and sectoral diversity of demand, and strong fundamentals, the World Gold Council (WGC) said Thursday.
In a report about gold demand trends in the first quarter this year issued on its website, the WGC said factors such as continued uncertainty over the U.S. economy and the dollar, ongoing European sovereign debt concerns, global inflationary pressures and tensions in the Middle East and North Africa will continue to drive investment demand for gold.
The WGC predicts that sustained momentum in the demand for Chinese and Indian jewelry will also support growth in the jewelry sector throughout 2011.
The WGC expects net purchasing by central banks to continue in 2011 as central banks turn to gold as a means of diversifying reserves.
"The resilience of gold during recent volatility in the commodities market exemplifies the strength of the global gold market and its unique demand drivers," said Marcus Grubb, managing director of investment at the WGC.
Gold has fallen below 1,500 U.S. dollars an ounce since May amid great volatility. Gold closed at 1,490.00-1,491.00 U.S. dollars per ounce Thursday in Asian markets, down from 1,493.00-1,494.00 U.S. dollars on Wednesday.

Grubb said gold has diverse demand drivers, including high levels of investment demand across the world, strong demand in India and China, the continued strength of the technology sector and central bank purchasing.
"We anticipate continued strong demand (for gold) during the rest of 2011," he added.
According to Albert Cheng, managing director of WGC's Far East Branch,China's appetite for gold has increased rapidly over the past few years.
Cheng said that increasing prosperity in China coupled with people's high affinity for gold will drive long-term demand while short-term inflationary expectations are likely to support the country's case for investing in gold.
According to the WGC's data, global gold demand in the first quarter of 2011 totalled 981.3 tonnes, up 11 percent year-on-year. In value terms, this translates to 43.7 billion U.S. dollars, compared to 31.4 billion U.S. dollars in the first quarter of 2010, an increase of almost 40 percent.
From January to March, the quarterly average gold price hit a new record of 1,386.27 U.S. dollars an ounce, as investment demand grew by 26 percent year-on-year to 310.5 tonnes.
During the first quarter, the gold supply declined by 4 percent year-on-year to 872.2 tonnes due to a sharp increase in net purchasing by central banks and a fall in the supply of recycled gold, down 6 percent from a year earlier to 347.5 tonnes.
Mine production increased by 44 tonnes year-on-year, or 7 percent, with negligible net producer de-hedging.
Central bank purchases jumped to 129 tonnes in the quarter, exceeding the combined total net purchases during the first three quarters of 2010, according to WGC.

http://news.xinhuanet.com/english2010/business/2011-05/19/c_13883982.htm

Strauss-Kahn submits resignation, insists complete innocence

May 19, 2011

WASHINGTON -- The International Monetary Fund (IMF) said in a statement late Wednesday night that its managing director Dominique Strauss-Kahn has resigned.
Strauss-Kahn denied the charges of sexual assault, attempted rape and unlawful imprisonment in his letter of resignation, saying that "I deny with the greatest possible firmness all of the allegations that have been made against me."
"I want to protect this institution which I have served with honor and devotion, and especially-especially-I want to devote all my strength, all my time, and all my energy to proving my innocence," he said in a formal letter of resignation informing the IMF Executive Board of his intention to resign as managing director with immediate effect.
The IMF will communicate in the near future on the Executive Board's process of selecting a new managing director. John Lipsky will remain as acting managing director before that, said the IMF.
Strauss-Kahn, 62, is under police custody after he was accused of sexually attacking a maid at the Sofitel New York hotel near Manhattan's Times Square.
"It is with infinite sadness that I feel compelled today to present to the Executive Board my resignation from my post of Managing Director of the IMF," he said.
"I think at this time first of my wife-whom I love more than anything-of my children, of my family, of my friends. I think also of my colleagues at the Fund; together we have accomplished such great things over the last three years and more," he noted in the letter.

The Washington-based agency said Wednesday that its acting chief John Lipsky has the authority to handle its regular business, in response to earlier comments from U.S. Treasury Secretary Timothy Geithner on the jailed Strauss-Kahn.
Geithner, responding to a question during a Tuesday event in New York, said Strauss-Kahn is "obviously not in the position to run the IMF."

http://news.xinhuanet.com/english2010/world/2011-05/19/c_13883031.htm

Geithner urges open, prompt process of IMF chief succession
May 19, 2011
WASHINGTON -- John Lipsky, acting Managing Director of the International Monetary Fund (IMF) will provide "able and experienced leadership" to the Fund at this critical time for the global economy, the U.S. Treasury Department said Thursday.
"We want to see an open process that leads to a prompt succession for the Fund's new managing director," U.S. Treasury Secretary Timothy Geithner said in a statement Thursday.
The IMF announced Wednesday that Managing Director Dominique Strauss-Kahn has resigned.
Strauss-Kahn, 62, was arrested in New York on Saturday after being accused of sexually attacking a maid in a Manhattan hotel.
Geithner, responding to a question during a Tuesday event in New York, said Strauss-Kahn is "obviously not in the position to run the IMF."
The IMF will communicate in the near future on the Executive Board's process of selecting a new managing director. John Lipsky will remain as acting managing director before that, the Washington-based agency said Wednesday.

http://news.xinhuanet.com/english2010/world/2011-05/20/c_13884135.htm

China central bank governor says IMF leadership should better reflect emerging markets
May 19, 2011
BEIJING -- China's central bank governor on Thursday said the high-level leadership structure of the International Monetary Fund (IMF) should better reflect the changes in the global economic layout and emerging markets.
The G20 has decided that the leaders and high-level managers of international financial organizations should be selected through open and performance-based programs and it will help the IMF chief to lead the fund more effectively, said Zhou Xiaochuan, governor of the People's Bank of China (PBOC), or the central bank.
"Amid a very serious charge, Strauss-Kahn has resigned his position as the IMF chief, the IMF's effective operation is in trouble and I feel very sorry for that," Zhou said responding to a reporter's question on Strauss-Kahn's resignation.
The IMF has played a key role in fighting the global financial crisis, Zhou said.
Now the global economy is recovering from the global financial crisis, but the European sovereignty debt problems are volatile and sensitive and it's necessary to have support from a powerful IMF to handle the difficulties faced by Europe and to ensure the global economy moves in a powerful, sustainable and balanced direction, Zhou said.
The IMF said in a statement that its managing director, Dominique Strauss-Kahn, has resigned.
Strauss-Kahn denied the charges in his letter of resignation, saying "I deny with the greatest possible firmness all of the allegations that have been made against me."

Strauss-Kahn is under police custody in the United States after he was accused of sexually assaulting a hotel maid in New York.

http://news.xinhuanet.com/english2010/china/2011-05/19/c_13884082.htm

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German chancellor wants European to be next IMF chief

May 19, 2011

BERLIN -- German Chancellor Angela Merkel said Thursday she wants a European to be next the next leader of the International Monetary Fund.

"My opinion is that we should nominate a European candidate," Merkel said. "I will not name any person but will discuss it within the European Union. It is very important that we can find a solution quickly."

Frenchman Dominique Strauss-Kahn resigned as IMF chief Wednesday, saying he wants to devote "all his energy" to fighting sexual assault charges in New York.

Strauss-Kahn's resignation heated up cross-border debate over his successor, with Europe aggressively staking its traditional claim to the job to ensure that Europe's debt crisis is given priority.

Developing nations, however, see Europe's stranglehold on the position as increasingly out of touch with the world economy. China's is now the world's second largest economy. India's and Brazil's have cracked the top 10. Many emerging economies are sitting on stockpiles of cash and have become forces of financial stability, while rich countries have become weighed down by debt.

Merkel acknowledged that some emerging countries have their nominator, but the IMF has been deeply involved in solving the debt crisis of the euro area and needs a European to direct the agency.

http://news.xinhuanet.com/english2010/world/2011-05/19/c_13884016.htm

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India watches situation at IMF

May 19, 2011

NEW DELHI -- India on Thursday said that it is closely monitoring the situation in International Monetary Fund (IMF) after its Chief Director Dominique Strauss-Kahn resigned in the wake of allegations of sexual assault on a hotel maid in New York.

"Strauss-Kahn has tendered his resignation. We are watching the situation," Indian Finance Minister Pranab Mukherjee told the media in the national capital.

Strauss-Kahn, 62, resigned from a prison in New York where he is battling charges of sexual assault on a chambermaid at a posh hotel in Manhatten. He was pulled from a Paris-bound flight and held for the alleged sexual attack last week.

Indian Planning Commission Deputy Chairman Montek Singh Ahluwalia is being talked about as one of the contenders for the post of the next IMF Managing Director, besides Kemal Dervis of Turkey, Christine Lagarde of France, Trevor Manuel of South Africa and former British Prime Minister Gordon Brown.

http://news.xinhuanet.com/english2010/world/2011-05/19/c_13883866.htm

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Asia-Pacific officials discuss social, economic growth amid food, fuel hikes

May 19, 2011

BANGKOK -- Top officials from 60 Asia-Pacific countries and regions met on Thursday to discuss a social protection and economic growth blueprint for the region where high food and oil prices have pushed millions more into poverty.

"Although the dynamic Asia-Pacific developing economies are helping stabilize global recovery from the financial crisis, new challenges threaten to slow and reverse regional progress towards international development goals," said Noeleen Heyzer, United Nations Under-Secretary-General, also the Executive Secretary of UN Economic and Social Commission for Asia and the Pacific (ESCAP) said at the opening of the 67th Commission Session of ESCAP.

"Across the region, as the people of Asia and the Pacific continue to suffer from the aftershocks of the crisis, ESCAP has promoted an agenda for social equity to ensure that governments invest in their people through social protection as the recovery takes hold," Heyzer told the Senior Officials' Meeting at the start of the annual Commission Session, "Inclusive and sustainable development requires a social foundation."

In the aftermath of the food, fuel and financial crisis, this year's session aims at social protection as an investment in social and economic development and a means of addressing poverty and inequality.

"Our ability to match the economic recovery underway in Asia and the Pacific must be matched with a renewed emphasis on the social dimension of development as well," she said.

The annual session comprises two parts: the Senior Officials Segment from May 19 to 21 in preparation for the Ministerial Segment, which will be held from May 23 to 25. A highlight of the ministerial segment on May 23 will be a panel discussion on the theme of the session: "Beyond the Crises: Long term perspectives on social protection and development in Asia and the Pacific."

http://news.xinhuanet.com/english2010/world/2011-05/19/c_13883816.htm

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Europe should "share progress" with L. America: UN official

May 19, 2011

SANTIAGO -- Europe needs to share socioeconomic progress with Latin America to achieve some sort of "win-win" results, UN's top official in the region said.

There was no reason to think that the progress of one region would be "at the expense of the other" and the two regions should try to form "a relation where we can maximize the achieved so far," said Alicia Barcena, head of the UN Economic Commission for Latin America and the Caribbean (ECLAC).

