

GLOBAL ECONOMY - 176

BUSINESS AND POLITICS IN THE MUSLIM WORLD

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GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD

China ranks first worldwide in gold transaction

BEIJING -- A total of 604.61 metric tons of spot goods of gold changed hands at the Shanghai Gold Exchange last year, ranking China first in the world in terms of annual gold transaction volume, according to the China Gold Association.

China produced 340.876 metric tons of gold in 2010, remaining as the world's largest gold production country for the fourth consecutive year.

Global demand for gold totaled 2,778.6 metric tons in 2010, including 783.4 metric tons from India, 571.51 metric tons from China and 180.9 metric tons from the United States.

http://news.xinhuanet.com/english2010/china/2011-06/12/c_13924767.htm

Brazil remains undecided who to support for IMF directorship

RIO DE JANEIRO -- Brazilian Finance Minister Guido Mantega said on Monday that Brazil has yet to decide which candidate to support in their bid for directorship of the International Monetary Fund (IMF).

Brazil is evaluating the candidates' proposals and will make the decision "at a right moment," said the minister. "So far, there is no decision. I am discussing with the other ministers so that we can have a collective position," Mantega said. He said the candidates should make commitment to IMF's reform if they want to get support from Brazil.

Brazil believes IMF's structure no longer fits the global economic landscape, and pushes for reforms to win greater decision-making power for emerging countries in the organization.

"In the last few years, the emerging countries have performed better than the developed countries, with more economic growth and fiscal responsibilities," said the minister.

Christine Lagarde from France and Agustin Carstens from Mexico have been shortlisted for the position of IMF's new chief. The final decision will be made by June 30, said sources with the IMF.

http://news.xinhuanet.com/english2010/world/2011-06/14/c_13929105.htm

Lagarde, Carstens shortlisted for top IMF job, Fischer bows out

WASHINGTON -- French Finance Minister Christine Lagarde and Mexican central bank governor Agustín Carstens have been shortlisted for the selection of the new head of the International Monetary Fund (IMF), the fund announced Monday night.

Consistent with its decision adopted on May 20 specifying the selection procedures, and the fund's applicable by-laws, the IMF's executive board said it would consider the two candidates.

Bank of Israel Governor Stanley Fischer, 67, a last-minute nominee and renowned economist, failed to qualify for the position with a maximum age requirement of 65.

"The period for submitting nominations for the position of the next Managing Director closed on Friday, June 10," it said in a statement, suggesting no more candidates would be considered.

"The executive board will meet with the candidates in Washington D.C. and, thereafter, meet to discuss the strengths of the candidates and make a selection," said the statement.

The IMF has set a June 30 deadline to determine the new directorship, which has been held by a European since 1945.

"The objective is to complete the selection process for the next Managing Director by June 30, 2011," according to the statement.

The IMF's top position opened unexpectedly after its ex-chief Dominique Strauss-Kahn stepped down on May 18 after being charged with sexual assault on a hotel maid in New York.

The IMF stressed that the selection of its new leader would take place in an "open, merit-based, and transparent" manner.

Carstens declined to comment on his strength compared with Lagarde in response to questions from Xinhua Monday at an event hosted by the Washington-based Peterson Institute for International Economics.

However, he argued that the next IMF chief being a European would create "conflicts of interest" as European nations are borrowing heavily from the lending organization.

Carstens, a former IMF deputy managing director, said that the process of choosing a new IMF chief should be "transparent, fair and independent of nationality".

The candidates for one of the international financial system's most sought-after positions narrowed to two on Monday night, as Fischer bowed out of the race because of his age.

"The contract of the Managing Director shall be for a term of five years and may be renewed for the same term or for a shorter term at the discretion of the executive board, provided that no person shall be initially appointed to the post of Managing Director after he has reached his sixty-fifth birthday and that no Managing Director shall hold such post beyond his seventieth birthday," according to the IMF by-laws.

Emerging markets should have a bigger voice in the IMF both in its management team and policy making process, Carstens argued on Monday.

As emerging economies have become a much more important component of the world economy nowadays, the IMF chief selection should be open to a wider range of qualified talents around the world including from emerging economies, Michael Mussa, a former IMF chief economist, told Xinhua.

http://news.xinhuanet.com/english2010/world/2011-06/14/c_13927404.htm

IMF chief contender supports bigger role for emerging markets, rebuffs mindset critique

WASHINGTON-- Emerging markets should have a bigger voice in the International Monetary Fund (IMF) both in its management team and policy making process, Agustin Carstens, Mexican central bank governor, said here on Monday.

Although the IMF is perhaps the most effective multi-national global institution, emerging markets should have a bigger role in it, Carstens said at an event hosted by the Washington-based Peterson Institute for International Economics.

The process of choosing a new IMF head at the helm should be "transparent, fair and independent of nationality," Carstens told a gathering of economists, policy makers and reporters.

