

**GLOBAL ECONOMY 174**

**BUSINESS AND POLITICS IN THE MUSLIM WORLD**

**Weekly Report on Global Economic and Business Developments**

**Period: May 29 – June 04, 2011**

**Submitted By: Muhammad Ibrahim**

**Presentation: June 08, 2011**

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## ***GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD***

### ***OECD focuses on green growth, unemployment at 50th anniversary***

May 25, 2011

PARIS -- Under the motto "Better Policies for Better Lives," the Organization for Economic Cooperation and Development (OECD) invited on Wednesday world powers and booming emerging economies to discuss various subjects ranging from green growth, development to unemployment.

"The OECD 50th Anniversary Week is a unique opportunity to think collectively about how to best achieve the vision of our founding parents. Achieving better policies for better lives is a journey, not a destination", said Angel Gurría, OECD secretary-general.

The Paris-based agency's chief urged governments to further cement ties and import cooperation tools to face global challenges of climate change, unemployment and financial crisis.

"... International cooperation is more essential than ever. The list of global challenges requiring coordinated policy action is getting longer, and in most cases, this action is becoming more urgent ... Much remains to be done to achieve a cleaner, stronger and fairer world," Gurría stressed.

During the two-day ministerial meeting starting from Wednesday, participants will try to answer questions over new sources of growth, ways to boost job creation and guarantee a fair share of wealth.

The OECD secretary-general pointed to the need of green growth and the improvement of economic and environmental policies.

"This is not just a matter of new technologies or new sources of renewable, safe energy. It is about how we all behave every day of our lives, what we eat, what we drink, what we recycle, re-use, repair, how we produce and how we consume," Gurría said.

In a statement, Gurría noted that "unemployment, especially among the youth, remains high" and called on states to focus on "well designed social and employment policies, efficient public services and investment in health and education" to be able to absorb the growing job seekers.

Composed of 34 states, the OECD was founded in 1947 to reconstruct the European continent after the World War II. But, officially, the organization was born on Sept. 30, 1961 after its convention entered into force.

At the time celebrating its 50 anniversary, the organization launched a new initiative to measure the quality of life, called "Your Better life Index" on Tuesday, and then its 2011 Economic Outlook looking into the next 50 years on Wednesday.

The OECD tries to help governments identify their problems and guide them to boost growth and meet development target. So far, OECD's 40 members and partners represent 80 percent of the world trade and investment.

[http://news.xinhuanet.com/english2010/world/2011-05/26/c\\_13894024.htm](http://news.xinhuanet.com/english2010/world/2011-05/26/c_13894024.htm)

***China calls for IMF chief to be selected through democratic consultation***

May 26, 2011

BEIJING -- China said Thursday that the chief of the International Monetary Fund (IMF) should be chosen through democratic consultation with a merit-based and transparent selection process. The selection of IMF leaders and high-level executives is a part of reforming the structure of international financial organizations, Foreign Ministry spokeswoman Jiang Yu said when responding to a question about China's position on the next IMF managing director. Citing a consensus reached by G20 leaders, Jiang said the selection should also seek to increase the presence of emerging markets and better reflect the changes in the global economic layout. On Wednesday, French Finance Minister Christine Lagarde launched her bid to head the IMF. Dominique Strauss-Kahn, the former IMF chief, resigned last week after being charged in the United States for sexual assault on a hotel maid. Jiang said China has noticed that some countries have named their candidates, but she did not talk about China's preference toward the candidates.

[http://news.xinhuanet.com/english2010/china/2011-05/26/c\\_13895415.htm](http://news.xinhuanet.com/english2010/china/2011-05/26/c_13895415.htm)

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***ASEAN calls on Asia to select a candidate for IMF chief***

May 27, 2011

BANGKOK -- ASEAN secretary-general called on Asian countries to jointly nominate a candidate for the post of managing director of the International Monetary Fund (IMF), Thai media reported on Friday.

As the leading engine of global economic growth, Asia needs to assert itself in the way international institutions such as the World Bank and the IMF operate, Surin Pitsuwan, a Thai national secretary-general of the Association of Southeast Asian Nations, said on Thursday.

"The time is for Asia to field a candidate and it doesn't have to be an Asian. They could be a member of a Third World country but not the European Union and they surely must not be a North American," the Bangkok Post, Thailand's English newspaper, quoted the ASEAN chief as saying.

Since 1946, a European has always held the post of IMF managing director. Australia's Treasurer Wayne Swan said the new IMF head should be chosen on merit and the convention of selecting only Europeans for the post was outdated.

Surin, speaking at the "Future of Asia" conference in Tokyo, said Asia should assert its claim to the position now or it might be too late.

He referred to the selection of a new IMF managing director to replace Dominique Strauss-Kahn, a French citizen, who is struggling with sex scandal in the United States and recently resigned from his post.

If ASEAN does not do anything, it will be taken for a ride and next time it will be overlooked, Surin added.

Given the fact that Asia is now a major contributor to the IMF, the ASEAN general secretary elaborated, it is the time for Asian nations to step forward in finding a new IMF chief candidate.

He said developing countries now represents about 42 percent of the contributions to the IMF compared with the nearly 30 percent Europe and the United States each contribute.

On Thursday, Beijing suggested that the chief of the International Monetary Fund (IMF) should be chosen through democratic consultation with a merit-based and transparent selection process.

Chinese Foreign Ministry spokeswoman Jiang Yu said on Thursday that the selection should seek to increase the presence of emerging markets and better reflect the changes in the global economic layout, adding that Beijing has noticed that some countries have named their candidates, but she did not talk about Beijing's preference toward the candidates.

Also, Caretaker Finance Minister Korn Chatikavanij last week expressed that he supported a move by Asia to find a candidate that could represent the region or a candidate who would be supported by Asia.

Various global powers are jockeying for the position. French Finance Minister Christine Lagarde is the latest to make a formal bid for the post.

The resignation of Strauss-Kahn has opened the door for a number of respected Asians, including Tharman Shanmugaratnam, Singapore's finance minister; Kemal Dervis, a former Turkish economy minister; Montek Singh Ahluwalia, an Indian who has worked for the IMF; and Min Zhu, special adviser to the IMF and former deputy governor of the Bank of China; among others.

Founded in 1944, IMF has more than 180 countries and regions as its members with its mission to oversee the global financial system by following the macroeconomic policies of its member countries.

[http://news.xinhuanet.com/english2010/world/2011-05/27/c\\_13897305.htm](http://news.xinhuanet.com/english2010/world/2011-05/27/c_13897305.htm)

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### ***India lashes out at rich nations over IMF top job***

May 29, 2011

NEW DELHI -- As the tussle for the top job at International Monetary Fund hots up following the resignation of its disgraced former chief Dominique Strauss-Kahn, India has lashed out at the rich nations, saying they don't "want to give up power easily".

"Those who exercise power do not want to give up power easily. The struggle for a better, balanced and more equitable world order, including the management of global institutions like the IMF, World Bank, (UN) Security Council is going to be a long haul, I am afraid," Indian Prime Minister Manmohan Singh told the media Saturday night

Though France's Finance Minister has announced her bid for the post of Managing director of IMF, the Indian Prime Minister, who returned following a six-day Africa tour, hoped that a consensus would emerge for the top job at the IMF, which is generally acceptable. He said that "India is in touch with various countries".

However, there is a desire in Europe that a European should occupy the coveted position because very large proportion of IMF funds is in the continent which is dealing with the Euro zone tensions, Singh said.

[http://news.xinhuanet.com/english2010/world/2011-05/29/c\\_13899835.htm](http://news.xinhuanet.com/english2010/world/2011-05/29/c_13899835.htm)

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***Indonesia offers reform model for countries in Middle East, North Africa whelmed in political turmoil***

May 30, 2011

JAKARTA -- Indonesia offers its experiences in developing democracy through reform movement for countries in Middle East and North African regions following the recent political turmoil that has changed the forms of several governments in those regions, an expert said here on Monday.

"Reformists in those regions can learn on how Indonesia passed through the reform movement peacefully and build up its own democracy," Hasyim Muzadi, a political expert at a think tank institution, the International Conference of Islamic Scholars (ICIS) said on the sidelines of a session discussing the impact of political turmoil in Middle East and North African countries to global order.

Hasyim said that reformists in those countries can learn about how Indonesia revise its state codes, uphold the human rights principle and transparency in addressing good corporate governance in the government.

Besides that, they can learn how to separate the military from the government so as to secure the implementation of democracy in their countries.

The former chairman of the country's largest Muslim organization, Nahdlatul Ulama (NU), also said that they can also learn on how Indonesia's new order building up the country's identity and securing the effectiveness of governments, and conducting the free, credible and democratic elections to elect parliament members and presidents.

Indonesia has passed through peaceful reform movement that took place in 1998 following the step down of former president Soeharto that has been in power for 32 years. With more than 237 million population, Indonesia is now regarded as one of world's largest democracy country that continues to experience increasing economic growth.

[http://news.xinhuanet.com/english2010/world/2011-05/30/c\\_13901799.htm](http://news.xinhuanet.com/english2010/world/2011-05/30/c_13901799.htm)

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***Solar power vital to Asia's future growth: ADB***

May 30, 2011

BANGKOK -- Asia must expand solar energy generation if the region is to stay on its strong economic growth path and reduce carbon emissions, Asian Development Bank (ADB) vice president said on Monday.

ADB Vice-President Xiaoyu Zhao addressed at the opening of the 3rd meeting of the Asia Solar Energy Forum in Bangkok, which is gathering over 300 government officials, private companies, and solar energy experts.

The forum, set up to promote knowledge exchange, is part of the Asia Solar Energy Initiative, established in May 2010 with support from ADB. The initiative aims to boost solar power use in the region by identifying and developing suitable projects.

"Asia could account for half of global output, trade, and investment by 2050," said Zhao. "To sustain its impressive growth momentum, Asia must manage its energy security and innovate away from the traditional, high-resource, high-carbon development path toward sustainable, low carbon growth," ADB press release quoted him as saying.

Many countries in Asia have a natural solar energy advantage given they are both sunny and have large areas of land unsuitable for other uses. However, large-scale solar power generation

has been hampered by a lack of suitable project financing mechanisms, institutional and policy constraints, and knowledge gaps, he said.