Addressing the Euro-Latin American Parliamentarian Assembly (EuroLat), the official said the European Union (EU) must open the doors "more extensively to exports" from Latin America so that the region "can participate in the European chain" for value added products.

Both regions have in front of them a "historical opportunity" of "distributing their profits with equity," she said.

The official also said direct foreign investment from Europe should stop being concentrated "in few financial centers" and open its door to all countries of the region.

http://news.xinhuanet.com/english2010/business/2011-05/20/c_13884873.htm

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G-20 parliamentary leaders vow joint efforts on common challenges

May 20, 2011

SEOUL -- Legislative leaders from the world's 20 economic powerhouses agreed Friday in Seoul to seek common approaches on issues ranging from economic growth to climate change to terrorist threats.

Wrapping up the two-day conference, also joined by five non-G- 20 members and the Inter-Parliamentary Union, the speakers vowed enhanced inter-parliamentary collaboration on such challenges requiring collective responses.

"Stronger cooperation among G20 countries is imperative in order to adequately respond to challenges to social and economic development, global safety and our common prosperity," the parliamentary representatives said in a joint communique adopted at the end of the G-20 Speakers' Consultation meeting.

Endorsing the agreement at the G-20 Seoul summit last November, the speakers called for putting the agreement into action. "In addition, we call for comprehensive support for the G20 Framework for Strong, Sustainable, and Balanced Growth and the facilitation of knowledge sharing among countries so that the diverse development experiences will be shared with the world's least- developed countries," they said.

They agreed to strengthen efforts on nuclear safety regulations in the wake of the March earthquake and tsunami in Japan, vowing further cooperation on nuclear safety, information sharing, capacity building, and emergency systems.

The speakers also urged conclusion of the ongoing United Nations climate change negotiation and implementation of the principles agreed at the 2010 UN Climate Change Summit in Cancun, Mexico.

Calling terrorism a "grave crime," the speakers called for internationally coordinated efforts against terrorism and security threats such as piracy. "We anticipate that the 2012 Nuclear Security Summit to be held in Seoul, Republic of Korea, should produce recommendations that inter alia contribute to existing international measures in preventing the acquisition of nuclear materials by terrorist organizations," they said.

The meeting was the second of its kind following the first meeting in Canada last year. The next one will be hosted by Saudi Arabia in 2012.

http://news.xinhuanet.com/english2010/world/2011-05/20/c_13885661.htm

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There is no euro zone debt crisis: OECD chief

May 20, 2011

PARIS -- The secretary-general of the Orgnization for Economic Cooperation and Development on Friday voiced confidence in the euro's bright future, saying the current debt problem should not be called a "euro zone debt crisis."

"There is no euro zone debt crisis except in the larger sense of being an OECD debt -- not crisis -- but debt problem, debt challenge," Angel Gurria said at OECD headquarters in Paris.

"The OECD has 100 percent debt to GDP ratio today and that's obviously unsustainable," he said, "Problem, it's still growing!"

However, European countries have respective problems not linking to the others, Gurria said.

To explain the current situation, the OECD chief laid out five main challenges for Spain: deficit, the flexibility of labor market, pensions and retirements, financial system, and the collective bargaining. He said most of Spain's problems are being addressed.

Spain is among some other European countries apart from Greece, Ireland and Portugal, which also have risks to weigh down the euro zone debt burden.
According to the OECD chief, the current problem is tricky to solve in a short time as each country has its own reason for its present situation. Meanwhile, new problematic issues continue to come in, therefore "rounds of efforts" are needed, which should take time, Gurria said.
"There is general problem of fiscal consolidation of bringing down the debt levels of all the countries," Gurria said. "But there are only three countries (Greece, Ireland and Portugal) that have problems of public finance for different reasons."
"From my point of view, the Europeans now, they are building a very strong safety net, but they are also working on making sure that nobody has to use the safety net," he said, referring to around 1trillion euros approved last week by Euroepan leaders as a huge rescue package to regain credibility with investors.
While admitting the debt-related problems are detrimental to the euro, the OECD chief insisted it is "not in the sense of saying that the euro is in danger ... the euro is going to continue to grow, the euro is going to have more members joining the zone, the euro is going to continue to be more and more a reserve currency in the world ... and they are going to be addressing these issues."
"The problem is that, Frankly, they don't have a lot of experience in dealing with that crisis in Europe," he said. "But now they changed the rules and they are addressing it."
Debt problems have troubled the euro zone and even the European Union for months since Greece's sovereign debt risks default. Government leaders and the International Monetary Fund are seeking ways to prevent a Greek default, which has the market widely concerned.

http://news.xinhuanet.com/english2010/business/2011-05/20/c_13886117.htm

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GLOBAL BANKING & FINANCE

Latin American finance ministers meet to prepare for regional summit
May 19, 2011
CARACAS -- Finance ministers from 32 countries in Latin America and the Caribbean met here Thursday to prepare for a regional summit due to be held July 5 on Venezuela's Margarita Island.
The preparatory meeting, the last prior to the summit, sought to conclude talks on agreements of economic integration which will be signed during the July summit of Latin America and the Caribbean.
Venezuelan Planning and Finance Minister George Giordani said Venezuela proposed to build a "financial institutionalization not answering to hegemonies of the world's large economic centers," referring to traditional fiscal institutions such the World Bank and the International Monetary Fund.
Giordani called on emerging countries to take a step forward in the integration process and consider the possibility of launching a currency to support trade exchanges.
He said the CALC is set up "to create a space of liquidity, a capital market which can be the engine of regional growth."
"The financial crisis affecting the industrialized countries has a strong repercussion on the life of the people as it has reduced the sources of employment and with them the perspectives for the future and the hopes of a better life," he added.

Giordani also proposed to his colleagues in the region that they work to reduce the social differences with a better distribution of wealth.

http://news.xinhuanet.com/english2010/business/2011-05/20/c_13884631.htm

Top fund manager eyes China's promising fund market

May 19, 2011

BEIJING -- Though in the early stages of development, China's fund market has started to attract top international talent with its significant growth potential.

Lindsay Wright, head of strategy and business development at China's top-performing Harvest Fund Management Group, is a senior fund manager who believes in the Chinese market's potential and future opportunities.

"The industry is still at an early stage of development, but has lots of opportunities from a strategic domestic growth perspective, an innovation perspective and also from a global expansion perspective," she said.

Before joining Harvest in September 2010, Wright was the global head of strategy and business development for New York-based Deutsche Asset Management. Her experience with Deutsche Asset Management and Deutsche Bank spans 24 years.

"Development of the Chinese social security and pension funds systems will provide tremendous opportunities for fund managers," said Wright.

She predicts that the mutual fund management industry may become one of the key managers for Chinese pension assets due to greater transparency and investment returns compared to banks and insurance companies.

Corporate annuity funds, the coverage of which is still limited, will also require more professional asset managers and innovative products, creating further growth opportunities for the mutual fund industry, said Wright.

Wright said talent shortage is one of the major challenges the industry faces. With new funds continuously coming to the market, experienced managers prefer to run private funds for higher commissions and less pressure with frequent performance rankings.

Banks dominating mutual fund distribution also remains a key challenge, according to Wright.

In China, around 80 to 90 percent of Chinese funds are sold through domestic banks, with the top four banks controlling distribution flows and all products.

This has resulted in fund houses having limited room for bargaining, which in turn reduces profit margins, said Wright, adding that a significant increase in new products has worsened the situation.

But with overseas expansion just kicking off, Wright believes that China's mutual fund industry faces tremendous opportunities both at home and abroad, and the industry will attract more and more top international talents.

According to Wright, qualified domestic institutional investor (QDII) provides a significant opportunity and a platform for Chinese fund managers to build offshore capabilities on their path to global development.

The Chinese QDII funds met with some setbacks due to the global financial crisis, but it was only an unfortunate matter of timing, she said.

As investors mature and learn to divert risks, the QDII market will be a large and key growth segment for the industry, said Wright.

In recent years, QDII, together with the establishment of overseas branches and cooperation with international institutions, has helped many Chinese fund management companies accelerate overseas expansions.
Still, Wright warns that international expansion is not easy and is highly competitive.
"The Chinese fund management companies going offshore require strength and credibility in investment, research capabilities, product range, distribution reach as well as client service," said Wright.

http://news.xinhuanet.com/english2010/china/2011-05/19/c_13883709.htm

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China high saving rate may trigger overheating: central bank governor
May 20, 2011
SHANGHAI -- China's high savings rate may lead to increased investment, which could in turn trigger economic overheating or asset bubbles, said Zhou Xiaochuan, governor of the People's Bank of China, the country's central bank, at a forum on Friday.
Zhou called for caution against "cyclical issues" brought by the high savings rate while delivering a speech at the Lujiazui Forum in Shanghai, an annual gathering of top Chinese financial officials and economists.
The Chinese government needs to shift to a prudential regulatory framework "as early as possible" to strike a balance between supporting economic growth and taming inflation amid rising consumer prices, he said.
There are still uncertainties in the global economy, but unlike developed countries, China now requires more prudent macroeconomic policies, as the country has taken the lead in recovering from the global financial crisis, said Zhou.
To implement a prudential macroeconomic regulatory framework, China should work to enhance financial stability, which may require financial institutions to have stronger capital bases, he said.
The Chinese government is also "cautiously" and "gradually" promoting the use of yuan in cross-border financial transactions, in addition to using the currency in cross-border trade and investment activities, Zhou added.
"The growing use of yuan in cross-border activities will require the currency to become fully convertible in a gradual and orderly way," he said.
The Lujiazui Forum, which is being held from May 19 to 21, has attracted top regulators, bankers and economists from both home and abroad to discuss financial and macroeconomic policy-making issues.
This year's forum is focusing on the theme of "financial systems and macro-management in a new era."

http://news.xinhuanet.com/english2010/china/2011-05/20/c_13885116.htm

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Yuan may be fully convertible in "3-5 yrs"
May 21, 2011
BEIJING -- A senior economist has said China could achieve full convertibility of the yuan in three to five years - much sooner than previous forecasts.
Xiang Songzuo, deputy director of the International Monetary Institute with Renmin University of China, told China Daily on Friday that full convertibility of the yuan could be achieved within that time span, citing sources from the central bank.

It is the earliest estimate for the full convertibility of the yuan, as most other experts have said such a move was about a decade away.

The People's Bank of China, the country's central bank, declined to comment on Friday.

Wu Xiaoqiu, senior finance professor of Renmin University of China, said it is possible for China to achieve full convertibility of the yuan by 2015.

"The yuan could become familiar to global investors very soon and become a global reserve currency," he said.

The World Bank said in a report on Tuesday that by 2025 the yuan could become a major global currency together with the US dollar and the euro - echoing China's rising say in the world economy.