The IMF has set a June 30 deadline to determine the new directorship, which has been held by a European since 1945.

The former IMF deputy managing director held that the 187- member agency is confronted with four-layer development challenges.

The IMF faces governance challenge, ability to perform appropriate surveillance, ability to effectively support crisis resolution and capacity to induce policy coordination at the global level, said the former Mexican finance minister.

The IMF's top position opened unexpectedly after its ex-chief Dominique Strauss-Kahn stepped down on May 18 after being charged with sexual assault on a hotel maid in New York.

The contest to become the IMF's next leader has heated up, as the Bank of Israel Governor Stanley Fischer has announced he will join the competition to head the Fund, posing a challenge to front- runner French finance minister Christine Lagarde.

Carstens announced last month to join the race for one of the international financial system's most sought-after positions and is endeavoring to garner support from different nations.

The economist who received his doctorate in economics from the University of Chicago noted that he has met with U.S. Treasury Secretary Timothy Geithner earlier in the day, saying that Geithner is "looking forward to an open process".

Secretary Geithner "thinks Governor Carstens has a strong mix of financial talent and political skills, making him an exceptionally capable candidate to head the IMF. Secretary Geithner is pleased that there is such a strong field of candidates for managing director at this critical time for the global economic and financial system," according to a U.S. Treasury statement on Monday.

The United States, the IMF's largest shareholder, has remained uncommitted and not endorsed a particular candidate up to date.

Carstens declined to comment on his strength compared with other contenders, but argued that the next IMF chief being a European would create "conflicts of interest" as European nations are borrowing heavily from the lending organization.

In response to questions from Xinhua, Carstens rebuffed the soundness of the critique that his economic education background from the University of Chicago famous for the "market first, regulation last" tradition might become a mindset barrier for him to head the global organization.

Carstens contended that he was "extremely proud" of being a student at the University of Chicago boasting renowned professors, adding that what a person's education background in university only provides ability for him or her to frame and analyze new economic problems.

It is unrealistic for someone to use what he or she has learned in the university for three years to solve all the problems he or she might face in the next three decades, said Carstens, adding that

on top of the economic training from the university he also accumulated decades of rich policy-making expertise.

"I don't think it is fair to judge somebody" on which university he or she goes to, Carstens said.

"I have the academic credentials and policy making experience and experience in crisis resolution," he argued.

As emerging economies have become a much more important component of the world economy nowadays, the IMF chief selection should be open to a wider range of qualified talents around the world including from emerging economies, Michael Mussa, the former IMF chief economist and Carstens' thesis adviser in the University of Chicago, told Xinhua on the sidelines of the event.

Carstens' capability far exceeds Lagarde as he is a trained economist, and he is more experienced than Fischer as Fischer has not served as a nation's finance minister which is a key position, added Mussa, a senior fellow at the institute.

http://news.xinhuanet.com/english2010/world/2011-06/14/c_13927322.htm

Qatar supports France's Lagarde for IMF top job

DOHA -- Qatar threw its weight behind French Finance Minister Christine Lagarde's bid to head the International Monetary Fund, state news agency (QNA) quoted a senior official at the Ministry of Economy and Finance as saying on Tuesday.

Egypt and the United Arab Emirates have said they supported the candidacy of the French Finance Minister for the post of managing director of the IMF.

During her visit to Egypt on Sunday, Lagarde said she was "confident" of her chances of heading the IMF.

Lagarde's only rival is Mexico's central bank chief Agustin Carstens.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13929373.htm

OECD CLI indicates mild loss of growth momentum in major economies

PARIS -- The Composite leading indicators (CLIs) for April 2011 pointed to a mild loss of growth momentum in most major economies, the Paris-based Organization for Economic Cooperation and Development (OECD) said Tuesday in its regular report.

The indicators showed a stable pace of expansion in Germany and the United Kingdom, clear signs of slowdown in the pace of activity in France and Italy, and a likely moderation of growth towards its long-term trend in Canada.

For Japan, it's still not possible to provide reliable estimates due the impact of the great earthquake and tsunami and the continuing nuclear crisis, while the United States unlike its western peers, recorded continuous expanding relative to trend, albeit more moderately than in last month's assessment, the agency said.

April CILs of the euro zone as a whole pointed to mild loss of growth momentum while the whole OECD area, composed of 34 economies, had indicators showing stable pace of expansion.

For non-OECD members but major emerging countries, the OECD CLIs pointed to a possible moderation in economic activity in China, a slowdown in Brazil and India, and a loss of growth momentum for the first time in Russia since the beginning of 2009.

In addition, the OECD Development Center's Asian Business Cycle Indicators (ABCIs), a quarterly measurement designed to provide relevant economic information on the short-term,

illustrated that in the Association of Southeast Asian Nations (ASEAN) the growth momentum will continue for the following quarter.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13929301.htm

Asia to provide vast opportunities for Australia: treasurer

CANBERRA -- Australian Federal Treasurer Wayne Swan on Tuesday said he believes that Asia's growth will provide a wide range of opportunities for Australia, and not just in mining.