Moreover, Zhao added, around 900 million people in developing Asian countries have no access to electricity, and many others in remote areas pay very high prices for power that is typically generated by fossil fuels.

At present, less than 0.25 percent of Asia's overall electricity production comes from solar power, according to the ADB press release.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13901390.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13901390.htm)

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### ***Singaporean professionals keen to change jobs in next 3 months: survey***

May 30, 2011

SINGAPORE -- Some 61 percent of Singaporean professionals would like to change jobs in the next three months, in a sign that people are optimistic about the labor market, a latest survey has found.

Local broadcaster Channel NewsAsia said on Monday that the results of the online survey by recruitment consultancy Robert Walters showed that a larger proportion of the professionals in Singapore were keen to change their jobs in Singapore.

The survey found that in China's Hong Kong, 57 percent professionals would like to change jobs in the next three months, in Malaysia the figure is 56 percent and in Thailand 52 percent.

These figures indicate that professionals are optimistic about the job market, said Andrea Ross, managing director of Robert Walters Singapore & Malaysia.

Nevertheless, challenges will exist and people should make sure that they choose the appropriate roles, specifically for more niche positions, he added.

The trend will also lead to an increase in staff turnover and greater pressure on employers to retain their top talent, Channel NewsAsia said.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13901732.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13901732.htm)

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### ***France's Lagarde seeks support for IMF candidacy in Brazil***

May 30, 2011

RIO DE JANEIRO -- France's Finance Minister Christine Lagarde met on Monday with her Brazilian counterpart Guido Mantega to "explain my candidacy and to listen what the Brazilian authorities expect from the Fund and its directorship."

Lagarde is visiting several emerging countries in search of support for her candidacy as head of the International Monetary Fund (IMF). She will travel to China, India, and countries in the Middle East.

The minister said she is committed to the reforms foreseen for the IMF, which would give emerging countries like Brazil more participation in the decisions. According to her, the Fund must represent all its members.

"The IMF does not belong to anyone in particular, but to all its members," she said. "It is important that a great emerging country such as Brazil is well-represented."

Mantega said Brazil will hear all candidates to the position before deciding who to support. Another candidate, Mexican Central Bank governor Agustin Carstens, is expected to visit Brazil later in the week.

The final decision on the IMF directorship will be made by June 30. Former head of the IMF Dominique Strauss-Kahn resigned from the position after being charged with sexual assault against a hotel maid in the United States.

[http://news.xinhuanet.com/english2010/world/2011-05/31/c\\_13902556.htm](http://news.xinhuanet.com/english2010/world/2011-05/31/c_13902556.htm)

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### ***South Africa asks Brazil to support its IMF candidate***

June 02, 2011

BRASILIA -- South Africa turned to Brazil Thursday requesting support for former South African finance minister Trevor Manuel's bid for the directorship of the International Monetary Fund (IMF).

South African President Jacob Zuma made the appeal during a phone call with his Brazilian counterpart Dilma Rousseff, said Brazilian presidential spokesman Rodrigo Baena.

Zuma, who said he had discussed the issue with other major developing countries, also told Rousseff that he favors the greater participation of developing countries in the IMF.

Rousseff, for her part, said Brazil wouldn't make the decision till all candidates are listed.

Previous to Zuma's call, France and Mexico had already sought Brazil's support for their respective candidates for the top IMF post.

Several potential candidates have emerged in a bid to succeed disgraced former IMF chief Dominique Strauss-Kahn, including French Finance Minister Christine Lagarde and Mexican central bank governor Agustin Carstens.

The Washington-based IMF had said the final decision will be made by June 30.

[http://news.xinhuanet.com/english2010/world/2011-06/03/c\\_13909237.htm](http://news.xinhuanet.com/english2010/world/2011-06/03/c_13909237.htm)

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### ***Brazil undecided on IMF candidate***

June 03, 2011

BEIJING -- Mexico's candidate for IMF chief, Central Bank chief Agustin Carstens, says he'll push for more power to emerging economies. He made the comments at the start of a short tour of Brazil, hoping to win crucial backing for his bid to lead the global lender.

Carstens is in Brazil on the third leg of a global tour to drum up support for his candidacy to lead the Washington-based IMF. So far, he's up against French Finance Minister Christine Lagarde, who kicked off her own worldwide campaign in Brazil earlier this week.

While Brazil has been among the loudest voices calling for more say for emerging markets in global economic affairs, government sources say the country is leaning toward Lagarde because she is seen as having more clout within the IMF to push through reforms.

Carstens arrived in the capital Brasilia and met with Finance Minister Guido Mantega. Mantega welcomed his candidacy, but said Brazil needed more time to decide which candidate to back.

Mantega added, it was important to have a candidate from an emerging economy for a job that has traditionally been held by a European, and that it would be a step forward if the next IMF chief was chosen on merit rather than nationality.

Carstens says he's received expressions of support from much of Latin America, despite having no official backing yet.

He says emerging economies should have more decision-making power inside the IMF.

Agustin Carstens, Mexican Central Bank Chief said "The moral weight and power that emerging countries have due to their management of economic policies in the past few years

would be recognized inside an institution where countries like Mexico, Brazil, China and South Africa have a bigger say and could influence the policies of the International Monetary Fund." The Brazilian Finance Minister also said that the fund should mirror the G20 group. Guido Mantega, Brazilian Finance Minister said "The monetary fund cannot regress. It cannot go back to what it used to be -- a representative of the G7, of the G8. It has to be in tune with the G20, which nowadays represents developed and emerging countries." During Lagarde's visit to Brazil this week, she told the country what it wanted to hear -- that she would push reforms to give emerging economies more say in IMF decision-making. The board has a June 30th deadline for picking a successor.

[http://news.xinhuanet.com/english2010/video/2011-06/03/c\\_13909609.htm](http://news.xinhuanet.com/english2010/video/2011-06/03/c_13909609.htm)

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### ***IMF needs voice of emerging countries: Mexican central banker***

June 03, 2011

BUENOS AIRES -- Mexican central bank governor Agustin Carstens said here Friday that his bid for the top post at the International Monetary Fund (IMF) is aimed at letting the voice of emerging countries be heard at the world body.

"The main incentive for my nomination is to let the voice of emerging countries be heard at the IMF so that the institution grows more plural and open," he said after meeting with President Mercedes Marco del Pont of the Central Bank of Argentina and Economy Minister Amado Boudou.

"Nowadays, the global economy is growing thanks to the impetus of emerging countries, and the IMF has to accept that," he added.

The Mexican central banker, who arrived here Friday from Brazil, is touring Latin America to seek support for his race to succeed Dominique Strauss-Kahn, who stepped down as managing director of the IMF in May after having been charged with sexual assault on a hotel maid in New York.

The Washington-based IMF has set a June 30 deadline to determine the new directorship, which has been held by a European since 1945. Among other competitors is French Finance Minister Christine Lagarde.

The election process has to be "fair and transparent" and based on "merits and abilities," said Carstens.

Argentina has not announced any official decision on whom to support.

Days ago, Boudou said that "it's important that the appointed one be from an emerging country."

[http://news.xinhuanet.com/english2010/indepth/2011-06/04/c\\_13910772.htm](http://news.xinhuanet.com/english2010/indepth/2011-06/04/c_13910772.htm)

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### ***Chinese company wins bid to design new bridge over Panama Canal***

June 03, 2011

PANAMA -- The Chinese infrastructure giant, the China Communication Construction Company (CCCC), was awarded a contract to design a third bridge over the Panama Canal, the Panama Canal Authority (ACP) said Friday.

The ACP said in a statement that the Chinese company has presented the lowest budget worth 4.662 million U.S. dollars and won the bid over five other competing companies.

The bid was presented in partnership with engineering consultancy firm Louis Berger Group, the ACP said.

Other competing companies included a 4.9 million dollar bid from the TYPSA Principia group, a 6.1 million dollar bid submitted by URS Holdings, a 7.2 million dollar bid from the Puente de Colon JV company, a 8.5 million dollar bid from the group ARUP and a 9.6 million dollar bid from Ty Lin International. The ACP has specified that the new bridge must be braced with ties, built at 75 meters above sea level with a full length of five kilometers including access roads to the bridge.

Currently, the Bridge of the Americas and the Centennial Bridge -- both on the Pacific side -- provide the only routes for vehicles to cross the Canal. This new bridge, the first-ever on the Atlantic side of the waterway, will double trans-canal traffic capacity once completed in 2014.

[http://news.xinhuanet.com/english2010/china/2011-06/04/c\\_13910801.htm](http://news.xinhuanet.com/english2010/china/2011-06/04/c_13910801.htm)

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### **GLOBAL BANKING & FINANCE**

#### ***China's growth good opportunity for Australian financial services: minister***

May 30, 2011

CANBERRA -- China's rapid economic growth is not just driving demand for Australia's resources, but is also providing opportunities for financial services, Australian Trade Minister Craig Emerson said on Monday.

Dr Emerson said trade between the two countries would increasingly focus on services.

"Rapid urbanization in China, and the growth in consumption, is driving up demand for financial, health, energy and a range of other services," Dr Emerson said in a statement released on Monday.

"While Australian exports to China have been dominated until now by minerals, we are starting to see more and more opportunities for engagement in non-merchandise sectors."

In a move to expand Australia-China commercial relationship, Dr Emerson on Monday launched the Australian Chambers of Commerce's (AustCham) first Issues Paper on Australian Financial Services Business in China.

Joint chairmen of the AustCham financial services working group, David Olsson and Andrew Whitford, said the recommendations within the paper focus on issues that would enhance the ability of Australian financial institutions to be more competitive in the Chinese market.

"We have developed this paper to identify a number of potential benefits to China in improving the competitiveness of its current financial services sector," Olsson said in the statement.

Whitford said the paper is directed primarily to policy makers in China.

AustCham also intends to undertake a series of more detailed presentations and discussions on the Issue Paper with Chinese regulators and officials over coming months.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13901037.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13901037.htm)

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### ***China's external financial assets valued at 4.126 trillion USD in 2010***

May 30, 2011

BEIJING -- The country's external financial assets expanded 19 percent from a year earlier to 4.126 trillion U.S. dollars by the end of 2010, boosted by increased foreign exchange reserves and overseas investment, the State Administration of Foreign Exchange (SAFE) said Monday. According to 2010 year-end figures on China's international investment position (IIP) released by the SAFE, the country's external liabilities rose 20 percent year-on-year to 2.3354 trillion dollars, while net external financial assets increased 19 percent to 1.7907 trillion dollars in 2010.