The dollar, the predominant global reserve currency, has had its credibility dented as the loose monetary policies of the United States damaged the interests of other countries, including China, analysts said. The euro, on the other hand, is suffering setbacks as Europe encounters financial turbulence.

Currently, the Chinese currency is not freely convertible for foreign direct investment and securities transactions, as the country is fearful of possible financial turbulence caused by abnormal capital flows.

Zhou Xiaochuan, the central bank chief, said at the Lujiazui Forum in Shanghai on Friday that when cross-border use of the yuan hits a certain level, there will be a natural demand for full convertibility.

China has been trying to improve the yuan's global clout by encouraging its use in foreign trade and investment.

Zhou's remark to "cautiously" allow the yuan to be used in cross-border financial deals would mark a further step to making it a major world reserve currency.

China launched a pilot program in 2009 to allow banks to conduct trade settlements using the yuan in four cities.

The scheme has been expanded to 20 provincial regions, with the volume of cross-border settlements reaching 530 billion yuan ($81.5 billion) in the first four months of this year, Li Bo, a senior central bank official, told the Shanghai forum.

Li added the practice of cross-border yuan-denominated trade settlement will be extended throughout China this year.

Li said the central bank is also working on rules to allow yuan-denominated foreign direct investment.

China's foreign trade volume could hit $3.9 trillion this year, with yuan-denominated trade settlements reaching $200 billion - 5.1 percent of the total trade - up from about 2.6 percent in 2010, said Anthony Lin, Shanghai general manager of Standard Chartered Bank (China) Ltd on Friday.

"Based on my understanding, the move will probably allow foreign central banks to buy Chinese government bonds and the yuan through bond-issuing in Hong Kong to invest in the mainland," said Peng Wensheng, chief economist with China International Capital Corp Ltd.

"That means more capital inflows, and that will put pressure on China's monetary policy."

Lu Zhengwei, chief economist of the Industrial Bank, also said the increased cross-border use of the yuan will increase the amount of yuan in offshore accounts, opening up the possibility of speculative activities that threaten to destabilize the yuan's exchange rate.

"The yuan's increased cross-border use is a mixed blessing. I couldn't agree more that it should be conducted cautiously."

Xiang with Renmin University said the government should regulate capital inflows and outflows to prevent risks.
"It doesn't mean China will let foreign capital come and go without any restriction. It still has regulations in place to monitor capital flows, just like other developed countries do," he told China Daily.

(Source: China Daily)
http://news.xinhuanet.com/english2010/china/2011-05/21/c_13886750.htm

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INTERNATIONAL TRADE

U.S., China to build closer economic ties: Geithner

WASHINGTON -- The United States and China will cooperate and build "closer economic ties" through dialogues, the U.S. Treasury Secretary Timothy Geithner said on Monday.
"Over the next two days, we will have a chance to discuss the opportunities for closer economic ties," Geithner said at the economic track opening session of the third round of U.S.-China Strategic and Economic Dialogue (S&ED) which kicked off here in Washington DC.
The two sides will also "address areas of concern" and to " share perspectives on the major challenges facing each of us at home as well as in the broader global economy," Geithner said.
"I believe we are making significant progress in strengthening our economic relationship," he added.
The two-day S&ED is co-chaired by Chinese Vice Premier Wang Qishan, State Councilor Dai Bingguo and U.S. Secretary of State Hillary Clinton and Treasury Secretary Timothy Geithner.
The dialogue mechanism was upgraded from former Strategic Dialogue and biennial Strategic Economic Dialogue, which were initiated by the two heads of state in 2005 and 2006, respectively.
Geithner said that the key challenge that the U.S. economy is facing remains the high unemployment, currently at 9.0 percent. "Even after a year and a half of positive economic growth and more than two million private sector jobs created -- unemployment is still very high, and we still have a lot of work to do in repairing the damage caused by the crisis," he said earlier at the joint opening session of the S&ED.
"Our challenge is to strengthen the foundations for future economic growth. This requires a sustained effort to improve education and improve incentives for innovation and investment, even as we put in place the long term fiscal reforms that force us once again to live within our means as a nation."
The Secretary said that cooperation between U.S. and China contributed "no small part" to the global recovery. And the continuing effort of working together will benefit the sustaining growth of the world.
He quoted the Chinese saying "Share fortunes together, meet challenges together" to call for further economic cooperation between of the two major players of global economy.
China is the United States' second-largest trading partner and its third-largest export market, with bilateral trade totaling about 385 billion U.S. dollars in 2010, according to Chinese customs statistics.

http://news.xinhuanet.com/english2010/china/2011-05/10/c_13866564.htm

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China-U.S. Strategic and Economic Dialogue yields tangible fruits

WASHINGTON -- China and the United States wrapped up the two-day China-U.S. Strategic and Economic Dialogue (S&ED) here on Tuesday following comprehensive and productive discussions and yielded a host of constructive results.

The United States and China are building up more understanding and trust through the dialogue, while both sides are endeavoring to further deepen the bilateral ties in a range of different sectors, said U.S. Secretary of State Hillary Clinton.

The third round of S&ED was co-chaired by Chinese Vice Premier Wang Qishan, State Councilor Dai Bingguo and U.S. Treasury Secretary Timothy Geithner and Hillary Clinton.

The strategic and economic dialogue continues to grow broader and deeper, and it reflects the complexity and importance of bilateral relationship, Clinton told reporters Tuesday, adding that "we have covered a lot of ground together and I am happy to report we have made a lot of progress".

Her view was echoed by Wang, saying that this round of S&ED built on the momentum of deepening bilateral ties and both sides endeavored to step up cooperation in the spirit of the consensus reached during Chinese President Hu Jintao's successful visit to the United States in January.

Clinton stressed that the world's largest two economies were working together to expand the areas where both cooperate and narrow the areas where both diverge.

Wang stated that the two sides had inked a framework of comprehensive economic cooperation at the current round of S&ED.

"The United States and China affirm that both countries will, based on common interest, promote more extensive economic cooperation, from a strategic, long-term, and overarching perspective, to work together to build a comprehensive and mutually beneficial economic partnership, add to prosperity and welfare in the two countries, and achieve strong, sustainable, and balanced growth of the world economy," noted the framework.

The world's largest two economies were committed to promoting strong, sustainable and balanced growth, as well as strengthening macroeconomic-policy communication and coordination.

"As the two largest economies in the world, economic outcomes and policy actions in the United States and China have a significant impact on the health of the global economy. The United States and China recognize and take into account the impact their policies have on the global economy, and cooperate to strengthen the international trade and financial institutions that support global growth and stability," according to the agreement.

Both countries aimed at taking measures to promote more balanced bilateral trade, resolving trade and investment disputes in a constructive and cooperative manner, exploring new cooperation opportunities in the process of transforming and restructuring their economies, developing sub-national economic cooperation and deepening cooperation in the financial sector.

The dialogue mechanism was upgraded from former Strategic Dialogue and biennial Strategic Economic Dialogue, which were initiated by the two heads of state in 2005 and 2006, respectively.

http://news.xinhuanet.com/english2010/china/2011-05/11/c_13868473.htm

China becomes "outstanding actor in trade agenda" for Latin America: UN official

BUENOS AIRES -- China had become an "outstanding actor in the trade agenda" for Latin America and it was time to grow the relationship further, a UN regional commission official said here Thursday.

Chile-based Osvaldo Rosales, director for trade and integration at the UN Economic Commission for Latin America and the Caribbean (ECLAC), was presenting a paper, "The eruption of China into the world economy. Impacts and possibilities in Latin America," at an event over here.

He said China's involvement in the region had developed during the past decade and it was currently going through a phase of change which had transformed not only Chinese society but the entire world.

Rosales is also a Chilean economist and was the country's chief negotiator on free trade agreements with the United States in 2002 and South Korea in 2003.

He said China was the main market for exports from Brazil and Chile and the second largest market for exports from Argentina, Peru, Cuba and Costa Rica.

Moreover, China is expected to overtake the European Union as the biggest export destination for Latin America in 2013, ECLAC figures show.

With investments likely to continue to grow at a significant rate, it was an important opportunity for the region to define an agenda based on a close relationship with China, Rosales said.

The strong demand from China is likely to continue for a long time, "probably for at least another decade," he said, proposing Latin American countries continue to advance regional integration to better take advantage of the opportunities in China.

http://news.xinhuanet.com/english2010/china/2011-05/13/c_13873681.htm

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China protests EU first anti-subsidy duties on Chinese goods

May 14, 2011

BEIJING -- China opposes the European Union's decision to impose its first-ever anti-subsidy and anti-dumping duties on imports from China, said Ministry of Commerce (MOC) spokesman Yao Jian on Saturday.

Yao made the remarks in a statement on the MOC website after the EU announced its anti-subsidy and anti-dumping duties on Chinese coated fine paper -- used for high-quality printing.

The EU has violated the World Trade Organization (WTO) rules by imposing both anti-subsidy and anti-dumping trade remedies on the same goods, Yao said.

The Chinese government and enterprises provided much evidence to show the coated fine paper industry in China is a competitive one where market economy principles are applied and the government never intervened in company operations or goods pricing, Yao said.

The EU ruling contravened many WTO rules and seriously impaired the interests of Chinese enterprises, Yao said.

China and the EU should oppose trade protection, avoid abuses of trade remedies and properly tackle trade frictions through negotiations, Yao said.

China will carefully study and evaluate the final ruling and reserve its right to take legal action accordingly to protect the interests of Chinese enterprises, Yao said.

The anti-subsidy duties will range from about 4 percent to 12 percent and the anti-dumping tariffs will range from 8 percent to 35.1 percent.