Swan said by 2020, there were expected to be more middle-class consumers in Asia than the rest of the world combined, adding that as they became more affluent, their demand for quality education, high-end products, travel and other services increases.

"There is simply no way we can forecast the vast array of potential goods and services that the future will seek," he told the International CEO Forum in Canberra on Tuesday.

"Our best strength is to build a flexible and open economy that can seize those opportunities when they come (to Australia)."

He said as some sectors struggle with a high Australian dollar, the Asian Century will offer Australia the widest range of possibilities for success and for the benefits of economic progress to be spread to all Australians.

Swan said Australia was in a fortunate position being in the engine room of the global economy, and would attract the foreign capital on which the nation had always relied.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13928857.htm

WEF on East Asia ends with agreement to reach sustainability for global recovery

JAKARTA -- The World Economic Forum on East Asia held in Indonesia's Jakarta ended on Monday with agreement among participants to reach inclusiveness and sustainability for global recovery.

Thai Prime Minister Abhisit Vejjajiva in his closing remarks said that in responding globalism, the world needs to find solutions, meaning that it needs global cooperation and coordination.

"However, we don't have reached yet the institutionalization of the cooperation," he said.

He took an example that G20 did not emerge through a formal agreement but merely as a responsive answer of crisis that the world had faced.

"That's why, we have to find a better balance to reach equality and sustainability," he said.

According to him, East Asia holds an important role to make it happen. Significant economic growth in the region must be translated in a phrase that the region wants to have a bigger role in global affairs.

"Due to our economic strength in the region, we must feel that our voice should be heard," he said.

Pascal Lamy, director general of the World Trade Organization, said that other regions could learn from success story of East Asia.

"When we talk about trade, East Asia could combine progressive market openness, facilitating trade procedures, simplifying visa requirement and making education and prosperity architecture," he said.

He also said that East Asia is hand-in-hand to support countries to enter the WTO. "There is good information sharing," said Lamy.

He said that economic integration could be done with technology progress, series of steps related to trade and paying attention on diversity.

According to Lamy, the way East Asia integrates provides a lesson that multilateral system must be formed in the future.

"In the same time, there are rules behind it to ensure the same level playing field. That's what we in WTO are handling with," he said.

He said the world needs to open trade, discussing non tariff barrier to secure safety and food security.

"But, it doesn't mean that we stop negotiating even though negotiation is hard to be completed as there is a sharp difference between countries related to production and trade barriers that we still can't bridge," said Lamy.

However, East Asia does not lose hope of completing the negotiation by affirming its support for much delayed Doha trade talks.

Indonesia's Trade Minister Mari Elka Pangestu said that the region has benefited the most from open trade and will be seriously hurt by rising protectionism.

Pangestu said that East Asian economies are trying to break the log jam and are ready to be responsible.

"However, it cannot just be East Asia. It also has to involve other major economies, especially those who feel more needs to be on the table. We all have to be willing to come to the table in the first place to come up with solutions," she said.

However, East Asia is committed to the Doha Round even though it may not be completed this year.

Lim Hong-Kiang, Singapore's Minister of Trade and Industry, reaffirmed East Asia's commitment to the negotiations.

"We need to make it work," Lim said.

http://news.xinhuanet.com/english2010/business/2011-06/13/c_13927176.htm

East Asian economies need to do more to meet future challenges

JAKARTA-- Nobody would argue that East Asia economy has been shining so bright for the last few years, but the region still needs to do more, not only to maintain the achievement but also to face challenges in the future.

While developed countries, such as the United States, Japan and those in Europe, have been showing weak performance, emerging and developing countries in East Asia and Latin America have been posting a healthy growth.

Still, challenges remain. Higher food and energy prices as well as climate change that impacts food security are the most urgent issues that the world, particularly East Asia, needs to address.

In developing countries, there are 925 million people threatened by starvation and 600 million of the them are in Asia Pacific.

It means that East Asia must stay alerted to face the challenge because higher food and energy prices mean an increasing number of people are living in poverty.

During the World Economic Forum on East Asia held in Jakarta on June 12-13, officials highlighted challenges that East Asia must address.

Raja M Nag, managing director general of Asian Development Bank, said that Asia has made the most remarkable progress in meeting the Millennium Development Goals (MDGs) but there is an urgent need to achieve all the anti-poverty targets by the 2015 deadline.

"We have four and a half years to go and we have a long way to go," Raja M Nag, managing director general of Asian Development Bank, told a plenary session.

Jeffrey D Sachs, director of the Earth Institute at Columbia University of the United States and special advisor to the UN Secretary General of the MDGs, blamed the crisis facing the traditional Official Development Assistance, with some OECD countries not living up to their commitments.

Indonesian President Susilo Bambang Yudhoyono said that there were several ways to make Asia the continent of the future.