About 71 percent of China's external financial assets were its 2.9142 trillion dollars of foreign exchange reserves, according to the SAFE.

China's 310.8 billion dollars of direct investment overseas, 257.1 billion dollars of securities portfolio investment and 643.9 billion dollars of other unspecified investments made up the rest. In terms of China's foreign financial liabilities, direct investment by other countries or regions in China totaled 1.4764 trillion dollars, securities portfolio investment reached 221.6 billion dollars and other unspecified investment stood at 637.3 billion dollars.

China's foreign exchange regulator, the SAFE, also revised China's IIP for 2009 in its statement on its website.

According to the statement, China increased its holding of gold to 48.1 billion dollars in 2010, up from 37.1 billion dollars in 2009.

Representing the difference between the country domestically owned foreign assets and foreign owned domestic assets, IIP reflects the financial assets and liabilities of one country or region compared to other countries or regions.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13900801.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13900801.htm)

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### ***China Construction Bank opens first office in Russia***

May 30, 2011

MOSCOW -- China Construction Bank (CCB) said on Monday that its first representative office in Russia has opened in Moscow.

During the office inauguration held here on Monday, CCB president Zhang Jianguo said this is CCB's first agency in Russia and the neighboring CIS countries, signaling CCB's latest important move to enlarge its overseas service network.

The establishment of the Moscow office would deepen CCB's business ties with Russian financial institutions and facilitate its services to Russian and Chinese clients, said Zhang.

He added the bank is expected to play an effective role in promoting Sino-Russian economic cooperation.

Chinese embassy officials, Russian Central Bank deputy chairman Viktor Melnikov and about 200 Russian guests attended the opening ceremony.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13901973.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13901973.htm)

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***Cambodia to launch stock market on July 11: govt. statement***

May 30, 2011

PHNOM PENH -- Cambodia is scheduled to inaugurate the long-awaited Cambodia Securities Exchange (CSX) on July 11, according to the statement of the finance ministry released to the media on Monday.

And the first securities trading will begin towards the end of 2011, added the statement dated on May 26.

The ministry explained that the above two different dates being planned are based on the experience of some countries, which scheduled the start of the securities market operator first, in order for this operator to have enough time in preparing the process of the first securities training.

The CSX is a securities market operator, a securities clearing and settlement facility operator, and a depository operator.

The head-office of the CSX is located in the kingdom's tallest building, Canadia Tower in Phnom Penh.

Three state-owned enterprises--Sihanoukville Autonomous Port, Telecom Cambodia and Phnom Penh Water Supply Authority--have been preparing IPO (Initial Public Offering) to list in the upcoming CSX.

The plan to open CSX was initiated by Korean Exchange in 2007.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13901203.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13901203.htm)

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***Indonesian central bank preparing rules to stop single-owner control of banks***

May 30, 2011

JAKARTA -- The Indonesian central bank has prepared regulations that will prevent a single investor from controlling a majority stake in a commercial bank, a move it hopes will stop misuses of power that could result in a collapsed bank, media quoting deputy governor as saying on Monday.

The central bank deputy governor Muliaman Hadad quoted by the Jakartaglobe as saying that the rules would make the banks have better corporate governance.

"We are also pushing banks to go public, one step at a time. The spirit is that we want to improve the governance of commercial banks through more balanced control by their shareholders," Muliaman said.

Muliaman said a 1999 government regulation allowed Indonesians and foreign individuals or entities to own up to 99 percent of a bank.

That regulation, he said, could see a bank become dominated by one shareholder who controls the bank's operations without being supervised by other owners.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13901059.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13901059.htm)

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***Brazilian banks outperform peers in the Americas on ROE: study***

May 30, 2011

RIO DE JANEIRO -- Three Brazilian banks are the most profitable in terms of return on equities (ROE) among 19 large public banks in Latin America and the United States, according to a new study.

The three banks are Banco do Brasil, Itau Unibanco and Bradesco, according to the study issued by Sao Paulo-based consulting firm Economatica, which analyzed the ROE of the 19 lenders between April 2010 and March 2011. All the banks on the list have assets more than 100 billion U.S. dollars.

Banco do Brasil, the only state-owned bank on the list, ranked the first with a ROE of 26.46 percent, followed by Bradesco, with 22.33 percent, and Itau Unibanco, with 20.57 percent. Banco do Brasil is also the largest bank in Latin America in terms of assets, according to the study.

Another Brazilian bank, Santander Brasil, also made the top nine of the list with a ROE of 10.57 percent.

U.S. Bancorp was a distant fourth, with a ROE of 12.91 percent, and Capital One ranked fifth, with 12.03 percent. Both banks are U.S.-based.

[http://news.xinhuanet.com/english2010/business/2011-05/31/c\\_13903092.htm](http://news.xinhuanet.com/english2010/business/2011-05/31/c_13903092.htm)

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***China's state-owned bank does not rule out merger with Russian commercial banks: CCB president***

May 31, 2011

MOSCOW -- China Construction Bank (CCB) did not rule out the possibility of acquisitions of Russian commercial banks or investment in Russian banking field, CCB President Zhang Jianguo said Monday.

The CCB, China's second largest state-owned commercial bank with its total value ranking the second in the world, sees Russia as a key market in CCB's overseas site construction, Zhang said at the opening ceremony of CCB's first representative office in Russia.

"Russia is a crux market of Eastern Europe, as the market has enormous potential in economic development," Zhang told Xinhua.

He noted that currently Russia has more than 900 commercial banks. "We noticed that foreign banks have shown their great interests in purchasing the assets of Russian commercial banks," Zhang said.

"If we have a right opportunity, we will not miss this opportunity (to purchase Russian commercial banks)," he said.

CCB's overseas site construction strategy is to expand its branches abroad and buy foreign assets, he added.

In his speech at the ceremony, Zhang said the opening of CCB's representative office in Russia signaled CCB's latest important move to enlarge its overseas service network.

He told Xinhua that the Moscow office was the first step of CCB's overseas site construction, revealing that the bank intends to upgrade the office into an overseas branch within two years.

"We hope all our inside procedures and processes could be finished this year and then we would officially submit an application to the China Banking Regulatory Commission for opening the Russian branch," Zhang said.

"We also hope to receive the approval from Russian Central Bank in 2012," he added.

Zhang admitted that Chinese bankers did not fully realize the potential of cooperation between China and Russia in the past.

"But now, with the bilateral banking cooperation showing its good development potential, CCB would increasingly pay its attention to the cooperation with Russian banking," Zhang said.

With regard to future bilateral cooperation, Zhang said that there are still room for further development as four potential fields need to be tapped.

The first field is investment banking, the second is border trade, the third is supporting Chinese companies' development in Russia and supporting Russian companies' listing in Chinese stock markets, and the fourth is interbank clearing settlement, Zhang explained.

He added the CCB is expected to play an effective role in promoting Sino-Russian economic and trade cooperation.

According to Zhang, as bilateral cooperation between China and Russia has expanded in various fields including politics, trade and economy, CCB has established strategic cooperation agents with 58 Russian commercial banks.

The CCB has also opened more than 40 border trade settlement accounts with several major Russian banks, Zhang added.

Since 1995, the CCB has established nine overseas branches, three subsidiaries and two representative offices.

[http://news.xinhuanet.com/english2010/china/2011-05/31/c\\_13903658.htm](http://news.xinhuanet.com/english2010/china/2011-05/31/c_13903658.htm)

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### ***U.S. dollar surges in May as European debt crisis takes center stage***

May 31, 2011

NEW YORK -- The U.S. dollar rallied in May, mainly driven by risk aversion as the European debt crisis took center stage and hurt investors' faith in the euro.

In the first trading sessions of this month, the dollar experienced a short-lived surge against other major currencies, as the news that al-Qaida leader Osama bin Laden was killed inspired optimism.

However, in the remaining trading sessions this month, the European debt crisis again drew investors' attention and remained a major threat to the euro, with the debt problems in Portugal and Greece being among the most serious in the eurozone.

The rating agency Fitch lowered its credit rating on Greece to B-plus from BB-plus on May 20 and warned that any attempt to extend the maturities of Greek sovereign debt would be considered a default.

The deadline of Greek debt was approaching, but the Greek government and opposition party failed to reach agreements on an austerity plan. The German weekly Der Spiegel even reported on its website that eurozone finance ministers are meeting secretly in Luxembourg to discuss worries about Greece's potentially leaving the eurozone.

European finance ministers were trying to make things right by holding a two-day meeting in Brussels this month to discuss details of Portugal's bailout and how to address Greece's renewed debt problems, but failed to raise any effective solutions.

Meanwhile, the sex scandal surrounding former International Monetary Fund (IMF) chief Dominique Strauss-Kahn brought new uncertainties regarding a resolution of the eurozone debt crisis.

The IMF said that "bold steps" are needed to tackle the eurozone's sovereign debt crisis, adding that additional financial aid from international organizations was needed to help resolve the

Greek debt problems in order to avoid debt restructuring, which most of the European Central Bank (ECB)'s officials voted against, or default.

Investors' faith in the shared currency was shattered as the euro dipped 2.7 percent against the greenback this month.

Meanwhile, the monetary policy decisions made by European central bankers helped ease expectations of further tightening measures in European countries.

The ECB maintained its benchmark interest rate at 1.25 percent in its May monetary policy meeting, after raising it by 25 basis points at its April meeting to fend off inflation.

Also, the Bank of England decided in May to maintain the official bank rate paid on commercial bank reserves at 0.5 percent, as recently released data showed the economic recovery in Britain was still weak.

The dollar index, which is regarded as the best gauge of its performance against a basket of six currencies, was up nearly 2.5 percent this month.

The dollar's surge, however, was somewhat limited by investors' concern about U.S. economic prospects, as the housing market was still weak and the unemployment rate remained high.

According to a survey released by the National Association for Business Economics this month, economists cut projections for 2011 U.S. economic growth from 3.3 percent to 2.8 percent, but maintained its forecast for moderate economic growth through 2012.

As for other currencies, the dollar rose 0.3 percent against the Japanese yen this month as Japan's economy was hit hard by an earthquake and tsunami in March. The British pound dipped 1.2 percent against the greenback as Britain was facing sluggish economic growth and potential inflation.