The dual duties would last for the next five years and could be extended if the expiry leads to a recurrence of injury to the European paper industry, the European Commission said.
The EU launched an anti-dumping investigation into imports of Chinese coated fine paper in February 2010, followed by an anti-subsidy investigation two months later.

http://news.xinhuanet.com/english2010/business/2011-05/14/c_13874922.htm

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EU's anti-dumping tariffs "unfair"

May 16, 2011

BEIJING -- The European Union's (EU) move to levy tariffs against Chinese-made coated fine paper is against the principles of the World Trade Organization (WTO) and Beijing should take the EU to task to safeguard the interest of Chinese enterprises, experts said on Sunday.
The EU announced on Saturday its first-ever anti-subsidy and anti-dumping duties on Chinese coated fine paper. The paper is used in the production of high-quality brochures and magazines.
The bloc said it will charge duties ranging from 4 to 12 percent for five years as an anti-subsidy tariff. The EU also applied separate five-year anti-dumping levies ranging from 8 to 35.1 percent on imports of coated fine paper from China.
The moves come after the EU launched investigations in February 2010 into imports of Chinese coated fine paper.
"Without recognizing China's market economy status, the EU has violated WTO rules by imposing both anti-subsidy and anti-dumping trade remedies on the same goods," said Yao Jian, a spokesman from the Ministry of Commerce.
Yao said both the Chinese government and the nation's enterprises had provided evidence to show that the coated fine paper industry in China is a competitive one in which market economy principles apply and where the government never intervenes in company operations or pricing.
Zhou Shijian, a senior trade expert from Tsinghua University in Beijing, said the EU ruling contravenes many WTO rules, so China should take issue with the EU at the WTO.
And there are precedents for such unfair tariffs being overturned. According to the ministry, the EU ended an investigation into Chinese wireless wide area networking (WWAN) modems in March, which is worth 4.1 billion U.S. dollars in exports. The end of that probe sent a positive signal that will boost the stable development of China-EU trade relations, the ministry said.
And, one year after China lodged a complaint against the EU at the WTO, the EU terminated its collection of anti-dumping duties on leather shoes imported from China on April 1. The duties had been in place for four years. The move offers an opportunity for Chinese shoe manufacturers to expand into European markets.
"China will probably win if it files a complaint with the WTO against the EU's unfair decision to charge tariffs on Chinese-made coated fine paper," Sun Zhenyu, the former Chinese ambassador to the WTO, told China Daily.
Yao of the Ministry of Commerce said China opposes any kind of trade protectionism. Instead, Beijing would like to see China and the EU deal with trade frictions through deep cooperation and negotiations.
According to the General Administration of Customs, China-EU trade has thrived in recent years. The EU remains China's largest trading partner, while China is the EU's second largest. Last year, the volume of bilateral trade was close to 480 billion U.S. dollars, a 31.8 percent increase year-on-year.

China has also been a major target of the EU's anti-dumping investigation into Chinese exports. During the past 30 years, the EU has filed 140 cases against China, becoming the WTO member with the most trade disputes with China.

(Source: China Daily)
http://news.xinhuanet.com/english2010/indepth/2011-05/16/c_13876631.htm

China finds EU members subsidize exports of potato starch to China
May 16, 2011
BEIJING -- An initial ruling by China's Ministry of Commerce said Monday that European Union (EU) members have subsidized potato starch exports to China, hurting the interests of China's domestic industries.
China will impose an anti-subsidy provision of the tariff on potato starch products effective from May 19, the ministry said in a statement on its website. The rate will range between 7.7 percent and 11.19 percent, depending on the subsidy margin, according to the statement.
The initial ruling accused several EU companies, including France's Roquette Freres and Netherland's AVEBE, of receiving subsidies.
China launched an anti-subsidy investigation into potato starch imports from the EU on August 30, 2010 at the request of the China Starch Industry Association. This was China's first-ever anti-subsidy probe into imports from the EU.
China had earlier decided to impose anti-dumping tariffs ranging from 12.6 percent to 56.7 percent on EU potato starch products. The new tariffs were effective from April 19.

http://news.xinhuanet.com/english2010/business/2011-05/16/c_13877061.htm

Latest China-EU trade frictions not trade war: official
May 17, 2011
BEIJING -- The latest trade frictions between China and the European Union (EU) do not amount to a trade war, said Ministry of Commerce (MOC) spokesman Yao Jian on Tuesday. It's not surprising for China and the EU to have trade disputes as the two sides have maintained large trade volumes over the past years, said Yao at a routine press release. "For some products, there might be a lasting legal disputes. But the total dispute ratio will be very low between 1 to 3 percent," he said.
Yao's remarks came after the EU slapped its first-ever anti-subsidy and anti-dumping duties on coated fine paper imported from China and China found that EU members had subsidized domestic production of potato starch exported to China. Yao reiterated China's protest against the EU's anti-subsidy decision on coated fine paper and questioned its practices to use evidence from a substitute country and reject information from Chinese enterprises.
As for the country's investigation into the potato starch from the EU, he explained that it was at the request of the China Starch Industry, which represents 98 percent of the industry's output.
"The investigation, which lasted two and a half months, was in line with China's laws and WTO rules. We also adopted data from the EU enterprises," he added.
The country said in an initial ruling that it will impose an anti-subsidy provision of the tariff on potato starch products imported from the EU effective from May 19, according to the MOC.

http://news.xinhuanet.com/english2010/china/2011-05/17/c_13879118.htm

China 2011 trade surplus may drop to 100 bln USD: central bank advisor
May 16, 2011
BEIJING -- China's trade surplus may drop to around 100 billion U.S. dollars in 2011, the China Securities Journal quoted a central bank advisor as saying in a Monday report.
Li Daokui, a member of the monetary policy committee of the People's Bank of China, the country's central bank, made the remarks at the 3rd International Business Development Forum held in Beijing on May 14, according to the report.
Li said in the report that the country's trade surplus is likely to decrease to 120 billion or even 100 billion U.S. dollars by the end of the year, compared with 2010's trade surplus of 180 billion U.S. dollars.
Li said that he expects the proportion of China's trade surplus to its gross domestic product (GDP) to drop below 2 percent this year and suggested that the government should make an effort to reduce the ratio, according to the report.
China's trade surplus rose to 11.43 billion U.S. dollars in April after registering a trade deficit of 1.02 billion U.S. dollars from January to March this year, the first quarterly trade deficit in six years, according to the General Administration of Customs.

http://news.xinhuanet.com/english2010/business/2011-05/16/c_13876929.htm

Russia-Brazil trade up 28%, with good prospects ahead
May 17, 2011
MOSCOW -- Trade between Russia and Brazil grew 28 percent last year, laying a good foundation for bilateral cooperation, Russian Prime Minister Vladimir Putin told Brazilian Vice President Michel Temer here Tuesday.
"Brazil is one of our strategic partners not only in Latin America but in the world. We have many interesting projects and very good prospects," Putin said as quoted by the RIA Novosti news agency.
He mentioned Russia-Brazil bilateral cooperation in the UN and BRICS.
Temer responded that his visit to Moscow is fruitful.
"Our relations have been developed in fast pace in various areas like economy, culture, sport, science and technologies," he said.
Temer pointed out that Brazil has been seeking to reach the trade turnout with Russia of 10 billion U.S. dollars.
On Tuesday, Putin participated in the fifth session of the Russia-Brazil joint commission on cooperation. The commission discussed cooperation in hi-tech sphere, aviation, space, nuclear energy, medical technologies and others.
The parties also discussed the bilateral cooperation in the major sports events the two countries would host -- Olympic Games in 2014 and 2016, FIFA World Cups in 2014 and 2018.

http://news.xinhuanet.com/english2010/business/2011-05/17/c_13879568.htm

EU overtakes Japan as China's top import source in Jan.-April
May 17, 2011
BEIJING -- The European Union (EU) has replaced Japan as China's No.1 import source region based on trade figures in the first four months, China's Ministry of Commerce (MOC) announced on Tuesday.

Trade between China and the EU soared 23.5 percent in the first four months from a year earlier to 170.01 billion U.S. dollars, according to MOC spokesman Yao Jian.
China and the EU are each other's top trade partners, and it is not unusual to see legal friction in trade between them, but the involved products take a very little percentage in the trade volume, about 1 to 3 percent, Yao said.
His remarks came after the EU slapped its first-ever anti-subsidy and anti-dumping duties on coated fine paper imported from China. China said that EU members had subsidized domestic production of potato starch exported to China.
Japan was China's largest import source region last year but its exports to China dropped in the wake of the earthquake and tsunami.
China imported 15.99 billion U.S. dollars of goods from Japan in April. The monthly growth rate was 4.7 percent in April year on year, remarkably lower from 26.4 percent in the first quarter.
The MOC will take further measures based on Japan's economic and industrial recovery to boost Sino-Japan economic activities, including participating in reconstruction.

http://news.xinhuanet.com/english2010/china/2011-05/17/c_13879628.htm

Int'l firms urged to better understand Chinese consumers
May 19, 2011
CHICAGO -- International companies need to better understand Chinese consumers and implement effective strategies before they could tap the tremendous potential of the Chinese market, U.S. experts told a business forum here recently.
"China is a very fast developing country with 1.3 billion consumers. We simply cannot treat this population like one segment," Leon Bian, director of Global Enterprise Mobile Solutions at LG Electronics, told the forum titled "Marketing strategies for one billion Chinese consumers."
"In China, market segmentation is usually based on income level and purchasing power difference. For example, luxury brands such as Louis Vinton only market to the first-tier cities," Leon said.
He was echoed by Anita Tang, managing director at Royal Roots Global Inc.
"To truly understand Chinese consumers, you need take one step further from the data collected in China market. For example, in rural areas the household income level is comparatively low. However, when considering that rural consumers don't usually have a mortgage, no car payments, and eating their own self-grown food, their disposable income level is actually not as low as you think," said Tang.
Ann Liu, administration director at China Prep, said that in China, the first-tier cities like Beijing and Shanghai are trend setters in the country and many second-tiers are looking up at what's going on in big cities and trying to follow their footsteps.
The biggest challenge for international firms in exploring the Chinese market, Leon said, may be to achieve the balance between localization and globalization. The solution, he said, is to "understand consumers' needs, and launch specific models for Chinese consumers."
Anita also said that effective communication with Chinese consumers is the key, and that it is also important for the international firms to work with government think tanks and conduct field research in China.

http://news.xinhuanet.com/english2010/china/2011-05/20/c_13884655.htm

APEC trade ministers seek ways to push forward multilateral trade talks

May 19, 2011

BIG SKY, Montana, the United States -- Asia Pacific trade ministers discussed ways on Thursday to maintain the momentum for pushing forward the current deadlocked multilateral trade talks.

Admitting huge challenges ahead for the Doha Round, trade ministers from 21 economies of the Asia-Pacific Economic Cooperation (APEC) are seeking ways to break the deadlock.

"I will be holding a Trade Negotiating Committee (TNC) meeting on 31 May to take stock of my consultations and chart a path forward," said WTO director-general Pascal Lamy. "There is little time available and this is why I believe we should use the TNC on 31 May to move the discussions from process into substance."

The United States, which is slated to host this year's APEC summit in Hawaii in November, put forward three priorities for the forum -- strengthening regional economic integration, promoting green growth and advancing regulatory convergence and cooperation.

"We have a set of strong outcomes that will move us towards the goal of a seamless regional economy," U.S. Trade Representative Ron Kirk said.

The trade ministers are expected to release a statement at the end of their meeting on May 20, followed by a press conference.

http://news.xinhuanet.com/english2010/business/2011-05/20/c_13885366.htm

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Pakistani PM: Pak-China trade to hit US$15 billion in 2 years

May 20, 2011

BEIJING -- Pakistan and China should put more emphasis on economic cooperation while maintaining the all-dimensional relationship, Pakistani Prime Minister Yousuf Raza Gilani said here Friday.

During an exclusive interview with Xinhuanet, Gilani expressed that in light of the all-dimensional relationship, economic cooperation should be further enhanced. He proposed to target for a bilateral trade volume of 15 billion U.S. dollars within two years.