He said, Asia must be part of the solution to address the global imbalances and that the world's economy cannot afford to rely on strong growth in emerging economies alone.

"We need healthy growth globally, including in the developed world. One way or another, we all need to make structural adjustments to correct the global imbalances. Asia, more than any other region, can help achieve a strong, sustainable and balanced world economy. Asia must also lead the way to keep markets and societies open," he said.

"Technology, more than ever, will be the key driver of change in the 21st century. With all the problems of poverty, marginalization, inequity and degradation that are still prevalent throughout Asia, technology may well be the key to resolve them," the president said.

On a smaller scale, Thai Prime Minister Abhisit Vejjajiva said it is imperative for ASEAN to make community building program to go ahead as the bloc has a market of 700 million people and over 2.5 trillion dollars in place.

He also said that ASEAN can build on other aspect of cooperation as well, for example the issue of food security that the bloc is working under the framework of ASEAN with China, South Korea and Japan (ASEAN+3).

"We are also building on multi-lateralization of Chiang Mai Initiative. I think this would make Southeast Asia continue to be relevant and important, and it provides that kind of centrality among the emerging economic powerhouses," he said.

He also urged all countries in Asia and Southeast Asia to remove non-tariff barriers so that all countries could benefit more.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13928705.htm

Emerging markets to redefine global economy by 2025: WB

JAKARTA-- Six major emerging economies of Indonesia, Brazil, China, India, South Korea and Russia will account for more than half of all global growth by 2025, a World Bank's official said here on Wednesday.

Mansoor Dailami, manager of emerging trend at the World Bank, said that these emerging economies will grow on average by 4.7 percent a year between 2011 and 2025.

"On the other hand, advanced economies are forecast to grow by only 2.3 percent over the same period, but will remain prominent in global economy," said Dailami in a seminar here.

He said that the projected changes in the global economy are likely to be positive for developing countries.

"However, a key question is whether existing multilateral norms and institutions can accommodate the passage toward multi polarity, " he said.

He said that in managing global integration, strengthening policy coordination across power centers becomes critical to reducing the risks of economic instability.

Justin Yifu Lin, the World Bank's chief economist and senior vice president for Development Economies, said that with the rapid rise of emerging economies, the centers of economic growth are now spread out across developed and developing countries.

"Emerging multinationals are becoming force in reshaping global industry, so too are South-South investment and foreign direct investment. International financial institutions need to adapt fast to keep up," Lin said in a statement.

Report titled 'Global Development Horizon 2011-Multipolarity: the New Global Economy' released by the World Bank on May 17 said that with a growing middle class in developing countries, consumption trends are likely to strengthen and eventually become a source of sustained global growth.

http://news.xinhuanet.com/english2010/business/2011-06/15/c_13930954.htm

Euro zone finance ministers fail to agree on new aid for Greece

BRUSSELS-- Finance ministers of Euro zone countries failed to agree on a new financing plan for Greece at an emergency meeting Tuesday, fighting over the degree of private sector involvement in additional rescue for Athens.

"There has been no result," German Finance Minister Wolfgang Schaeuble told reporters after talks in Brussels which ended late Tuesday.

The emergency meeting of Euro zone finance ministers had been called to build consensus on the degree of private sector involvement in the new rescue plan for debt-laden Greece.

Germany, Europe's paymaster, has insisted on significant involvement of private bondholders if further aid to Greece has to be delivered.

Schaeuble said last week that the holders of Greek debt should be forced to extend the maturities of their debt by seven years to prevent bankruptcy, a move credit rating agencies said may amount to a default.

Germany's position was backed by The Netherlands.

The European Central Bank (ECB), however, warned that any forced involvement of private bondholders would create chaos in the financial markets.

Instead, the ECB, supported by the European Commission and France, is pushing for a plan under which bondholders voluntarily agree to buy new Greek bonds to replace maturing debts, thus giving Greece longer periods to pay back.

Italian central banker Mario Draghi, who is due to take over as president of the ECB later this year, said Tuesday that private investors could be involved in a solution for Greece provided that this was "entirely voluntary." He rejected the option of a debt default.

"The cost of a real default will exceed the benefits and will not address the root causes. Moreover, we do not know what contagion effects it will have," Draghi said at a European Parliament hearing, reiterating the ECB's opposition to any compulsory involvement of the private sector.

Belgian Finance Minister Didier Reynders also warned about the dire consequences of forcing the private sector to become involved.

Luxembourg's Prime Minister Jean-Claude Juncker, who heads the eurogroup of Euro zone finance ministers, said he called the emergency session to examine various options and prepare for a regular meeting of Euro zone finance ministers next Monday.

But the obvious differences indicate it would be very hard for Euro zone finance ministers to hammer out an agreement on new aid for Greece at their next meeting in Luxembourg.

In order to calm the nervous markets, a deal must be made ahead of a summit of European Union (EU) leaders on Thursday and Friday next week.