[http://news.xinhuanet.com/english2010/business/2011-06/01/c\\_13905193.htm](http://news.xinhuanet.com/english2010/business/2011-06/01/c_13905193.htm)

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### ***Jordanian central bank increases key interest rates by 25 basis points***

May 31, 2011

AMMAN -- The Central Bank of Jordan (CBJ) on Tuesday decided to increase key interest rates by 25 basis points in a bid to maintain monetary stability and create an appropriate climate to absorb the impact of inflation, a CBJ statement said.

The decision, which goes into effect as of June 1, entails increasing the deposit windows rate to 2.25 percent annually from current 2 percent.

It also entails increasing the repo rate to 4.25 percent annually from 4 percent currently and the rediscount rate from 4.25 percent to 4.5 percent annually.

In the statement, CBJ Governor Sharif Fares Abdul Hamid Sharaf stressed the importance of preserving prudent monetary policy, adding that the CBJ will continue to monitor the main economic and financial changes at the local and international levels and take suitable steps in this regard.

The CBJ slashed the key interest rates by 50 basis points in February to spur the country's economy.

[http://news.xinhuanet.com/english2010/business/2011-06/01/c\\_13904238.htm](http://news.xinhuanet.com/english2010/business/2011-06/01/c_13904238.htm)

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### ***Capital inflows to emerging markets to surpass 1 trillion USD in 2011***

June 01, 2011

WASHINGTON -- Overall net private capital flows to emerging markets (EMs) this year was projected to exceed 1 trillion U.S. dollars, continuing an upward trend boosted by strong fundamentals of the emerging economies, the Institute of International Finance (IIF) said Wednesday.

The level follows a 54 percent rise of net private capital flows to emerging markets to nearly 990 billion U.S. dollars in 2010, the IIF said in a report.

"The high level of capital flows to emerging markets reflects the rising weight of these economies in the global economy" and their stronger performance comparing with mature economies, said Charles Dallara, managing director of the Washington-based IIF.

Dallara held that the inflows contributed to global growth, and about 40 percent of the total is accounted for by foreign direct investment.

The latest forecast for capital flows to remain robust this year and next, but not to pick up steam significantly, reflects the IIF's assessment on underlying fundamental economic developments, said Jeremy Lawson, IIF's deputy director of global macroeconomic analysis.

Emerging markets' gross domestic product (GDP) growth is expected to ease from 7.2 percent in 2010 to 6.1 percent in 2012, which will remain well above the growth rates of advanced economies, but the growth gap is seen as narrowing, Lawson added.

The agency predicted that net private capital flows to emerging markets would rise moderately to 1.056 trillion dollars in 2012 from 1.041 trillion dollars in 2011.

The IIF stressed that different nations should be cautious about introducing capital control moves in response to high inflows.

"In most cases, strong capital flows and rising exchange rates are simply the counterparts of strong fundamentals and a necessary part of macroeconomic adjustment. Moreover, capital controls are a distraction from the main policy task of reducing aggregate credit growth and inflation," said Philip Suttle, IIF deputy managing director and chief economist.

"Inflationary pressures, rather than high capital inflows is the largest threat to sustained growth in most emerging economies. We believe that the appropriate response by governments in general is to allow their exchange rates to adjust over time, tighten monetary policy as necessary, as well as make greater use of fiscal and macro-prudential policy measures," Dallara added.

The IIF is a leading global financial association representing more than 430 member agencies around the world.

[http://news.xinhuanet.com/english2010/business/2011-06/02/c\\_13906250.htm](http://news.xinhuanet.com/english2010/business/2011-06/02/c_13906250.htm)

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### ***Citigroup to form China securities joint venture***

June 02, 2011

SHANGHAI -- Citigroup announced Thursday it has reached an agreement to set up a securities joint venture in China with Orient Securities.

The joint venture, which still needs regulatory approval, will give Citigroup a foothold in China's thriving capital market.

In a statement, Citigroup said the joint venture, named Citi Orient Securities Co., will engage in investment banking services, including underwriting stocks and bonds and offering advisory services for mergers and acquisitions.

The U.S. banking giant will have a 33-percent stake in the joint venture, the maximum permitted by Chinese regulators, the statement said. The Shanghai-based Orient Securities will take the remaining 67-percent stake, it said.

The two companies will also explore cooperative opportunities in training and research outside of their investment banking services, the statement said.

Citigroup currently has branches in 11 cities on the Chinese mainland. It has helped Chinese companies raise more than 40 billion U.S. dollars from overseas capital markets over the past five years.

[http://news.xinhuanet.com/english2010/business/2011-06/02/c\\_13907868.htm](http://news.xinhuanet.com/english2010/business/2011-06/02/c_13907868.htm)

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### ***Turkey plans to open a bank in China***

June 02, 2011

ISTANBUL -- Turkey said here on Thursday that it plan to open a bank in China while it giving a license to Bank of China to open an office in Turkey.

Turkish State Minister and Deputy Prime Minister Ali Babacan announced the decision at the opening of the First Turkish-Chinese Business Forum in Istanbul.

Babacan said Turkey and China had agreed to open banks in each other's territories in a bid to launching financial cooperation between the two countries.

"The representative of Bank of China has taken office in Turkey, and we are pleased to learn that the office will be operating soon," Babacan said.

The deputy prime minister said that China Development Bank and Turkey's Treasury had a fruitful cooperation, and showed finance of high-speed train project as an example of this good cooperation.

He said that Turkish Treasury and the China Development Bank were about to complete talks on a framework agreement, and thus the two countries could facilitate investments in Turkey.

"Our aim is to boost our comprehensive cooperation in every area with a long-term, strong and multi-dimensional strategic partnership perspective," he said.

Babacan also said 2012 would be "The Year of China" in Turkey and 2013 would be celebrated as "The Year of Turkey" in China, which he thought would be an opportunity for the business world.

Turkish-Chinese Industrialists and Businessmen's Association is organizing the forum in cooperation with the Chinese embassy in Ankara. Some 500 business people and government officials are attending the two-day meeting.

Chinese ambassador Gong Xiaosheng said at the forum that the launching of financial cooperation will boost economic and trade relations between the two countries.

He said that China attaches importance to its relations with Turkey. The bilateral trade volume has hit a record of over 15.1 billion U.S. dollars in 2010.

[http://news.xinhuanet.com/english2010/china/2011-06/02/c\\_13908061.htm](http://news.xinhuanet.com/english2010/china/2011-06/02/c_13908061.htm)

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### ***Dollar tumbles amid economic concern, Greece hope***

June 03, 2011

NEW YORK -- The U.S. dollar fell this week as weak signs of U.S. economic recovery strength emerged, raising concerns about a double-dip recession and Greece was expected to receive new financial aids from International Organizations.

The U.S. unemployment climbed to 9.1 percent in May from 9 percent, according to report from Labor Department. The momentum for the economy to add more jobs also weakened, as the nation's economy added only 54,000 jobs in May, the fewest in eight months and the figure was far less than the 125,000 expected by economists.

The manufacturing sector, which was the major driving force for U.S. economic recovery since last recession, also showed weakness. The Institute for Supply Management's manufacturing gauge dropped to 53.5 percent in May from 60.4 percent in April, marking the lowest level in 13 months. The monthly drop was never seen since 1984.

Meanwhile, the U.S. housing markets, which haven't shown any good sign since last recession, even dipped further. The S&P/Case-Shiller Home Price, which is regarded as the leading measure of U.S. Home prices, showed that the U.S. National Home Price Index declined by 4.2 percent to 125.41 in the first quarter of 2011, following a 3.6 percent drop in the fourth quarter of 2010.

The sluggish economic data raised concerns about economic prospects as investors worried that the U.S. economy might fell into a double-dip recession. The equity markets were hurt badly on Wednesday as three major stock indexes in New York markets tumbled more than 2 percent, biggest one-day drop since last December.

The rating agency Moody's on Thursday said that the risk of short-lived default is mounting if the United States does not raise its debt ceiling in coming month and warned to downgrade the U.S. Aaa sovereign ratings.

The risk-aversion appetite emerged in the markets and pushed up the price of treasury bonds. The 10-year Treasury bond's yields dipped to below 3 percent, first time this year, providing another evidence of the markets' rising fear.

The dollar, which is regarded as safe-haven investments when volatility increased in the markets, however, was down this week as the dollar index lost 2.4 percent this week.

Greece saw hope to resolve its deepening debt crisis as international agencies agreed on Friday to give out another financial aid. According to a joint statement, the next round of bailout funds for Greece from the International Monetary Fund, European Central Bank and European Commission may be available in early July.

Greece has also made commitments to accelerate a privatization program to raise about 50 billion euro, or 72 billion dollars by 2015, after it agreed on Thursday to cut its 2011 budget deficit by 6.4 billion euros.

The euro surged more than 1 percent by the hope of Greece debt problems on percent. The shared currency gained 2.1 percent against the dollar this week.

The dollar also lost ground against other currencies this week. It lost 1.1 percent against the Swiss franc and shed nearly 1 percent against the Japanese yen.

[http://news.xinhuanet.com/english2010/business/2011-06/04/c\\_13910605.htm](http://news.xinhuanet.com/english2010/business/2011-06/04/c_13910605.htm)

### ***Wal-Mart to buyback 15 billion USD shares***

June 03, 2011

WASHINGTON -- Wal-Mart Stores Inc, the world's largest retailer, plans to repurchase 15 billion U.S. dollars of its shares, the company announced Friday at its 41st annual meeting of shareholders.

The buyback replaces the previous 15 billion U.S. dollars share repurchase program, announced on June 4, 2010. Through June 2, under the 2010 program, Walmart had spent more than 12.9 billion U. S. dollars to buyback more than 244 million shares, the company said in a statement.

"Our purchase of almost 13 billion U.S. dollars of Walmart stock since last June is indicative of our strong free cash flow position," said Charles Holley, Walmart executive vice president and chief financial officer. "We are pleased to continue our share repurchase program with this new 15 billion U.S. dollars authorization."

In addition to share repurchase, the company continues to return value to shareholders through dividends. Walmart increased the current fiscal year dividend per share by approximately 21 percent to 1.46 U.S. dollars, from 1.21 U.S. dollars in fiscal 2011. Moreover, during the first quarter of this year, the company distributed 1.3 billion U.S. dollars in dividends.