“Our trade at the moment is nine billion U.S. dollars, we want to enhance it to 15 billion U.S. dollars with the expansion of two years, and this is doable. We are moving in the right direction," said Gilani, who is on a four-day official visit to China at the invitation of Chinese Premier Wen Jiabao. This is also his fourth visit.

This year 2011 marks the 60th anniversary of the establishment of diplomatic relations between the two nations and was declared China-Pakistan Friendship Year by Wen and Gilani during Wen's visit to Pakistan in December 2010.

Gilani said that during the past 60 years, China and Pakistan have had multi-dimensional cooperation in many fields, whether it is in national defense, economics, intelligence, agriculture, culture, infrastructure, and energy.

“But I feel that there should be more emphasis on one issue and that is economy," he said, adding Pakistan should be economically stable as it is fighting an anti-terrorism war for which Pakistan pays dear.

Recalling the Pakistan-China Entrepreneurs Forum held the previous day, Gilani expressed again there is still great potential to explore in bilateral economic cooperation.

"China and Pakistan enjoyed a solid friendship of six decades. The economic ties between the two countries have seen strong growth in the past, however, the two sides believe there is still unexplored potential, and hope to further expand cooperation in trade, investment and financial services," he said.

At the forum, he also said though China-Pakistan all-weather friendship has "beat the test of time," their corporate sectors should work together to "inject new dynamics into their partnership and lead the process to take the friendship to new heights."

Bilateral trade between China and Pakistan has increased from 3 billion dollars in 2005 to 8.7 billion dollars in 2010 under the Free Trade Agreement and other favorable policy frameworks.

By the end of 2010, Chinese enterprises had signed contracts with Pakistan worth a total of 19.87 billion dollars. China's direct investment in Pakistan hit 1.36 billion dollars, while Pakistan's investment in China, 57.38 million dollars, according to the Chinese Commerce Ministry.

http://news.xinhuanet.com/english2010/china/2011-05/20/c_13885809.htm

WORLD ECONOMIES

Germany powers euro zone growth

May 13, 2011

Germany and France powered an unexpectedly strong euro zone growth spurt at the start of this year that outpaced the US and cast a shadow over the UK's much weaker recovery.

Germany's economy grew 1.5 per cent in the first quarter, lifting activity in Europe's largest economy back over the previous 2008 peak. France announced a 1 per cent expansion in gross domestic product compared with the previous three months.

The strong growth highlighted how much of the euro zone has put the economic crises of the past three years behind it – and could help ease the 17-country region from its debt crisis. Even Greece, where a €110bn ($155bn) international bail-out launched last year is running into trouble, provided a positive surprise. Greek GDP grew 0.8 per cent – after contracting sharply for the past four consecutive quarters.

Across the euro zone, economic activity expanded by 0.8 per cent, twice as fast as first-quarter growth in the US. In France, Christine Lagarde, finance minister, declared that the country's growth "machine has started again".

Philipp Rösler, Germany's new economics minister, said: "Germany is the growth motor among the industrial nations – and not just in Europe."

However, Friday’s euro zone growth data underlined the region’s north-south divide. Growth in Spain and Italy remained sluggish with first-quarter GDP rising by just 0.3 per cent and 0.1 per cent. Portugal fell back into recession with GDP contracting by a further 0.7 per cent.
Germany’s recovery from the 2009 downturn has been far swifter than expected – boosted by tumbling unemployment and strong global demand for its industrial exports. First-quarter GDP was 5.2 per cent higher than a year earlier, the steepest year-on-year rise since reunification in 1990.
The US has also seen economic activity back above its pre-crisis peak. In contrast, the UK’s GDP must still grow 4 per cent before its economy produces the same as it did three years earlier.
Over the past six months, while France’s economy grew 1.3 per cent and Germany’s by almost 2 per cent, the UK economy was stagnant with zero growth.
Britain’s economic predicament sparked a political clash with Ed Balls, opposition Labour party finance spokesman, lambasting life in the economic “slow lane”. The prime minister’s spokesman said that it was “good news” that the largest euro zone economies were growing rapidly, and that Britain was held back because it had been “particularly affected by the banking crisis”.
The UK Treasury said that Germany was able to grow so strongly only because it had already taken the tough measures to reduce borrowing and now had a deficit much smaller than Britain’s.
“These figures show the huge risks George Osborne [finance minister] is taking in Britain by making a political choice to cut further and faster than any other major economy in the world,” he said.
Brussels, meanwhile, struck a cautious tone, raising its 2011 GDP growth forecast only modestly, from 1.5 to 1.6 per cent – and keeping the 2012 outlook steady at 1.8 per cent growth.
Olli Rehn, economic affairs commissioner, warned of continuing high levels of unemployment across the euro zone, falling only to 9.7 per cent next year from 9.9 per cent now.

http://www.ft.com/intl/cms/s/0/04c0a0da-7d2e-11e0-bc41-00144feabdc0.html#axzz1NMZVxntC

Russia GDP expands 4.1% in Q1
May 16, 2011
MOSCOW -- Russia's gross domestic product (GDP) has grown 4.1 percent year-on-year in the first quarter of 2011, the Federal Statistics Service (Rosstat) said in a Monday statement.
"In the first quarter of 2011, the physical volume of gross domestic product compared to the same period of 2010 amounted to 104.1 percent to preliminary estimates," the service said in a statement, adding that it will give more details about Russia's Q1 GDP growth in the middle of June.
However, the growth was slower than a previous forecast of 4.5 percent from the Economy Ministry.
In April, Russian Prime Minister Vladimir said Russia's GDP was projected to grow at about 4.2 percent this year, adding that the forecast meant that by early 2012 "the Russian economy will fully recover losses caused by the crisis."
In 2010, Russia recorded a 4-percent GDP growth after the worst recession in decades with its economy shrinking 7.9 percent in 2009.

http://news.xinhuanet.com/english2010/business/2011-05/16/c_13877717.htm

Romania registers highest annual inflation rate in EU for 9 months consecutively
May 16, 2011
BUCHAREST -- Romanian annual inflation reached 8.4 percent in April, maintaining the highest rate of the 27 EU member states for the ninth month consecutively, showed the preliminary estimations released on Monday by Eurostat, the European Office for Statistics.
According to Eurostat, the average annual inflation rate in the EU rose to 3.2 percent from 3.1 percent in March, while in the euro area, the average was up at 2.8 percent from 2.7 percent.
Romania is followed by Estonia (5.4 percent) and Lithuania and Hungary (4.4 percent each), while the lowest annual rates were witnessed in Ireland (1.5 percent), the Czech Republic (1.6 percent) and Sweden (1.8 percent).
Romania also holds the first position in the EU in terms of overall average price increase in the last 12 months, with a 7.2 percent enhancement, followed by Greece (5 percent) and Estonia (4.3 percent).
The National Bank of Romania (BNR) revised upwards the inflation prognosis for 2011, from 3.6 percent to 5.1 percent, over the higher limit of the targeted variation interval of 3 percent, plus/minus one percentage point.

http://news.xinhuanet.com/english2010/business/2011-05/16/c_13877573.htm

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British inflation surges in April
May 17, 2011
LONDON -- Britain's consumer prices index (CPI) annual rate of inflation rose to 4.5 percent in April, compared with a 4-percent increase in March, the British Office for National Statistics (ONS) reported on Tuesday.
CPI now is at its highest level since October 2008, which is well above the central bank's inflation target of 2 percent.
The ONS attributed the rise to a jump in transport costs, particularly Easter prices in air and sea fares, as well as higher alcohol and tobacco prices.
According to ONS, air transport fares rose by 29 percent between March and April while sea fares increased by 22.3 percent.
Prices of alcoholic drinks and tobacco rose by a record 5.3 percent in April, while clothing and footwear prices dropped by 1.3 percent.
The ONS also said the fact that Easter fell much earlier last year and did not affect April 2010 CPI partly explained the jump in prices.
Mervyn King, the Governor of the Bank of England stressed the high inflation was due to the "increase in VAT to 20 percent in January, higher energy prices and increases in import prices."
Britain has seen 17 consecutive months when the country's inflation rate was at least one percentage point above target.
Analysts say the accelerating inflation rates put further pressure on the central bank to raise the interest rate sooner. The Bank of England kept the interest rate unchanged at a historical low of 0.5 percent last month.

http://news.xinhuanet.com/english2010/world/2011-05/17/c_13879635.htm

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World economic outlook dampens German investor confidence

May 17, 2011

BERLIN -- German investor confidence for the next six months fell due to an uncertain world economy outlook, the Mannheim-based ZEW Center for European Economic Research said on Tuesday.

The index now stands at 3.4 points, dropping 4.5 points from April, 2011.

At the same time the assessment of the current economic situation in Germany has reached an all-time high, reaching 91.5 points, said ZEW, echoing the 5.2 percent of the first quarter growth published by German Federal Statistics Office last Friday.

ZEW said financial market experts consider a further increase of the economic momentum to be unlikely.

"Moreover, mixed signals regarding the state of the U.S. economy as well as a weaker outlook for the Chinese economy might have dampened expectations," ZEW said.

"It came as a surprise that the German economy recovered from the crisis that quickly. This strong dynamic is not going to last undamped. Also, risks, such as the crisis in the euro zone and global economic imbalances, should be recognised," said ZEW President Wolfgang Franz.

The German stock market suffered a plunge on Tuesday as the benchmark DAX index of 30 big companies lost 130.89 points or 1.77 percent to 7,256.65 at close.

http://news.xinhuanet.com/english2010/world/2011-05/18/c_13879679.htm

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Innovation key to sustained economic growth: Bernanke

May 16, 2011

WASHINGTON -- Innovation is critical to the long-run economic growth and more efficient production methods, U.S. Federal Reserve Chairman Ben Bernanke said here on Monday.

Innovation has not only led to new products, but also brought about dramatic changes in how businesses are organized and managed, the Fed chief said Monday when giving a speech at Georgetown University.

"The primary economic rationale for a government role in research and development (R&D) is that, absent such intervention, the private market would not adequately supply certain types of research," he noted.

He argued that market forces will lead to under-investment in R&D from society's perspective, providing a rationale for government intervention in this area.

In the world's largest economy, combined public and private R&D spending has been relatively stable over the past three decades, at roughly 2.5 percent of gross domestic product (GDP), but since the 1970s, R&D spending by the federal government has trended down as a share of GDP, Bernanke cautioned.

Bernanke said that the share of R&D spending targeted to basic research, in comparison with more applied R&D activities, has also been declining in the United States.

The Fed head warned that these trends are concerning, as basic research is the ultimate source of most innovation.

In recent years, spending on R&D has increased substantially in some emerging economies, China and India in particular, he added.