Greece was given 110 billion euros (159 billion U.S. dollars) in financial support by the EU and the International Monetary Fund (IMF) to avoid debt default in May last year, but it was speculated that Athens would still have to restructure its debts due to a weak economy and unsatisfactory progress in cutting fiscal deficits.

The new rescue for Greece was estimated at 120 billion euros (173 billion dollars), with 60 billion euros (87 billion dollars) coming from the EU and the IMF, and the other half from private sector contributions and privatization receipts.

The emergency meeting was held one day after Greece was given the world's lowest credit rating by Standard & Poor's, highlighting the urgency of the situation.

The Standard & Poor's said "there is a significantly higher likelihood of one or more defaults" for Greece, warning any attempt to restructure the country's debts would be considered a default.

The Greek Finance Ministry said in a statement that the downgrading ignored the efforts made by both Athens and Brussels.

"The decision by Standard and Poor's also neglects the determined efforts of the Greek government to avoid at any costs any possible violation of Greece's contractual obligations, and the strong desire of the Greek people to plan for their future within the Euro zone ," the statement said.

http://news.xinhuanet.com/english2010/business/2011-06/15/c_13929982.htm

Global mobile ad sales to double in 2011: report

SAN FRANCISCO-- Driven by expanding consumer adoption of smart phones and tablet computers, worldwide mobile advertising market is expected to double in 2011 and maintain rapid growth through 2015, research firm Gartner said on Thursday.

A new Gartner report predicted that global mobile ad revenue will reach 3.3 billion U.S. dollars this year, compared with 1.6 billion dollars in 2010.

"Mobile advertising is now recognized as an opportunity for brands, advertisers and publishers to engage consumers in a targeted and contextual manner, improving returns," Stephanie Baghdassarian, research director at Gartner, said in a statement.

"For that reason, mobile advertising budgets are set to increase tremendously across the various categories and regions, growing from 0.5 percent of the total advertising budget in 2010 to over 4 percent in 2015," she added.

According to Gartner's projection, global mobile ad revenue will jump to 20.6 billion dollars by 2015.

However, not all types of mobile ad will generate the same opportunity, Gartner analysts said, noting that search and maps are expected to deliver the highest revenue, while video and audio ads will see the fastest growth through 2015.

http://news.xinhuanet.com/english2010/business/2011-06/17/c_13934337.htm

Oil hits four-month low over demand concerns, rising dollar

NEW YORK -- U.S. crude oil slipped over 4 percent on Wednesday, hitting the lowest settlement in four months, as the U.S. report showed demand was slowing and the escalating Greek debt crisis triggered risk aversion and resulted in a strengthening dollar.

Light, sweet crude oil for July delivery plunged 4.56 dollars, or 4.59 percent, to settle at 94.81 dollars, breaking the important technical support level of 95 dollars and hitting a new low since February 22.

And Brent crude for July delivery dipped 3.06 dollars, or 2.55 percent and closed at 117.10 dollars a barrel. The Brent July contract expired at settlement Wednesday.

To Wednesday's big decline, the falling euro contributed most. Greek debt crisis remained unsolved and started to escalate. Fierce strike in Athens against the austerity plan, no rescue plan reached by EU financial ministers and credit ratings cut, all these made investors suspicious about Greece's debt default, hurting the confidence in the shared currency euro.

The euro tumbled nearly 2 percent against the dollar, the biggest drop since August. The dollar index, as a result, surged about 1.7 percent, making oil much more expensive for investors and triggering a technical sell-off across the crude markets.

Another important reason for the sharp drop lied in the demand concerns amid U.S. lackluster economic data which indicated a softer recovery.

On Wednesday, the Labor Department reported that U.S. CPI in May rose 0.2 percent, and the core inflation rate exclusive food and energy reached 0.3 percent, the record high in more than three years. Rising inflation pressure meant an uncertainty for the struggling economy.

And a separate report from the Federal Reserve Bank of New York showed, the manufacturing in the New York region contracted unexpectedly in June on parts shortage after Japan's earthquake. The Empire State index fell sharply by nearly 20 points to minus 7.79, the lowest level since last November.

These reports added the evidences to that U.S. recovery was losing energy and oil demand tended to fall consistently. And they initially caused the oil's losses.

The losses extended as U.S. Energy Information Administration delivered the weekly crude inventories report showing that U.S. consumption of distillate fuel, a category that includes diesel and heating oil, tumbled 5.2 percent last week to 3.6 million barrels a day, the lowest level since January.

Average demand over the past four weeks fell 3.2 percent compared with the same period last year, and refiners have also cut their production of gasoline and other fuels, painting a pessimistic demand picture.