Analysts said that share repurchases had boosted the founding Watlton family's ownership to about 48 percent as of March from 38 percent in March 2003. The new buyback program may help the family to gain a majority of the shares by the end of next year.

[http://news.xinhuanet.com/english2010/business/2011-06/04/c\\_13910250.htm](http://news.xinhuanet.com/english2010/business/2011-06/04/c_13910250.htm)

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### ***Chinese banks prepared for possible bad loan rises***

June 03, 2011

BEIJING -- Banks in China are under pressure to control the quality of their assets, but their bad loan risks might be overstated as banking regulator has introduced stricter requirement to prepare for such, Chinese experts have said.

Chinese banks may see their asset quality fall at some time in the future if the country's monetary tightening policies and liquidity squeezes continue, said Guo Tianyong, director of the Banking Industry Research Center with the Central University of Finance and Economics.

"But their non-performing loan (NPL) ratios will by no means rise to 10 percent," Guo said, rejecting warnings by U.S. credit rating agency Standard & Poor's (S&P) of outlook for Chinese lenders last week.

S&P said they expect cumulative NPLs in China's banking sector to account for 5 to 10 percent of the sector's total loans over the next three years.

S&P are predicting a difficult scenario in which lending rates go up significantly and government support to project the sector's loans turns out to be negligible.

"Their statements are too sensational," Guo said, citing data and precautionary measures by China's banking regulator as reason.

According to the China Banking Regulatory Commission (CBRC), the outstanding NPLs of Chinese commercial banks dipped by 300 million yuan (about 46 million U.S. dollars) from the fourth quarter of last year to hit 433.3 billion yuan by the end of March this year.

The average NPL ratio for Chinese banks stood at 1.1 percent in the first quarter, almost unchanged from last year, according to quarterly bank reports.

"We are aware of the reports about China's banking sector by some foreign rating agencies, but we think some of the remarks were purposely made to tarnish the image of China's banks," said a source close to China's banking regulator, who requested anonymity.

Last month, the CBRC announced stricter regulations for commercial banks in order to help the financial institutions decrease their financial risks.

The CBRC set the minimum capital adequacy ratio (CAR) for banks of systematic significance at 11.5 percent, while the CAR for banks of non-systematic significance was set at 10.5 percent. China's banking regulator has repeatedly raised the minimum CAR to slow loan growth and rein in credit risk after 17 trillion yuan in new loans were extended over the past two years as part of the Chinese government's crisis-combating stimulus package.

Before the global financial crisis occurred, the minimum CAR for banks in China was 8 percent. Liu Mingkang, chairman of CBRC, said last December that the regulatory authority expected that Chinese banks' NPL ratios would climb slightly in the future, taking into account factors such as local government-backed financing vehicles (LGFVs), the property market and the restructuring of China's economy.

"An NPL ratio of 2 percent is acceptable and reasonable for a swiftly developing country like China," Liu said.

To deal with possible rises in NPLs amid excess lending, CBRC have raised provision ratios for outstanding loans in the past years.

The average provision ratio for China's major commercial banks was only 6.9 percent in 2002. The ratio expanded to 41.2 percent in 2007, 115.3 percent in 2008 and 230 percent in the first quarter of this year.

Even if NPLs rise rapidly in the future, they will still be manageable for Chinese banks with such a high provision ratio, said the Anbound Group, a Beijing-based consulting company.

The rapid pace of bank lending, as well as excessive liquidity, pushed up asset prices and drove inflation up to 5.3 percent by April this year, prompting the Chinese government to adopt a series of measures to curb price hikes.

China's central bank has raised interest rates four times this year, with rates rising from 2.5 percent last October to their current level of 3.25 percent for one-year deposits.

The Chinese government has also imposed harsh restrictions on the property market, where most bank loans have ended up over the last two years.

Major changes in Chinese banks' NPLs may have come from the country's large number of LGFVs, according to the Anbound Group.

By the end of 2010, China had more than 10,000 LGFVs. Seventy percent of them were supported by county-level governments, which usually have weak solvency due to low revenues, according to a report released by China's central bank, the People's Bank of China (PBOC), on Wednesday.

Loans granted by LGFVs accounted for less than 30 percent of the banking sector's lending, the PBOC said in the report, without giving specific number.

As the outstanding yuan-denominated loans totaled 45 trillion yuan at the end of last year, the LGFVs might have granted loans up to 13.5 trillion yuan.

[http://news.xinhuanet.com/english2010/china/2011-06/03/c\\_13909698.htm](http://news.xinhuanet.com/english2010/china/2011-06/03/c_13909698.htm)

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## ***INTERNATIONAL TRADE***

### ***Denmark government appoints "export ambassador" to China to boost trade***

May 29, 2011

COPENHAGEN -- Denmark's liberal-conservative government has appointed a former Danish EU commissioner as the country's so-called "export ambassador" to China, local media reported Sunday.

The new role is expected to boost Denmark's trade ties with China.

According to Denmark's Berlingske Tidende newspaper, Danish Prime Minister Lars Løkke Rasmussen named Ritt Bjerregaard, a former EU commissioner, who also previously served as a minister for Denmark's Social Democratic Party, to the post.

"Ritt Bjerregaard is an extremely experienced and international politician," Rasmussen told Berlingske, of the commissioner who also served as Mayor of the Danish capital Copenhagen.

"This is particularly true with regard to her experience as EU commissioner, but also in relation to her work as Mayor, which strengthened Copenhagen's international cooperative relationships." Bjerregaard's main task will be to create opportunities for Danish businesses in China by heading Danish trade delegations there, and building partnerships between businesses in the two countries, Berlingske said.

[http://news.xinhuanet.com/english2010/china/2011-05/29/c\\_13900092.htm](http://news.xinhuanet.com/english2010/china/2011-05/29/c_13900092.htm)

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### ***Russian Central Bank chairman sees grain exports as only risk of inflation***

May 30, 2011

MOSCOW -- The upcoming resumption of Russian grain exports is the only serious factor which might fuel higher consumer price inflation in the country, Central Bank Chairman Sergei Ignatyev said on Monday.

"This is the only serious, significant risk factor," Ignatyev said, adding that the resumption of grain exports would bring an immediate impact on domestic grain and food prices.

Local analysts also expressed their concerns over the resumption, saying the lifting of grain exports ban may sharply drive food prices upward in the coming days.

On Saturday, Prime Minister Vladimir Putin announced that Russia will lift from July 1 its grain export ban which was imposed last year in the wake of a severe drought, saying the lifting of the export ban is one of the measures to tap the potential of Russian agricultural producers.

Earlier on Monday, the Central Bank also raised from Tuesday its deposit rates by 0.25 percent points due to persistently high inflationary expectations and risks for sustainable economic growth.

According to the Central Bank, Russia's inflation in April and May was higher than that in the first half of last year.

The inflationary pressure remained high, the Central Bank said.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13901653.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13901653.htm)

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***Australian agriculture minister bans live exports to Indonesia for inhumane animal treatment***

May 31, 2011

CANBERRA -- Australian Federal Agriculture Minister Joe Ludwig on Tuesday announced the suspension of live exports to eleven abattoirs in Indonesia, pending an investigation into their treatment of Australian cattle.

Australia's livestock industry, LiveCorp, on Friday was handed the video footage filmed by animal activists, which showed the beasts being mistreated in a number of Indonesian abattoirs.

The footage was released by ABC News on Monday night, which showed animals kicked, thrashed and beaten, their throats hacked at, eyes gouged and tails broken.

Minister Ludwig said he was shocked by the footage.

He said it was clear that livestock industry reforms to animal welfare standards had not gone far enough or been fast enough, and much more needed to be done.

The Greens and two independents threw support to the move, calling for an immediate ban on live animal exports to Indonesia.

The federal Coalition has also offered bipartisan support for a review of the live cattle export industry.

LiveCorp was handed the footage last week, and in response to the incident, it has announced a suspension of trade to three of the worst abattoirs, while sending training experts to a fourth abattoir in Indonesia.

[http://news.xinhuanet.com/english2010/business/2011-05/31/c\\_13903137.htm](http://news.xinhuanet.com/english2010/business/2011-05/31/c_13903137.htm)

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***British SMEs eye China market***

June 01, 2011

LONDON -- British companies met at a specially targeted forum in London Wednesday to consider how small and medium-sized enterprises can find export success in China.

Minister for Trade & Investment (UKTI), Lord Green, said at the SME CEO Forum: "China's staggering pace of growth is creating a wealth of opportunities for UK firms. From high-value infrastructure projects to the growth in demand for low carbon goods and services, UK firms, especially small and medium-sized enterprises (SMEs), are well placed to provide cutting edge expertise."

"Over 99 percent of the UK's 4.8 million businesses are SMEs, yet at present, only 20 percent are exporters. We believe there is scope to increase that figure considerably and that is why UKTI is committed to supporting SMEs in key markets such as China," he added.

Sir David Brewer, Chairman of China-Britain Business Council, said: "99 percent of British companies are SMEs and in China 99 percent of companies in the private sector are SMEs too. The opportunities for commercial partnerships between Britain and China are immense."

The forum also held a panel discussion on Britain SME commercial engagement, the implications of China's 12th Five-Year Plan and the support that UKTI can provide to companies who want to expand their business in China.

[http://news.xinhuanet.com/english2010/business/2011-06/02/c\\_13906287.htm](http://news.xinhuanet.com/english2010/business/2011-06/02/c_13906287.htm)

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## **WORLD ECONOMIES**

### ***Austria determined to stay in Euro zone***

May 30, 2011

VIENNA, (Xinhua) -- Austrian leaders Monday reaffirmed the central European nation's determination to stay in the Euro zone, citing "undisputed" benefits from the single currency of the European Union.

Chancellor Werner Faymann said it was undisputed that the euro has been very supportive to Austria.

"We have every reason to say that we have benefited from the Euro zone," he told a news conference after a government meeting.

Vice Chancellor Michael Spindelegger said the EU's single currency only encountered problems in a few countries and its role should not be doubted.

Describing the euro as "the most stable currency of the world," National Bank Governor Ewald Nowotny said for a small country like Austria, it is particularly important to be part of a large currency union, and Austria is one of the biggest winners of the common currency.

Bernard Felderer, a well-known Austrian financial analyst, said that Austria has always benefited from the internationalization and exit from the Euro zone would be a disaster for the country.