He contended that funding R&D activity is only part of what the government can do to boost innovation, adding that ensuring a sufficient supply of individuals with science and engineering skills is important for promoting innovation, which also highlighted the importance of education and immigration policies.

http://news.xinhuanet.com/english2010/business/2011-05/16/c_13877674.htm

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Geithner: U.S. deficit problems undermine future economic strength

May 17, 2011

NEW YORK -- The U.S. fiscal problems are "so pressing" that they "threaten to undermine the foundation of our future economic strength," said U.S. Treasury Secretary Timothy Geithner on Tuesday.

Speaking at the Harvard Club in New York, Geithner said that the United States are able to fund its deficits at unusually low interest rates just because of the lack of other investment alternatives and its relative better economic situation.

"There is no way of knowing how long financial markets will give the American political system to get ahead of this problem, but it makes no sense for us to wait until they force action upon us," Geithner said.

According to Geithner, in order to cut the deficit to a sustainable level of below 3 percent of U.S. GDP by 2015, Congress needs to impose a "debt cap" that would lock in the necessary reductions in deficits over the next several years.

"We need a debt cap so that politicians cannot choose to live with unsustainable deficits," said Geithner.

"The economic and political question is not whether but how best to achieve this objective," said Geithner. "We have to find a way to return to living within our means."

http://news.xinhuanet.com/english2010/business/2011-05/18/c_13880414.htm

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U.S. leading economic indicator edges down in April

May 19, 2011

WASHINGTON -- The U.S. index of leading economic indicators, a gauge of future economic activities, declined 0.3 percent in April, evidence of a slow economic recovery, a private research group said Thursday.

The Conference Board announced that its index of leading economic index (LEI) dropped in April following a revised 0.7 percent increase in March.

The economy has been growing moderately and delivering some new jobs. The U.S. LEI was rising strongly, up sharply in four of the five months through March, but slipped in April, said Ken Goldstein, an economist at the Conference Board.

"Economic growth will likely continue through the summer and fall, but the pace of economic activity may be choppy," Goldstein added.

http://news.xinhuanet.com/english2010/world/2011-05/19/c_13884124.htm

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Japan falls back into recession

Japan economy contracts sharply after devastating earthquake and tsunami.

May 19, 2011

Japan's economy has slipped into recession after a worse than expected performance for the first quarter of the year.

The economy contracted sharply in the first quarter, as factory production and consumer spending declined in the aftermath of the March 11, 2011, earthquake and tsunami.
Real gross domestic product - a measure of the value of all goods and services produced domestically - shrank at an annualised rate of 3.7 per cent in the January-March period, the country's cabinet office said on Thursday.
The result marks the second straight quarter that the world's third largest economy has lost steam and undershoots an annualised 2.3 per cent fall forecast in a Kyodo News agency survey.
While there is no universally accepted definition of a recession, many economists define it as two consecutive quarters of GDP contraction. Others consider the depth of economic decline as well as other measures like unemployment.
Japan's magnitude-9.0 earthquake and tsunami left more than 24,000 people dead or missing, and wiped out entire towns in the hardest-hit areas.
Damage is estimated at $300bn, making it the most expensive natural disaster in history.
It damaged factories in the region, causing severe shortages of parts and components for manufacturers across Japan, especially automakers. A crippled nuclear power plant caused widespread power shortages that added to the difficulties faced by businesses and households.
Seijiro Takeshita, director of Mizuho International, told Al Jazeera that recovery may take a long time because clean-up efforts were taking so long.

Consumer spending falls

Japan's factory production and consumer spending both fell the most on record in March. Exports in March went south for the first time in 16 months.
Companies are reporting lower earnings and diminished outlooks for the rest of the fiscal year.
Toyota, Japan's biggest automaker, said last week that its quarterly profit tumbled more than 75 per cent because of parts shortages after the tsunami. As of May, the crisis cost the company production of 550,000 vehicles in Japan and another 350,000 overseas.
Toyota is expected to lose its spot as the world's top-selling automaker to General Motors this year.
Even before the disaster, Japan's economy was shaky.
In a historic shift, China overtook the country as the world's second largest economy last year. Japan struggled to address a slew of problems including years of deflation, a rapidly ageing and shrinking population, and ballooning public debt.

'Instant evaporation'

Japanese companies increasingly relied on exports to drive growth and offset the persistently lackluster demand at home. After four solid quarters of growth, Japan's GDP turned negative in the last three months of 2010 due to weaker exports and consumer demand.
The downturn was expected to be temporary.
Instead, Japan has now recorded consecutive quarters of contraction for the first time since the global financial crisis. GDP fell for four straight quarters starting April 2008.
The country's economy and fiscal policy minister Kaoru Yosano described the current slump as milder than the previous slide, when global demand "evaporated instantly".
"The Japanese economy's ability to rebound is sufficiently strong," Yosano said, according to the Kyodo News agency.

http://english.aljazeera.net/business/2011/05/20115195406950381.html

Singapore slips from top on world competitiveness list
May 19, 2011
SINGAPORE -- Singapore slipped from the first place to the third on the latest World Competitiveness Rankings published by Swiss business school IMD, local media reported on Thursday.
The United States was back at the top position after losing it to Singapore last year. China's Hong Kong also shared the top spot, rising from the second position last year. Both scored 100 points, compared with 98.6 for Singapore, according to the rankings released on Wednesday.
Suzanne Rosselet, deputy director of the business school's World Competitiveness Center, said that Singapore's drop stemmed from concerns about the rising costs of doing business and living in the country among those in the business community surveyed.
The fact that Singapore is in an election year was also a factor, with elections traditionally affecting sentiment by adding a dose of uncertainty, local daily Business Times quoted her as saying.
Scuh factors, coupled with the recovery of the financial markets which pushed the United States back to the top, made a difference in a race where the "noses of the top three horses were just millimeters away from each other as they made their way to the finish line", said Rosselet.
The competitiveness rankings cover 59 economies with more than 300 criteria to reflect the economic performance, government efficiency and infrastructure development.
The United States have taken the top spot from 1994 to 2009, and Singapore and Hong Kong have taken turns at the second and third places.
China was at the 19th place, with a score of 81.1.

http://news.xinhuanet.com/english2010/business/2011-05/19/c_13883011.htm

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ARTICLES/COMMENTARIES

Africa: Ripe for reappraisal
By: William Wallis, Andrew England and Katrina Manson
May 18, 2011
Sir Bob Geldof’s latest incarnation says something about Africa’s changing place in the world. Not for the first time, the Irish rock star turned campaigner for aid and debt relief in Africa has been seeking to raise as much as $1bn. This time, however, he hopes to champion investment in a continent that he had tended to portray as a basket case in perennially urgent need of alms.
His transformation into private equity guru has not been seamless. The former Boomtown Rats and Band Aid front man has struggled since the global financial crisis to raise sufficient financing to close his fund, 8 Miles, named after the distance between Europe and Africa at the straits of Gibraltar. But Sir Bob’s journey nevertheless chimes with a turn round in global perceptions.
With many of its 48 economies rebounding from the crisis faster than the rest of the world, sub-Saharan Africa is increasingly viewed as an opportunity rather than a burden. It is rising rapidly up the agenda for global investment managers and is talked about as never before in almost every big financial centre.
For the past few years big names including Jamie Dimon, chief executive of JPMorgan Chase of the US, have been popping up in places such as newly oil-rich Ghana. In London, Helios

Investment Partners, an investment firm founded by young Nigerians, is poised to close subscriptions to a $900m fund, so far the largest private equity fundraising exercise to target Africa. This comes as the much bigger Carlyle Group of the US is backing the continent for the first time, setting up in South Africa and Nigeria – the two biggest economies south of the Sahara.

The perception that Africa has reached a turning point – one qualitatively different from previous false dawns – stems from a combination of global and regional circumstance. "If the politics can be managed, there are the talent and resources in Africa for this story to be real," says Michael Turner, managing director in east Africa of Actis, a UK fund backed by pension funds, sovereign wealth funds and international development institutions. "The more people become confident with that idea, so the more the other big players will start to come in, especially now that big US institutions like Carlyle are coming."

Growth has been spurred by market liberalisation and improved public management of finances as well as a boom in the commodities that Africa has in abundance. Perhaps the biggest factor has been the engagement of emerging powers including India and Brazil but led by China. Asian demand for African resources has engendered a revival in the terms on which the continent trades.

Africa has about 10 per cent of global oil reserves, possibly more. South Africa has 40 per cent of the world's gold. The continent has more than one-third of all known cobalt reserves; base metals abound. China in recent years has sources almost half its imports of alumina, copper, iron ore and oil from Africa. The continent's agricultural potential is barely touched.

But the story is no longer just about resources. The commodity price surge has coincided with the rapid expansion of banking, telecommunications and other services formerly weighed down by the dead hand of the state. This and the sluggish pace of recovery in the developed world have encouraged investors from elsewhere, including Europe and the US, to look at Africa with different eyes.

"GDP was 2.9 per cent during the crisis and is now back at 5.5-6 per cent. If you look at the demographics, the resource endowment and improved policy environment, Africa looks like an attractive investment destination," says Graham Stock of Insparo Asset Management, a London-based hedge fund. "By contrast, the picture in the developed and other emerging markets does not look as rosy."

Consumer spending is also rising at more than twice the rate of developed countries. The phenomenal growth in telecoms has pointed to a market that few consumer groups and service industries had thought about much before – and one that, if north Africa is included, now exceeds 1bn people.

"The question for executives at consumer packaged goods companies is no longer whether their firms should enter the region, but where and how," A.T. Kearney, the management consultancy, wrote in recent research that found west African subsidiaries achieving nearly twice the profit margins of their parent groups. Other research amassing at investment banks and international financial institutions highlights the potential for Africa – or at least parts of it – to become a significant driver of global economic expansion in coming years.

No one sensible believes that the road will be smooth for all of sub-Saharan Africa. But in almost every sector demand outstrips supply. "The reality is Africa is probably 30 years behind China and 20 years behind India on the developmental curve in that regard, so I think the Chinese and Indians will start to look at parts of Africa as potential sites for low-cost manufacturing and outsourcing and things like that," says Michael Lalor of Ernst & Young.

At the World Economic Forum for Africa held in Cape Town this month, Maria Ramos, chief executive of Absa, a South African bank majority owned by Barclays of the UK, observed that whereas a decade ago such meetings focused on aid and Aids, the conversation was now about investment and growth. “You walk around here and the mood and the meetings are all about what is causing blockages for further investment: where are the best models in the world for getting customs to work, how do we improve our competitiveness?” she told the Financial Times.

Ms Ramos has recently taken responsibility for Barclays’ expanding Africa operations under the stewardship of Bob Diamond, group chief executive, who has described Africa as “maybe the most exciting opportunity” worldwide.