Besides, worries about Greek potential default and its impact on EU banks and economy raised risk aversion. Investors escaped from risk assets like oil and equities, and rushed into safe heaven of gold and U.S. bonds. Crude prices fell sharply along with stocks. On Wednesday, Wall Street's three major stocks indexes fell over 1 percent, posting the biggest single day loss since beginning of June.

http://news.xinhuanet.com/english2010/business/2011-06/16/c_13933344.htm

OECD, FAO see persisting high food prices with volatile markets

PARIS-- Higher food prices and volatility in commodity markets will stay over the coming decade, according to a joint report released Friday by the Organization for Economic Cooperation and Development (OECD) and the UN Food and Agriculture Organisation (FAO). Both organizations called for better coordinated agricultural policies and strengthened investment.

"In the current market context, price volatility could remain a feature of agricultural markets, and coherent policies are required to both reduce volatility and limit its negative impacts," FAO Director General Jacques Diouf said when presenting the 2011-2020 version of OECD-FAO Agricultural Outlook with OECD Secretary-General Angel Gurría.

In the next decade, "real prices for cereals could average as much as 20 percent higher and those for meats as much as 30 percent higher, compared to 2001-10," though well below the peak price levels in 2007-08 and in this year, the newly-released report predicted.

World food prices hiked dramatically in 2007 and the first half of 2008 before fell down during the global recession, sparking a wave of worldwide food crisis, which was mostly interpreted as a result of droughts in grain-producing nations and rising oil prices. Since mid-2010, wheat prices has surged remarkably with double-digit percentage per month at most, arousing new concerns of food crisis.

Cautious optimism that prices can return to normal from a shocking level earlier this year is reasonable in the coming months, as higher prices is spurring food production in the short-term, the report noted, but for the long-term, concerns for economic stability and food security in some developing countries need to be addressed.

"While higher prices are generally good news for farmers, the impact on the poor in developing countries who spend a high proportion of their income on food can be devastating," Gurría said. To Diouf, the key solution to the problem will be boosting investment in agriculture and reinforcing rural development in developing countries, where home most of the hungry people in the world and is the most vulnerable region to food shortage impact.

Besides, the two heads of international organizations jointly called governments to improve information and transparency of both physical and financial markets, and remove production and trade distorting policies.

Russia, the world biggest exporter of wheat, imposed a ban last August on grain exports after being hit by the most severe drought in decades and a spate of wildfire, which added up market pressure on food prices. Russian government recently announced to lift the ban on 1 July this year.

The 2011-2020 Outlook sees global agricultural production growing more slowly over the next decade than in the past 10 years, as farm output is expected to rise by 1.7 percent annually, compared to the 2.6 percent growth rate of the past decade.

Per-capita food consumption will expand most rapidly in Eastern Europe, Asia and Latin America, where incomes are rising and population growth is slowing. Meat, dairy products, vegetable oils and sugar should experience the highest demand increases, according to the Outlook.

Managing price volatility of food and other agriculture commodities is one priority on the top agenda of France's chairmanship of G20, which is to hold an agricultural ministers meeting on June 22-23 in Paris.

Better coordination on policy level to safeguard a stable and secure food market will be focused by G20 ministers, according to a Policy Responses report also involving work of OECD and FAO, as well as several other international organizations.

http://news.xinhuanet.com/english2010/business/2011-06/17/c_13936091.htm

GLOBAL BANKING & FINANCE

China Construction Bank to issue up to 80 bln subordinated bonds

BEIJING-- China Construction Bank, China's second largest lender, said Monday that it plans to issue up to 80 billion yuan (12.33 billion U.S. dollars) in subordinated bonds with a duration of no less than five years.

The issuance will need approval from shareholders and regulators, including the China Banking Regulatory Commission, said the bank's statement filed to the Shanghai Stock Exchange.

According to the statement, the funds raised will be used to replenish the bank's capital.

The bank said in a separate statement that it will set up a wholly-owned commercial bank with capital investment of 100 million U.S. dollars in Brazil's Sao Paulo.

At the end of the first quarter of this year, the bank's capital adequacy ratio stood at 12.45 percent while its core capital adequacy ratio was 10.33 percent.

http://news.xinhuanet.com/english2010/china/2011-06/13/c_13926522.htm

Record RMB bond issued in HK in first 5 months: official

HONG KONG-- A total of 28 billion yuan (about 4.3 billion U.S. dollars) worth of Renminbi-denominated bond has been issued by 28 issuers in the first five months this year in Hong Kong, which was more than half of the amount for the whole of last year, said Norman Chan, Chief Executive of the Hong Kong Monetary Authority on Monday.

Speaking at a seminar, Chan said 36 billion yuan of RMB bond was issued in Hong Kong last year by 16 issuers. Back in 2007, the number was only 10 billion.

Chan said RMB internationalization signified a new era of rapid growth in China's trade and investment links with the world, and Hong Kong was part of China's growth story in the new era. In 2010, China's RMB trade settlement was 506 billion yuan, of which 73 percent was handled by banks in Hong Kong. In the first quarter this year, among the 360 billion yuan of China's RMB trade settlement, 86 percent went through Hong Kong.