[http://news.xinhuanet.com/english2010/world/2011-05/31/c\\_13903056.htm](http://news.xinhuanet.com/english2010/world/2011-05/31/c_13903056.htm)

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### ***Brazil's inflation rate to drop sharply in next months: Central Bank***

May 30, 2011

RIO DE JANEIRO -- Brazil's Central Bank said Monday the country's inflation rate will fall sharply in the next few months.

"We will have (month-over-month inflation) rates nearly close to zero in the next two or three months," the bank's Monetary Policy Director Aldo Mendes said.

The decline in the inflation rate can be attributed to such factors as the decrease in food prices, Mendes said. He observed that the projection for the 2011 inflation rate has fallen in the past weeks and now stands at 6.23 percent.

The projection reached 6.51 percent earlier in May, which surpassed the inflation target limit. For 2011, the government set an inflation target of 4.5 percent with two percentage points fluctuation.

Mendes also said recent measures like increasing the Selic rate, the annual benchmark interest rate of Brazil, to halt the rise of the inflation rate have been taking effect. The Selic rate is now at 12 percent, having been raised three times this year.

"We also have the so-called macroprudential measures, such as adjusting the credit levels, banks' reserve requirements, and families' indebtedness levels," he said.

[http://news.xinhuanet.com/english2010/business/2011-05/31/c\\_13903066.htm](http://news.xinhuanet.com/english2010/business/2011-05/31/c_13903066.htm)

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### ***Bangladesh borrows loan from WB for migrant workers' welfare***

May 30, 2011

DHAKA -- The Bangladeshi government Monday signed a 40 million U.S. dollars credit agreement with the World Bank for a project for repatriation and livelihood restoration of the country's migrant workers, the Washington-based lender said.

M. Musharraf Hossain Bhuiyan, Secretary, Economic Relations Division, and Ellen Goldstein, World Bank Country Director for Bangladesh, signed the agreement on behalf of their respective sides here in capital Dhaka Monday.

According to a World Bank's news release issued here, the recent crisis in Libya poses a significant shock to the income of Bangladeshi migrants and their families.

Of the estimated 70,000 to 80,000 Bangladeshis working in Libya, it said more than 35,000 have returned home since the outbreak of the crisis.

"Migrant labors are a source of great economic resilience for Bangladesh," said Bangladesh's Minister for Expatriate's Welfare and Overseas Employment Khandker Mosharraf Hossain. "In their time of need, it is the government's duty to come to their aid in order to bring them home and provide them with resources to reestablish themselves."

According to the news release, the World Bank financing will retroactively cover the cost of transport for 10,000 returnees brought to Bangladesh with support from the International Migration Organization (IOM).

Under the project, it said the government will also provide a one-time cash grant of around 50,000 taka (714.29 U.S. dollars) to 35,000 eligible Bangladeshi migrant workers following their return.

The World Bank financing will add to the Bangladeshi government financing of 4.6 million U.S. dollars, as well as nearly 30 million U.S. dollars in grant funding from donor organizations raised through IOM's global appeal, it added.

[http://news.xinhuanet.com/english2010/business/2011-05/30/c\\_13901733.htm](http://news.xinhuanet.com/english2010/business/2011-05/30/c_13901733.htm)

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### ***OECD annual inflation rises to 2.9% in April***

May 31, 2011

PARIS -- Buoyed by higher energy and food prices, consumer prices in the OECD area rose by 2.9 percent in April, continuing the uptrend from the 2.7-percent rate in March, the Paris-based Organization for Economic Cooperation and Development said Tuesday.

The inflation rate, the highest since October 2008, was driven by an acceleration in energy prices which grew by 13.8 percent in April, compared with 12.4 percent in March. Food prices rose by 3.1 percent in April, slower from 3.2 percent increase in March, according to the OECD's latest report.

Excluding food and energy, consumer prices rose by 1.6 percent in April from a year earlier. The fast growth also ranked the highest rate since January 2010.

Except Canada, which saw stable inflation rate in April, all other six major developed countries recorded accelerated increase in consumer prices.

Britain and the United States had the most strongly accelerated inflation respectively of 4.5 percent and 3.2 percent in April, while Germany registered 2.4 percent increase, Italy 2.6 percent, France 2.1 percent and Japan 0.3 percent.

Euro area annual inflation rose to 2.8 percent in April up from 2.7 percent in March.

For major non-OECD economies, the picture is mixed. Leading by Russia, whose consumer prices rose by 9.6 percent up from 9.4 percent in March, Brazil's and South Africa's inflation both quickened, with rates respectively at 6.5 percent and 4.2 percent.

Indonesia and China belonged to those countries showing falls in the inflation rate compared to that in March.

[http://news.xinhuanet.com/english2010/business/2011-05/31/c\\_13903737.htm](http://news.xinhuanet.com/english2010/business/2011-05/31/c_13903737.htm)

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### ***Euro zone unemployment remains high at 9.9% in April***

May 31, 2011

BRUSSELS -- The unemployment rate in the euro zone remained high at 9.9 percent in April, unchanged compared with March, the European Union's (EU) statistical bureau Eurostat said on Tuesday.

It was down from 10.2 percent registered one year ago, a sign that the Euro zone labor market was getting better when the economy is recovering, but the pace has been too slow.

For the 27-nation EU, the jobless rate dropped slightly to 9.4 percent after it stayed at 9.5 percent for four consecutive months. It was 9.7 percent a year ago.

Eurostat estimated that 22.547 million men and women in the EU, of whom 15.529 million were in the euro zone, were unemployed in April.

Compared with March, the number of persons unemployed fell by 165 thousand in the EU and by 115 thousand in the euro zone. Compared with April 2010, unemployment decreased by 702 thousand in the EU and by 457 thousand in the euro zone.

Among the member states, the lowest jobless rate was recorded in the Netherlands and Austria, which was 4.2 percent. The highest rate was seen in Spain, which was 20.7 percent in April.

The unemployment situation in Europe was still worse than that in the United States and Japan. In April, the unemployment rate was 9.0 percent in the U.S., while in March, it was 4.6 percent in Japan.

[http://news.xinhuanet.com/english2010/business/2011-06/01/c\\_13904265.htm](http://news.xinhuanet.com/english2010/business/2011-06/01/c_13904265.htm)

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### ***Indian economy grows 7.8% in Q1***

May 31, 2011

MUMBAI -- Indian economy expanded 7.8 percent in the first quarter of 2011 from a year earlier, lower than market expectation of 8.2 percent, according to India's Central Statistics Office on Tuesday.

This marks the slowest quarterly growth since the first quarter of 2010 and confirms the slowdown of Indian economy with monetary tightening.

Meanwhile, India's GDP increased by 8.5 percent in the fiscal year 2010-2011 ending March 31, slightly lower than previous estimate of 8.6 percent.

The slower growth mainly resulted from poor performance of mining and quarrying, manufacturing and some service sectors.

Agriculture sector realized a 6.6 percent growth in last fiscal year as against earlier estimate of 5.4 percent and the tepid growth of 0.4 percent in previous fiscal year.

The manufacturing sector grew 8.3 percent in fiscal year 2010- 2011 compared with 8.8 percent rise a year earlier, and the growth of mining and quarrying sector slowed to 5.8 percent from 6.9 percent in the previous fiscal year.

The growth with community, social and personal services stood at 7 percent in 2010-2011 from 11.8 percent in the previous fiscal year.

Still, the construction sector maintained 17.6 percent of growth in the first quarter of 2011, which is in line with that of previous four quarters.

Indian per capita net national income in real terms climbed to 796.4 U.S. dollars in 2010-2011, 6.5 percent higher than the previous fiscal year.

Indian economy is expected to grow 8 percent in the current fiscal year much lower than earlier official estimate of between 8.75 and 9.25 percent, according to a report by Indian central bank in early May.

Amid high international commodity prices and continued monetary tightening, Indian government has informally adjusted down its GDP growth to around 8.5 percent in fiscal year 2011-2012.

Indian Prime Minister Manmohan Singh recently expressed his confidence that the national economy will expand 8.5 percent in the current fiscal year banking on normal monsoon.

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### ***Indonesia optimistic to surpass neighboring countries' growth in 2012: minister***

May 31, 2011

JAKARTA -- Indonesia is optimistic to surpass neighboring countries' economic growth in 2012 with growth of 6.5- 6.9 percent, a minister said here on Tuesday.

Finance Minister Agus Martowardojo told a parliamentary plenary session that the expected growth would surpass Malaysia (5.2 percent), Thailand (4.5 percent), the Philippines (5.0 percent) and Singapore (4.4 percent).

"In order to support such high growth, the government has prepared expansive fiscal policy in 2012. Policy on budget allocation is aimed to support a qualified economic growth, to create jobs and to reduce poverty," he said.

According to Martowardojo, the policy was reflected in budget allocation increase to develop infrastructures, sustainable various programs to alleviate poverty and subsidy for agriculture.

He admitted that Indonesia would face big challenges to achieve the economic growth in 2012.

"Projection of the world's trade volume in 2012 to 6.9 percent from 7.4 percent in the previous year and impact of crisis in Europe should be alerted," he said.

However, Martowardojo said that the external influence faced by Indonesia is smaller than other ASEAN countries such as Singapore and Malaysia.

He said the government has expected sources of the economic growth at a high level.

"Consumption of people and the government is expected to reach 4.8-5.2 percent and 6.0-6.4 percent, respectively," he said.

Investment was expected to grow 10.0-10.4 percent while export and import were expected to reach 14.9-15.3 percent and 18.0-18.4 percent, respectively, said the minister.

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***Indonesia's inflation eases, decreasing pressure to rate hike***

June 01, 2011

JAKARTA -- Indonesia's annual inflation in May grew at a slower pace for the fourth straight month, allowing the central bank to refrain from raising interest rate as it relies much on rupiah appreciation to curb imported inflation.

The statistic agency announced on its website that that the annual inflation reached 5.98 percent after gaining 6.16 percent in April. On month, inflation reached 0.12 percent after a 0.32-percent-deflation in April, the agency said.

The central bank authorities are to meet on June 9. The bank has kept the basic rate at 6.75 percent for the third consecutive months in May as an effort to boost economic growth. The bank rose the rate by 25 basis points on Feb. 4.