The numbers are still comparatively small. Africa accounts for only about 5 per cent of global foreign direct investment flows. The World Bank predicts FDI into sub-Saharan Africa in 2011 will reach $40.8bn, up from $32bn last year. But by 2015 the number of new African consumers will equal the total number in Brazil today, some analysts predict, as the middle class expands and domestic consumption increases accordingly.

“We have had massive interest across the board, Chinese clients, Indian clients, American clients, Middle Eastern clients, European clients, says E&Y’s Mr Lalor. We have hosted more than 100 companies in our African business centre in the last year talking about their growth strategy. In any other year before that we would have been lucky if there were five or 10.”

Yet much of the talk of a turnround is still about what might be, rather than what already is. Some of the basics remain much the same.

East Asia’s share of world exports grew spectacularly from 3.3 per cent in 1980 to 8 per cent in 1995, and then to 14 per cent by 2008. Sub-Saharan Africa’s share, meanwhile, showed little advance, varying within a range of 1.3-1.6 per cent. Nor has the composition of exports changed much, driven as it has been by raw materials.

There was a buzz when the Africa Development Bank suggested this month that one in three Africans are now middle class. But this included people spending $2-$4 a day – hardly likely to afford a car or fridge – and the fine print of the AfDB report showed that when stripped of this “floating class”, who are vulnerable to falling back into poverty, the proportion of middle-class Africans last year was still only 13.4 per cent, below what it was in 1980.

The latest annual review by the Africa Progress Panel headed by Kofi Annan, former UN secretary-general, opens on the sober note that “progress, stagnation and discouraging regression continue to co-exist on the continent”. In spite of Africa’s recovery, growth remains low quality, is not accompanied by “much needed structural transformation and diversification” and is therefore not providing the necessary jobs.

Dambisa Moyo, a Zambian economist, says many African governments still fail to take some of the most obvious steps to facilitate investment. Although it takes just three days to register and open a business in Rwanda, for example, that compares with 213 for Guinea.

“Governments have a responsibility to provide public goods, create a policy environment that encourages people to invest and make sure there is a regulatory framework that penalises people for bad behaviour but also steps in when the market fails,” Ms Moyo says. “Quite clearly Chinese and other emerging countries have been able to deliver these three things. But if you look at African countries they are still not delivering.”

A testament to governance shortcomings can be found in the scale of capital flight. Global Financial Integrity, a Washington based non-governmental organisation, estimates that $358bn flowed out of Africa through corruption, trade mispricing and other illicit activities between 2000 and 2008.

Nor, for those investors who do suddenly fancy dipping their toes into Africa, is entry that straightforward. Infrastructure shortfalls, in spite of an accelerating programme of road and railway building carried out in many places by the Chinese, remain a brake on growth, while markets are fragmented and risk levels hard for newcomers to gauge.

"Once you want to allocate capital to individual opportunities, it becomes quite tough navigating your way through the individual political regimes and political volatility," says Chris Derksen of Investec Asset Management in South Africa. "You can talk in high-level terms about 1bn consumers but you go and actually try to get exposure to that billion and it's not that straightforward."

But in the larger economies, where governments have relinquished control over important sectors, Africa has already provided huge opportunities. In the case of telecoms in countries including Kenya and Nigeria, this has added a percentage point to overall GDP growth each year during the past decade. If the same is done with power – for example in Nigeria, the continent's largest market, which limps along on an electricity supply that would barely serve a small European city – the potential for transformation would be greater still.

"In most areas where the private sector has come in, those who can crack the operational code are making interesting returns," says Tope Lawani, the co-founder of Helios. But as he also puts it: "African governments have got better at getting out of the way. They haven't on the whole got much better at doing what they are supposed to do." Until they do, the pace of change is likely to remain slower than it could be.

http://www.ft.com/intl/cms/s/0/2ab8b334-817c-11e0-9c83-00144feabdc0.html?ftcamp=crm/email/2011519/nbe/Analysis/product#

Europe Likely to Prevail for IMF Chief

May 19, 2011

IMF Managing Director Dominique Strauss-Kahn resigned on Wednesday night. This means that the race to replace him has now begun in earnest.

Strauss-Kahn's resignation has renewed the debate of whether the gentlemen's agreement between the United States and Europe on dividing up the World Bank and IMF, respectively, should stay. This was a Cold War-era agreement between what were essentially the only two economic powerhouses in the world: Europe and the United States. As emerging economies such as Brazil, India, Russia and China have gained economic clout, they have become more vociferous in questioning this agreement.

The race for the new managing director is therefore not really important in terms of the position itself. It is important to understand that managing director does not make decisions by fiat. He is bound by the decisions of the 24-member executive board and therefore decisions on whether to bail out a lot of peripheral euro zone states will ultimately be a political one made by IMF member states.

Nonetheless, the real importance of this race really comes down to the contestation between emerging markets in developing countries and the established democracies for control of a very important international institution. The race therefore symbolizes a competition between the two blocs of countries that really has run the gamut on a number of issues, from whether or not the Chinese currency needs to appreciate more to trade to global financial regulation. The emerging

markets and developing economies have therefore proposed a number of candidates from their own bloc. However, the reality here is that the emerging countries are in no way united in this. Not only to have divergent economic interests but they also have geopolitical differences. China would not want to see a South Korean or an Indian at the head of the IMF just as India or South Korea would not want to see a Chinese.
Therefore there are competitions within this bloc that is unified only really an emotional appeal that the gentleman's agreement between America and Europe needs to end. On the other hand, the Europeans are very much united. What unites Europeans is of course the euro zone sovereign debt crisis, and that means that EU's 27 member states are most likely all going to agree on a single candidate. The European Union has more than 32 percent of the total share of the IMF vote, which means that it has the ability to block any candidate that it does not want. Europe seems to be unified behind a single candidate in French Finance Minister Christine Lagarde, and Strauss-Kahn's relative quick resignation gives Europe a head start on the emerging world, which while unified behind the idea that a Europeans shouldn't take the post, is in no way unified on who that alternative should be.

http://www.stratfor.com/analysis/20110519-dispatch-europe-likely-prevail-imf-chief#ixzz1NMfj9XvK

Chance to reform IMF
May 19, 2011
BEIJING -- The arrest of Dominique Strauss-Kahn on May 14 in New York, for an alleged sexual assault, has surely dealt a huge blow to the International Monetary Fund's credibility, which is as fragile as the ongoing global recovery.
To avoid further damaging the IMF, at a time when it is badly needed to deal with both lasting and looming financial crises around the world, a change of personnel at the top of the fund seems inevitable.
While the case of Strauss-Kahn is likely to stay in the limelight, intensified jockeying for his job, one of the most powerful positions in global finance, has already begun and is grabbing more and more media attention.
Some European officials have begun their lobbying for another European to head the fund, as has been the case since the IMF was founded. But other countries argue that an official from a faster-growing non-Western country should be given the chance to reflect their growing voice.
The BBC and Associated Press even suggested Zhu Min, a special adviser to the IMF head and former Chinese central bank's deputy governor, might be a successor to Strauss-Kahn, though China has not put forward a candidate of its own.
We agree that it is time to start a more open process to select the next IMF chief based on his or her merits, especially given that Strauss-Kahn was already expected to leave within a couple of months even before his arrest. But a divisive choice of successor is the last thing that the IMF needs.
It is no exaggeration to call the current situation a "disaster" for the fund, which has barely secured its legitimacy as a leading global monitor of and firefighter against financial crises.
Admittedly, the IMF has joined international efforts under the framework of G20 to engineer a global recovery from the 2008-2009 financial and economic crisis.
Nevertheless, it is more than obvious that the agency has moved too slowly to adapt itself to the new world economic landscape.

Compared with the glacial pace that the fund has traditionally taken to tinker with its decades-old vote and governance systems, changes that it has expedited in recent years may be deemed "remarkable" by some people. Yet, that is still a far cry from an adequate response to the new financial and economic challenges that the world faces today.

For instance, under-representation of emerging market economies will only prevent the IMF from mobilizing enough financial resources to boost its role as a leading financial firefighter in a world of increasing uncertainties. And a business-as-usual mentality will certainly not help address such institutional problems.

However, if the selection of the next IMF chief can be made a vote of confidence for a reformer who can effectively bring the agency into the 21st century, it would be an unexpected silver lining to the shameful cloud over its head.

Hence, we think that the most important merit of the candidates should be his or her willpower and leadership to steer the IMF through its crisis with bold and necessary reforms.

(Source: China Daily)
http://news.xinhuanet.com/english2010/indepth/2011-05/19/c_13882721.htm

The IMF after Strauss-Kahn: Our turn again

May 20, 2011

Europe seems likely to get its way when the empty chair is filled

THE website of the IMF now lists the post of managing director as being vacant. Its most recent occupant, Dominique Strauss-Kahn, stands formally indicted in a case of sexual assault, and is expected to be released on bail today from New York’s Rikers Island jail. The fund itself is being run for the time being by its deputy head, John Lipsky. But even as it struggles to contain the damage to its reputation from the extraordinary circumstances in which its previous boss left it, politicking on the question of who should succeed him has begun in earnest. The big question is whether it will be another European, or whether the rest of the world will get a serious shot at the job for the first time since the IMF was founded in 1944.

Europe’s lock on the top job at the IMF is not due to anything in the fund’s constitution. It is the result of an unwritten agreement between America and Europe dating back to the founding of the IMF and its sister institution, the World Bank, which is always headed by an American. Recent statements from top European politicians make it quite clear that they would like this tradition to continue. German chancellor Angela Merkel says that “there is a lot in favour of a European candidate being put forward”. Indeed, Europe’s leaders seem to rapidly be converging on Christine Lagarde, the French finance minister, as their likely choice for the job.

Judging by the rhetoric emanating from the capitals of big emerging economies, however, Europe may not see its assumed right to pick the IMF’s boss go uncontested. Countries like Brazil and China have become increasingly unhappy with what they see as a cosy agreement between rich countries that shuts all non-Americans and Europeans of top jobs at the international financial institutions. They have long argued that this prevents the fund being headed by the best person for the job. Brazil’s finance minister, Guido Mantega, has been outspoken on this issue. On May 18th he said, “we must establish meritocracy, so that the person leading the IMF is selected for their merits and not for being European”. Earlier, a spokeswoman for the Chinese foreign ministry said the choice of leading officials for the IMF and the World Bank should be based on “fairness, transparency, and merit”. That, as ever, is code for breaking with convention.

But there is a long way from rhetoric about the need for an emerging-economy candidate at the helm of the IMF to actually breaking the European stranglehold on the top job. The first hurdle is settling on a candidate acceptable to a large number of big emerging economies. Unlike the Europeans, who are used to coming up with a joint candidate for the IMF boss's job and are quickly coalescing around Ms Lagarde's candidature, there is no sign yet of similar convergence among emerging economies. Augustin Carstens, governor of Mexico's central bank and Tharman Shanmugaratnam, the finance minister of Singapore and the present—and well-regarded—head of the IMF's top policy-making committee, are among the names being discussed. Another viable emerging-world candidate is senior Indian official and former head of the IMF's internal evaluation office, Montek Singh Ahluwalia. The chances of Kemal Dervis, a former Turkish finance minister, might be boosted by his proximity to top European politicians, and his coming from a country straddling Europe and Asia.* Stanley Fischer, the present governor of the Bank of Israel and a former IMF number two, is also a serious contender.