Since China nodded sales of RMB bonds in Hong Kong in July 2007, there have been 55 issues of bonds totaling approximately 102 billion yuan.

The range of issuers has also expanded over time, from mainland financial institutions at the beginning, to the Chinese Ministry of Finance and the mainland subsidiaries of Hong Kong banks in 2009, and further to Hong Kong and multinational corporations and international financial institutions. (1 U.S. dollar is equivalent to 6.48 yuan)

http://news.xinhuanet.com/english2010/china/2011-06/13/c_13927203.htm

RMB funds advantages may be "artificial and temporary": expert

HONG KONG-- As the advantages RMB funds had were mainly based on the fact of China's transitional economic regulations, they might be just purely artificial and temporary, said Fred Hu, former economist at IMF, on Monday.

Since 2008, RMB funds expanded quickly in China and also interested a bunch of foreign private equity investors who were eager to invest in one of the fastest developing economies, especially considering RMB funds' "superiorities" when compared with U.S.-dollar funds, which needed longer approval process, had few accesses to certain industries and had to obey more rules and regulations from which RMB funds were exempt.

However, the advantages RMB funds had were under the circumstance of capital control, a polity that China is still adopting, said Hu, also Chairman and Founder of Primavera Capital Group, a China-based global investment firm, in the 10th China Private Equity Summit held in Hong Kong.

In the future, China "would have to open up the capital account to achieve full convertibility," and when that day came, RMB funds' advantages would no longer exist, said Hu.

In 2010, RMB funds accumulated over 10 billion U.S. dollars, much higher than the figure of 200 million U.S. dollars in 2007. Apart from domestic investors, international private equity players, including the Carlyle Group and the Blackstone Group, also have initiated or announced RMB funds raising projects.

In the summit, participants also looked forward to positive interactions between foreign and domestic investors.

International players would bring to the table global practices and technology and expertise as well as improved corporate governance among companies, said Alvin Li, managing director of CCB International Asset Management Ltd.

"In the meantime, we should also see the fall of returns because of fierce competitions," Li added.

http://news.xinhuanet.com/english2010/indepth/2011-06/13/c_13927148.htm

Growth of China's new loans expected to be steady, controllable this year: forecast

BEIJING-- New loans extended by Chinese banks were expected to grow at a steady but controllable pace for the rest of the year, according to the research center of one of China's leading banks.

Chinese banks are expected to extend new loans between 7 trillion yuan (about 1.08 trillion U.S. dollars) and 7.5 trillion yuan in the whole year of 2011, compared with last year's 7.95 trillion yuan, the Financial Research Center of Bank of Communications said in a report Monday.

The center attributed the "steady but controllable" growth of new loans this year to possible hikes of the reserve requirement ratio (RRR) for China's commercial banks and the lackluster housing market.

After raising the RRR for commercial banks eight times since October 2010, the People's Bank of China, the country's central bank, has locked up a record 21 percent of bank deposits that would have otherwise been lent.

The center also said the possibility of more interest rate hikes during the second half of this year is not high due to official fears over accelerated capital inflow, worsened financing for small and medium-sized enterprises and a possible economic slowdown.

Facebook IPO could top 100 bln USD: report

SAN FRANCISCO-- Social networking giant Facebook will likely go public in the first quarter of 2012 with a valuation that could top 100 billion U.S. dollars, U.S. media reported on Monday. In a report, CNBC quoted people familiar with the matter as saying that Facebook could submit filing to register its securities with the U.S. Securities and Exchange Commission (SEC) as early as October or November this year.

People who are on Wall Street and track this information told the business news television channel that they think the Facebook initial public offering (IPO), if and when it happens could value the company of more than 100 billion dollars.

A factor in the company's IPO timing is the SEC's requirement that companies must disclose financial information if they have more than 500 private investors.

"The company has until the end of April 2012 to disclose their financials, but they may just want to get ahead of that by doing a formal initial public offering, I'm told. And that could happen in the first quarter of the year," said CNBC Wall Street reporter Kate Kelly.

Facebook is also facing internal pressure as employees have not been permitted to sell their private shares on the secondary market since last spring. An IPO would make it easier for employees to monetize their shares, said Kelly, citing sources.

Facebook shares have been traded in private markets such as Sharepost.com, which puts the social networking company's valuation at 85 billion dollars.

Meanwhile, latest data show that Facebook is losing users last month in the United States, Canada and several European countries, indicating that the company could have hit the limits of expansion in its mature markets.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13927289.htm

Nepali financial institutions facing liquidity crunch

KATHMANDU-- The beginning of July marked severe cash crunch amongst the banks and financial institutions after they reeled under the dual problems of liquidity crunch and loan recovery.

Vibor Development Bank and People's Finance went into serious liquidity crunch. However, this is not the first instance of liquidity crunch in the country.

"The situation is critical but there is still no reason to be anxious," experts have said.

Experts said the liquidity crisis was a result of quick profit motive rather than going for much reliable investments.