"The central bank may still keep interest rate on hold at its meeting this month, and we expect that the bank will start to raise rate next month by 25 basis points," analyst from CIMB Niaga Bank Andry Asmoro told Xinhua by phone on Wednesday.

The increase of jewelry prices (gold) has contributed to the inflation rise, he said. The seasonal factor of back to school in July may raise inflation, Asmoro said.

The statistic agency said that core inflation rose to 4.64 percent in May from 4.62 percent in April.

Indonesian President Susilo Bambang Yudhoyono has targeted an annual economic growth average of 6.6 percent by the reminding of his term at 2014 through infrastructure development.

The central bank has said that the inflation may be less than 5.5 percent this year should the government delay the removal of oil subsidy cut.

[http://news.xinhuanet.com/english2010/business/2011-06/01/c\\_13905334.htm](http://news.xinhuanet.com/english2010/business/2011-06/01/c_13905334.htm)

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***Belarus asks for loan of up to 8 billion U.S. dollars from IMF***

June 01, 2011

MINSK -- Belarus has asked the International Monetary Fund for a loan of up to 8 billion U.S. dollars to stabilize its economy, the government said Wednesday.

Belarus, struggling to manage the country's most severe financial crisis, asked to restart a stand-by IMF loan program that could give low-interest credits.

Prime Minister Mikhail Myasnikov said the country is counting on striking a low-interest loan deal of anywhere between 3.5 billion and 8 billion U.S. dollars.

The IMF, which issued Belarus loans amounting to 3.5 billion U.S. dollars in 2009-2010 to help it overcome the impact of the global financial crisis, is studying the country finances and is expected to produce a report in mid-June.

Belarus has been hit by a dire cash shortage that was sparked by a jump in the price for Russian energy as well as massive state spending ahead of presidential elections last year.

Last week the Belarus National Bank cut almost in half the value of the Belarusian ruble against the dollar, causing panic across the country.

[http://news.xinhuanet.com/english2010/business/2011-06/01/c\\_13906164.htm](http://news.xinhuanet.com/english2010/business/2011-06/01/c_13906164.htm)

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### ***Australia's GDP suffers biggest quarterly fall since 1991***

June 01, 2011

CANBERRA -- Australian economy suffered its biggest quarterly contraction since the recession of the early 1990s, largely due to natural disasters that has disrupted exports, figures for the March quarter showed on Wednesday.

The Australian Bureau of Statistics (ABS) on Wednesday released the figures showing that national gross domestic product (GDP) fell a steep 1.2 percent in the March quarter, largely as a result of the flood impact on Queensland coal exports.

The last time GDP contraction was in the December quarter of 2008, at the height of the global financial crisis.

It is the worst result since the March quarter of 1991, when the economy shrank 1.3 percent.

The retreat, caused by floods in Queensland and cyclones that hurt exports in key industries such as coal mining, has slowed the annual growth to just 1.0 percent, compared to 2.7 percent in the previous year.

ABS said flooding over summer had a significant impact on the result, and it is reflected in a 6.1 percent fall in the mining sector, which was the biggest industry detractor from the economy in the March quarter, taking 0.6 percentage points off economic growth.

Manufacturing fell 2.4 percent and Agriculture was down 8.9 percent, both of which detracted 0.2 percentage points from GDP.

"Flooding which began in late December 2010 combined with cyclones in both Queensland and Western Australian have had a significant impact on the March quarter activity," the Australian Bureau of Statistics said in its report released on Wednesday.

"Despite the fall in GDP volume there was an increase of 0.3 percent in real gross national income driven by an increase of 5.8 percent in the terms of trade on the back of stronger commodity prices."

Forecasts for the March quarter ranged between a fall of 0.2 percent and a slump of 2 percent in a survey of 25 financial institution economists by Bloomberg.

The median forecast centered on a steep fall in GDP of 1.1 percent, putting it close to the actual result.

The Australian dollar jumped around half-a-cent on the data, from 106.72 to 107.18 U.S. cents, as some of the worst analyst predictions of falls between 1.5 to two percent did not come to pass.

[http://news.xinhuanet.com/english2010/business/2011-06/01/c\\_13905087.htm](http://news.xinhuanet.com/english2010/business/2011-06/01/c_13905087.htm)

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### ***Australia's flood-hit economy not drowning, waiting***

June 02, 2011

SYDNEY -- Australia's worse than expected GDP result that has all but concealed a dive in national productivity may hit the federal budget but not the broader economic outlook.

Australia's gross domestic product fell sharply in the first three months of the year after floods and cyclones tore the heart out of exports, services and productivity. In figures released Thursday, Australia's first-quarter GDP dropped by 1.2 percent, while real GDP growth reduced by 1.7 percentage points.

The result surprised both analysts and Federal Treasurer Wayne Swan who last night put on a brave face to the ABC, saying "The impact of the floods in Queensland, Cyclone Yasi.. it meant that our economy took a very big hit in the March quarter and we were upfront about that at the time ...It is very significant."

The 1.7 percent detraction represents Australia's worst result since the dark days of Paul Keating's infamous "Recession we had to have" in 1991.

A summer of storms has been a hammer blow to the mining and agriculture sectors knocking an estimated 12.78 billion U.S. dollars out of the economy.

With a tight budget delivered earlier this month, the Gillard- Swan Government is now out of pocket to the tune of several billion dollars, casting serious doubt over the promises made therein and the expected recovery in national revenue.

However, while economic growth is certain to recover on the back of encouraging terms of trade and rising incomes within a two- speed economy, the pressures on interest rates remain significant.

Productivity has suffered to be down almost 2 percent on a year on year basis to mark the weakest output result for six years. Even more marked was the dent on Australia's export volumes, which fell 8.7 percent, the largest quarterly fall in 37 years.

A combination of results roundly ignored by the market which rallied in the face of both GDP and productivity figures to gain ground enough to place the pressure squarely back on the Reserve Bank of Australia (RBA) which is now expected to squeeze another rate rise in over the coming months.

Roland Randall, Senior Strategist with TD Securities says the rate hikes are coming but not next week.

"With productivity declining and costs rising, with fulsome wages growth and nominal unit labour costs are all important to the RBA decision, but rising wages are not being passed through to CPI (Consumer Price Index) as sellers have no pricing power because consumers continue to save and not spend. This buys the RBA time and may limit the amount of hiking they need to do. Unless of course the consumer comes roaring back and prices accelerate. Then the RBA will need to hike by more (say 100bps instead of just 50bps more).

The RBA will consider these GDP numbers as indicative of bad weather and not much else - the underlying economic momentum is still there

All eyes will now be on the June 7, when the RBA board next meets to consider its next move.

Australia's figures remain mixed, highlighting the chasm between the resources sector and the rest of the economy. The April monthly trade balance is expected to hit over 2 billion U.S. dollars after coal exports and bullish commodity prices rose, while the 22,000 record fall in employment and the deflation of consumer confidence in May represents a 2.5 percent drop from just a month earlier.

This inconsistency is likely to be met by a strong rebound in the June quarter as the economic impacts of the disasters ease and reconstruction in Cyclone and flood hit states such as Queensland and Victoria moves into play.

Swan said that the impact of the summer floods accounted for the deficit in coal and iron-ore exports, the slump in agricultural production and the weakness in the tourism sector which has been unable to woo domestic and international visitors despite an array of marketing concepts.

"Something like 90 percent of Queensland was flood-affected, and 85 percent of Queensland's 57 coal mines suffered production in the early part of the year and of course there were major disruptions to rail lines and ports throughout the state," Mr Swan said, arguing the case that it was business as usual for the resource rich and investment fertile Australian economy.

The Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES) estimated a total resource investment pipeline of over 432 billion U.S. dollars.

"So despite the magnitude of the disasters that we saw in the March quarter, they have not altered the strong underlying fundamentals of the Australian economy. I think what we've demonstrated, yet again, just how resilient our economy is. We've demonstrated how resilient it was during the global financial crisis.. and we came out of that the envy of the world and, of course, we saw the same resilience during the floods," Swan said.

Don't forget that economically, by the time we get it, GDP figures are very old news. The RBA remains focused on the once in a century terms of trade boom and the positive shock to national income that is being delivered to this country; currently reflected in the accelerating rates of business investment. Eventually that should flow through the broader economy."

[http://news.xinhuanet.com/english2010/business/2011-06/02/c\\_13908202.htm](http://news.xinhuanet.com/english2010/business/2011-06/02/c_13908202.htm)

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### ***Brazil aims to cut extreme poor by 16.2 million by 2014***

June 02, 2011

BRASILIA -- Brazil aims at lifting 16.2 million more people out of extreme poverty by 2014 through a new project launched by President Dilma Rousseff on Thursday.

Dubbed as "Brazil Without Poverty," the program tends to benefit 8.5 percent of the population, with an annual budget of 20 billion reais (12.6 billion U.S. dollars) funded by the Federal Treasury.

"The plan has the effect of screaming to us all that poverty still exists in Brazil. As leaders, we can't forget them for a single minute," said Rousseff, who describes poverty reduction as "a primary government responsibility."

By Brazilian standards, extreme poverty means monthly earning of 70 reais (44 U.S. dollars) per capita or less. In recent years, this South American country has lifted 28 million people from poverty, and 36 million have entered the middle class.

[http://news.xinhuanet.com/english2010/business/2011-06/03/c\\_13909314.htm](http://news.xinhuanet.com/english2010/business/2011-06/03/c_13909314.htm)

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### ***Geithner says confident to stave off debt crisis***

June 02, 2011

WASHINGTON -- U.S. Treasury Secretary Timothy Geithner said on Thursday he is confident that the United States can avert a debt crisis in the near future. Geithner said Thursday after a meeting with freshmen Republicans in the House that a default crisis will be avoided, as Congress and the White House can reach a deal on long-term fiscal plans this summer.

The U.S. Treasury Department stressed on Wednesday that the nation has hit the 14.29-trillion-U.S.-dollar legal ceiling on borrowings and was starting to take extraordinary measures to buy some time until Aug. 2 for Democrats and Republicans to ink a deal and ward off a default on U.S. debt.

Geithner has repeatedly urged Congress to avoid the catastrophic economic and market consequences of a default crisis by raising the statutory debt limit in a timely manner to avoid first-ever federal government default on its obligations.