However, support from America, the IMF's biggest shareholder by far, would be critical for the chances of success of any non-European candidate. America has so far not taken a clear position. Its treasury department issued a statement calling for an "open" process to select a new head for the IMF. That might be seen as a hint of support for an emerging-market candidate. But the statement also calls for promptness in finding a new IMF head. That can be seen as tacitly supporting the Europeans, who are used to coming up with a joint candidate for the IMF boss's job. The hints about Ms Lagarde being chosen are probably driven by the desire to demonstrate that Europe stands ready to aid a speedy resolution to the IMF's leadership problem.

And America has reason to be reticent about actually supporting a non-European candidate. It is extremely keen to hang on to the number two position at the IMF. David Lipton, a former treasury official and current White House staffer, is said to be the administration's choice. But its monopoly on this position, as well as its lock on the top post at the World Bank, derive from the same convention which Europe is now being asked to ditch. Emerging economies have a good point when they argue that the legitimacy of an institution like the IMF depends on it being seen to be fair, and that allowing its head to be picked by a handful of countries without an open contest is not a good way to bolster confidence in the fund's independence. But they are unlikely get the change they are seeking this time.

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The Strauss-Kahn Affair: Conspiring to Reshape the Global Financial Playing Field?
Make or Break Time for the IMF

By: Andrew McKillop

In the wake of the Strauss-Kahn affair, real economic events are fast conspiring to reshape the global financial playing field. What the big player governments on the IMF Executive Board want- and want fast, is action to stave off international financial meltdown. They also need continuing multi-billion dollar action to prevent a return to near-bankruptcy for their big name high-street banks.

Following pre-trial hearings, Dominique Strauss-Kahn was bundled out of the IMF and into a heavily guarded residence surveyed by cameras in every room. For plot theory lovers, these cameras can be contrasted with the alleged claimed cameras in the corridor of the Manhattan Sofitel hotel, able to capture and record images of the panicked and distressed 32-year-old

Guniean hotel room cleaner fleeing from the room where Strauss-Kahn had sexually assaulted her, before himself fleeing under the same cameras.
By 19 May, these hotel cameras simply *did not exist*, and in the corridor of the room in question *had never existed*. But never mind! Plenty of other evidence was under preparation or already in the possession of prosecutors and their investigators. Much more serious and real charges had existed against Strauss-Kahn, whose $75,000-a-year entertainment and personal expenses allowance at the IMF rather comfortably covers any paid sex he might have wanted.
Strauss-Kahn's nice talk for pseudo-socialists about greater accountability and more controls on the *global finance industry* most surely sounded a little too much like Elliot Spitzer talking, circa 2007, about how he was going to clean up Wall Street. By early 2008 Spitzer fell in a sex scandal where the bit players were staffed from the same high price prostitution rackets Spitzer had been investigating as New York Attorney General. More important, Strauss-Kahn was likely failing in the real *key mission* of the IMF, but his sudden disappearance creates huge risks of the game plan becoming known.

SUPPRESS GOLD AND SAVE THE SYSTEM
The IMF and its close-related international financial partner institution, the Bank for International Settlements (BIS) operate with the sort of *ironclad secrecy* only dreamed of by the bankrupted, downsized and repackaged (that is *restructured)* Wall Street financial players which Spitzer brushed too hard against.
IMF financial support and bailout operations in 2010 reached about $ 91 billion, compared with about $ 1 billion in 2006. Proposals agreed by the G20 and by the IMF Executive Board since April 2009 target an increase of its total resources by as much as $ 750 billion within one or two years.

No DSK = no EURO? Speculation persists in the wake of DSK's resignation.
Doing this is the key challenge for the IMF and whatever director it has. Vastly increasing the IMF's *firefighting role* in bailing out governments unable to borrow on global capital markets, like Greece at present, and re-financing weakened private banks by financing national governments which in turn bail out banks in their national territories, is however and in no way sure and certain. The Strauss-Kahn crisis can or might be the opening salvo in an *IMF crisis* for reasons which are not so complex.
The processes or mechanisms the IMF can draw on to vastly expand its bailouts and financing are few and easy to define. They all feature SDRs on one hand, and gold sales and swaps, on the other. Both are full of risks for the global financial system and economy at this highly weakened moment.
The IMF can encourage national central banks to sell their gold nearly always in secret, or the IMF can print and swap SDRs against gold from the central bank of a country needing emergency help and then secretly sell this gold, often through the BIS. Other *financial magic* operated by the IMF, with or without the BIS extends into realms as surprising, to some, as real estate and international trade financing on a strictly-for-profit basis. Even less publicized, and just as profitably it likely operates in tandem with the ultra-secret BIS- for *recycling hot capital* from low income countries and tax haven island states, in a constant IMF self-financing process.
Despite all this, the bottom line since the global financial crisis went critical in December 2008 is these activities are vastly smaller than the size of the problem: national debt financing and saving bankrupt private banks.

SDRs are the special trump card of the IMF because this institution with a highly special and only partly defined role relative to both governments and the global financial system has one rare privilege it shares with governments: *printing money*, that is SDRs. Inside its 24-member Executive Board the *trading* of these SDRs is permanent – and usually secret. The plan to establish these "special drawing rights", the SDRs, was devised on September 29, 1967 by the Governors of the IMF, only a few weeks before the collapse of the London gold pool. At the time it was clear to many observers the intention was to put SDR's into play in time to overlap the pool's closure, for the *constant key mission* of the IMF: protect the value of world currencies, starting with the dollar by preventing gold prices growing further, if they are rising, and pushing them further down, if they are falling.

PREVENTING MELTDOWN

This dawn of SDRs may be little known to most, but for bullion traders and central bankers is a key period and a sombre flashback – in miniature – to the gold and money crises of today. By 1965 the London gold pool was consistently supplying more gold to cap prices than it was able to buy back. The end for the pool started with the devaluation of the UK pound sterling in November 1967, yet again spurring gold purchases. By early December, the gold pool was selling around 20 times its usual amount of gold, and with its Zurich partners was forced to cease forward sales of gold, further intensifying gold demand. Over a few weeks, the pool had laid out more than 1000 tons, and the newly invented SDRs had done little or nothing to stem the panic.

This 1000-ton figure, we can note is close to 40 percent of world total gold mine output in 2010.

In those days, 1000 tons of gold was worth around $1 billion. Today it would fetch about $ 50 billion underlining the *general failure* of the IMF's key mission to "protect currencies", of course spurring ever more desperate attempts to finally succeed. Since the action engaged by the IMF to raise its financing capabilities and maintain confidence in world moneys is always secret the stage of negotiations reached by Strauss-Kahn before his rapid fall is hard to know. To be sure, the subject attracts almost as much comment as what happened at the Manhattan Sofitel hotel, last weekend, but *global markets* do not have the time to dwell too long on juicy sex scandals.

In recent weeks, heroic behind-the-scenes action has been poured into talking down gold, oil and other commodity prices, and talking up the failing dollar. The blatantly overvalued euro continues to be defended by the European members of the IMF Executive Board, showing rare and total solidarity in their quest to ensure a European takes over from Strauss-Kahn. This could or might however be a *lost cause* for the *de facto* US-European bloc, still holding a massive majority of votes inside the IMF, and the power to decide how many SDRs are printed and what central bank gold reserves will be sold or swapped – but *kept on the books* as still belonging to national central banks.

Current events could now radically speed decisions.

The BRIC (Brazil, Russia, India, China) group, showing a lack of solidarity in jostling to get leadership of the IMF as open as Europe's solidarity and American neutrality playacting, have very different agenda items in this global quest to prevent an epic financial meltdown. Running trade surpluses, they can finance their national budget deficits and borrow to save their fragile banking systems, as overstretched as those of the USA, Europe and Japan.

The bottom line is that the IMF, as a *gold laundering* entity using central bank gold may be close to its first double-or-quits crisis point in its 67 year history, and its 44 years of SDR printing.

THE SCENARIOS

It is possible Strauss-Kahn was close to some major breakthrough in *recycling* government gold, printing SDRs and protecting the paper moneys printed by governments, but whatever his heroic quest, and why he fell, the numbers are stacked against this quest. Taking the approximate current market value of all the gold that has *ever been produced*, few estimates place this at above $ 5000 billion. US Federal debt growth from December 2008 to April 2011 was about $ 3600 billion. Global “hot capital” flows, grotesquely underestimated by the IMF in its publication, are likely running at no more than $ 250 billion-a-year.

The only solution for Strauss-Kahn, and whoever succeeds him is to *invent a new global money*. This was the real mission of “DSK” and will be the real mission of whoever steps into his shoes, and does not stay in Sofitel mid-range hotels with low level security on room intruders. The action to produce a new global money – called a *reserve currency* – will also have to be very fast, due to the debt clock, or time bomb ruthlessly ticking forward.

For a short while the gold bullion market will stay quiet, but daily change of the gold price will increase, and then rise further. Few rational analyses of the *right price* for gold place it under $2000 per troy ounce, and plenty of experts will say this is only the starting gate for a *hyper inflation* spiral in which national currencies are ground to dust like a black hole swallows and smashes stars. All and any *real asset,* that is food, energy and minerals can only spiral in price for as long as the global economy struggles forward. After that, the *recession implosion* will operate, restoring the value of money in a vastly downsized global economy morphing into semi-autonomous national or regional economies.

Preventive action by the world’s few *capital surplus* countries could start in the very near-term future. The BRIC group could break away from the *IMF system* by inventing its own BRIC reserve money backed by key commodities, gold, and manufacturing power, but this would need a vast increase of their current low-level coordination of financial and monetary policies.

Not impossibly, the USA facing *hyper debt* could take its own unilateral action, with well-described and possibly planned actions to erect tariff barriers and heavily limit overseas holdings and use of the US dollar – that is *siege economy* action in a new era of isolationism marked in the geopolitical domain by abandoning the Afghan war, total disengagement from Iraq and leaving Israel to solve its long and festering problems with the Palestinians all on its own.

In the same way, Europe’s *neo-colonial turf war* with China and India for control over Africa’s natural resources and growing consumer markets could morph into a war for saving European moneys.

Under any scenario the *Strauss-Kahn affair* comes at a key moment. Attempts at saving the global economy and world moneys, since the end of 2008, have all failed, raising the stakes and risk each time. What we may now witness is historic change as the IMF’s real situation seeps and leaks out, under the tinsel wraps of *just another sex scandal.*

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