Moody's Investors Service warned on Thursday that it expected to put the U.S. government's rating on review for possible downgrade if there is no progress on increasing the statutory debt limit in coming weeks.

[http://news.xinhuanet.com/english2010/business/2011-06/03/c\\_13908487.htm](http://news.xinhuanet.com/english2010/business/2011-06/03/c_13908487.htm)

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### ***Linking debt limit to spending cuts critical to U.S. economy: expert***

June 02, 2011

WASHINGTON -- The argument of linking the debt ceiling to spending reductions is essential to a credible return to sound fiscal policy in the United States, John Taylor, a Stanford University professor, said Thursday.

"Such a link is good economics in theory and in practice," Taylor said in an article carried in Thursday's Wall Street Journal, adding that the practice is conducive to ending the ongoing debt explosion.

A statement released earlier this week that Taylor signed with 150 other economists, including former Treasury Secretary George Shultz and Nobel Prize winner Robert Mundell, noted that "increasing the debt ceiling without significant spending cuts and budget reforms...will bring further harm to private-sector job growth in America".

The House on Tuesday failed to pass a bill to raise the borrowing cap without making cuts in government spending, a showdown from House Republicans to press the administration to cut spending.

The U.S. Treasury Department stressed on Wednesday that the nation has hit the 14.29 trillion U.S. dollars legal ceiling on borrowings and was starting to take extraordinary measures to buy some time until Aug. 2 for Democrats and Republicans to ink a deal and stave off a default on U.S. debt.

The economist, who has proposed the widely known Taylor Rule, argued that with the U.S. government spending rising to more than 24 percent of gross domestic product (GDP) now from 18.2 percent in 2000, "if Washington does not change the budget game now, people will sensibly reason, it will never change the game".

Top economic officials from the Obama administration recently urged Congress to raise the borrowing cap without any commitment to reduce spending growth, a so called "clean debt limit hike".

"How can today's politicians expect future politicians to adhere to such a policy if they can't do so today?" Taylor noted.

[http://news.xinhuanet.com/english2010/business/2011-06/02/c\\_13908208.htm](http://news.xinhuanet.com/english2010/business/2011-06/02/c_13908208.htm)

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### ***Lackluster U.S. job report stokes economic slowdown fears***

June 03, 2011

WASHINGTON -- Latest official statistics showed that the U.S. unemployment rate inched up for the second consecutive month in May, sparking new fear that the nascent economic recovery has hit another soft patch.

The non-farm sector added merely 54,000 new jobs in May, far short of the 200,000 monthly level that economists believe is robust enough to slash the unemployment rate over the long run, according to a lackluster job report released Friday by the Labor Department.

The unemployment rate rose to 9.1 percent in May from the 9 percent in the previous month, reversing a four-month decline of the widely scrutinized figure.

Addressing workers Friday at a Chrysler plant in Ohio, U.S. President Barack Obama said the economy will pass through some "rough terrain."

Economists hold that the job creation pace is anemic against the backdrop of the pool of 13.9 million unemployed Americans, about double the level prior to the recent international financial crisis and economic recession.

The job creation pace in May was the slowest in eight months, as the nation's private employers added 83,000 jobs and government employment declined by 29,000 amid spending cuts. Meanwhile, retail trade slashed 8,500 jobs and manufacturing sector employment trended down by 5,000.

Construction employment was unchanged in May, as home prices have hit new bottoms across the nation, imperiling the fragile economic recovery with millions of Americans grappling with the falling values of their largest household investments.

Falling home values would damage banks' balance sheets, make families feel poorer and dampen household consumption, while many households are still paying back debt since the start of the recovery, said Sebastian Mallaby, a senior fellow at the Council on Foreign Relations.

Even economic officials from the Obama administration admitted that the unemployment rate is "unacceptably high." Austan Goolsbee, chairman of the Council of Economic Advisers, said that although the private sector has added more than 2.1 million jobs over the past 15 months, faster growth is needed to replace the jobs lost in the downturn.

The world's largest economy lost more than 8.4 million jobs in the recent recession, the worst in decades, while the Obama administration's target of reducing the unemployment rate to less than 8 percent has not been achieved.

Although the nation's economy is on the right track, more efforts should be made to create jobs and stimulate consumers' confidence, U.S. Labor Secretary Hilda Solis said Friday in an interview with U.S. broadcaster CNBC.

As another sign of a still tough job market, breakdown data also showed that the number of the long-term unemployed who have been jobless for at least 27 weeks rose by 361,000 to 6.2 million in May, accounting for 45.1 percent of the total unemployed, not far from its record high of 45.6 percent one year ago.

Experts believed that a set of factors contributed to the agonizingly slow improvement of the job market and the broader economy, while new stimulative measures are needed to shore up the economy.

Some economists hold that a sluggish job market go in tandem with an overall sputtering economic recovery.

The U.S. economy has expanded by a total of 4.9 percent since the recent recession officially ended in June 2009, which is comparatively small.

With many U.S. consumers feeling the pains at the fuel pumps, Mallaby argued that energy price spikes have driven families to cut down on discretionary spending, causing the leisure and hospitality sector to cut jobs after four months of solid expansion.

Solis stressed that the nation needs to foster investment from the smaller firms and stimulate economic growth, cautioning that the improvement path of the U.S. job market will be rocky.

"The U.S. workforce needs the pace of job growth to accelerate dramatically in order to re-establish full employment within any reasonable time frame, but instead, the recovery is on pause," said Heidi Shierholz, an economist with the Washington-based Economic Policy Institute.

"Without additional stimulus, the unemployment rate may rise further," Shierholz added.

[http://news.xinhuanet.com/english2010/indepth/2011-06/04/c\\_13910773.htm](http://news.xinhuanet.com/english2010/indepth/2011-06/04/c_13910773.htm)

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### ***Floods, oil prices push Pakistan growth rate down***

June 03, 2011

ISLAMABAD -- The devastating floods, increase in international oil prices and security situation in Pakistan had been the three main factors that hit the country's economy and subsequently resulted in slowdown in growth rate during the current fiscal year 2010-11 ending on June 30, Pakistani finance minister said Thursday.

Addressing a press conference at the launching ceremony of economic survey, a document released ahead of the annual budget, Abdul Hafeez Shaikh said that despite these challenges, the growth rate stayed positive.

The GDP for year 2010-11 was fixed to grow at 4.5 percent, however due to the devastating floods that hit the economy badly, the growth rate reduced to 2.4 percent, Shaikh told the news conference.

Shaikh said that the exports have witnessed growth of 28 percent by increasing from 18.8 billion U.S. dollars last year to 20.2 billion during July-April (2010-11). He said that the export figures are expected to cross the 24 billion figure this year.

The remittances also witnessed a considerable growth during July-April (2010-11) by growing from 7.3 billion dollars during the same period of last year to 9.1 billion.

He said a major setback to economy was done by the floods of 2010 that affected about 1.6 million families having 20 million members besides causing damages to infrastructure, agriculture and other properties worth 10 billion dollars.

The minister said security situation was also taking toll on economy as business activities in some areas have curtailed while the name of the country is also being defamed abroad that causes decline in investments.

He said that the third major challenges that the economy faced during the outgoing fiscal year was the increase in international oil prices which have also affected the performance of the industrial and manufacturing sector.

The fiscal deficit for the year 2010-11 was expected to remain 4 percent of GDP, however, due to unfavorable circumstance, it grew to 5.1 percent, he said.

He said that the investment to GDP ratio was recorded at 13.4 percent during the year against 15.4 percent last year adding that security and high input rates were the main hurdles in investments.

[http://news.xinhuanet.com/english2010/business/2011-06/03/c\\_13908354.htm](http://news.xinhuanet.com/english2010/business/2011-06/03/c_13908354.htm)

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### ***Pakistan presents new fiscal budget amid protest***

June 04, 2011

ISLAMABAD -- Pakistan on Friday earmarked the budget for the upcoming fiscal year 2011-2012 starting July 1, aimed at narrowing deficit and boosting the economy hurt by floods and militancy.

Pakistani Finance Minister Abdul Hafeez Shaikh presented the budget outlay of 2,504 billion rupees (29.1 billion U.S. dollars) to the parliament, a 14.2 percent increase from the outgoing fiscal year 2010-2011.

For the coming year, the budget targets a fiscal deficit of 4 percent of gross domestic product (GDP). GDP growth is targeted at 4.2 percent and inflation is to be contained at 12 percent.

A total of 495 billion rupees (5.8 billion dollars) is allotted for defence whereas 790 billion rupees (9.2 billion dollars) are set aside for debt repayment.

"The country has constantly been suffering because of the existing security situation but the government was determined to improve the economy and provide security to the people," the finance minister said.

The budget also provides rises of up to 20 percent in government employees' pensions and promises to bring at least 2.3 million new taxpayers into the tax net.

The budget was presented amid strong protest by the opposition lawmakers. The opposition deputies rejected what they called the budget prepared by the International Monetary Fund (IMF) asking for tax reforms in Pakistan.

For taxation, the budget targets to end special exemptions and zero ratings and to reduce the general sales tax to 16 percent from 17 percent.

Earlier the federal cabinet presided over by Prime Minister Yousuf Raza Gilani approved the budget, the fourth of the ruling Pakistan People's Party since 2008.

According to an economic survey released Thursday, the growth in Pakistan's current fiscal year was estimated at 2.5 percent, mainly damaged by 2010 floods causing a loss of 10 billion dollars and affected by the worsening security situation drawing decline in foreign investments.

The capital receipts (net) for 2011-12 have been estimated at 396 billion rupees against the budget estimates of 325 billion rupees in 2010-11 indicating an increase of 11 percent.

The external receipts in 2011-12 are estimated at 414 billion rupees. This shows an increase of 7.1 percent over the budget estimates for 2010-11.

The share of current expenditure in total budgetary outlay for 2011-12 is 83.7 percent as compared to 89 percent in revised estimates for 2010-11.

The size of public sector development program (PSDP) for 2011- 12 is 730 billion rupees, an increase of 58 percent over the revised estimates of 2010-11.

The provincial share in federal revenue receipts is estimated at 1,203 billion rupees during 2011-12 which is 16.4 percent higher than the budget estimates for 2010-11.

[http://news.xinhuanet.com/english2010/world/2011-06/04/c\\_13910507.htm](http://news.xinhuanet.com/english2010/world/2011-06/04/c_13910507.htm)

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