Talking to Xinhua on Tuesday, Radhesh Pant, Chief Executive Officer of Kumari Bank in Nepal said that the situation had arrived mainly because of two reasons -- the political instability and lack of proper monitoring over the financial institutions.

"The political instability causes an impasse at the policy making level, which discourages investment. And also, there are too many players in the banking sector right now and a proper monitoring system is lacking," according to Pant.

"We have 28 commercial banks, we have 60-65 development banks, more than 70 financial institutions," Pant told Xinhua.

"The government and the political parties should focus on the economy of the country while fixing their priorities for the next 5-10 years on how to develop Nepal. For instance, a focus on hydropower with strong strategy, which is bought in by all the parties so that in future, even when the government's changes, same objectives, and strategies are worked on," Pant said.

Likewise, he also said that the the other basic reason behind the crunch was the decelerating growth in the remittances.

The bankers and financial institutions have also blamed the government for its failure to promulgate the national budget on time and its lack of spending ability. The national budget was delayed by seven months in 2010 all of which has resulted in banks not being able to finance automobiles, housing and real estate and other industries as well.

Talking to Xinhua, Bhaskar Rajkarnikar, senior Vice-President of the Federation of Nepalese Chambers of Commerce and Industry said that the current situation of liquidity crunch in the country has posed serious threats to the industrial sector of the country.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13928758.htm

China hikes bank reserve ratio for 6th time this year to battle inflation

BEIJING-- China's central bank Tuesday said it would raise the banks' reserve requirement ratio (RRR) by 50 basis points for sixth time this year, a move aimed to withdraw liquidity out of the market as inflation remains stubbornly high.

The latest rise, effective on June 20, means banks have to set aside 21.5 percent of their capital in reserve, a record high. Analysts estimate it will freeze capital worth about 370 billion yuan (56.92 billion U.S. dollars).

The move came as the National Bureau of Statistics (NBS) reported a 5.5 percent increase in the Consumer Price Index (CPI) in May, a 34 month high.

The government would continue to prioritize easing prices in its macro regulation, since the pressure from price increases remained hefty, NBS spokesman Sheng Laiyun said at a press conference on Tuesday.

"Excess money supply is the main reason behind the high CPI reading. Therefore, the RRR increase would work to prevent further prices increase," said Yang Ruilong, an economic professor with Renmin University.

In addition, with the end of the central bank's previous phase of open market operation and the inflow of foreign exchange, nearly 1 trillion yuan of liquidity will enter the market in June, according to an estimation by Lian Ping, chief economist with the Bank of Communication.

The expected inflow of liquidity was the reason behind the latest hike, Lian said.

To soak up liquidity, the People's Bank of China (PBOC) has raised the RRR once a month over the past six months. It also twice hiked the benchmark lending and deposit rates.

The tightening measures have begun to show effects, as the new bank lending, an important indicator of the monetary policy, tumbled to 551.6 billion yuan in May from April's 739.6 billion yuan. It was also 100.5 billion yuan less than that of last May, according to PBOC data released on Monday.

The broad money supply (M2), which covers cash in circulation and all deposits, hit 76.34 trillion yuan by the end of May, up 15.1 percent year-on-year, the slowest growth since November of 2008.

The tightening measures, however, have dealt a heavy blow to the nation's small businesses who find it increasingly difficult to get bank loans.

Mid and small sized banks, which focus on lending to small businesses, have to set aside 18.5 percent of their capital in reserve after the latest RRR rise.

Shrinking overseas orders and rising costs of labor and raw materials have also exacerbated the conditions faced by small businesses, which are the biggest supplier of jobs in China.

"If the situation continues, it would hurt jobs and the economy outlook," Yang Ruilong said. To minimize the monetary tightening's negative impacts on small firms, the nation's banking regulator has mandated a lower non-performing loan (NPL) requirement for them to boost lending.

A loan of less than 5 million yuan to a small enterprise will be viewed as retail lending, which brings less interest-rate risks compared with wholesale loans, the China Banking Regulatory Commission (CBRC) said on June 7.

The latest increase was the 12th since the start of last year, which underscored the continuation of the prudent monetary policy, analysts said.

They also said the central bank should deal with the monetary tightening in a more flexible way to prevent a drastic economic cool-down.

Zhang Xiaojing, a researcher with the Chinese Academy of Social Sciences, estimated CPI growth would decelerate in the latter half of this year, as food prices which had pushed up CPI would drop as the severe drought in south China was over. He also expected CPI growth to peak in June.

Guo Tianyong, a professor with the Central China Finance University, said the economic growth would not slow to below the target of 8 percent.

"It is too early to talk about relaxing the monetary policy before inflation is fundamentally curbed," Guo said.

http://news.xinhuanet.com/english2010/china/2011-06/14/c_13929086.htm

China's central bank to give more prominence to price control

BEIJING-- China's central bank said Tuesday that it would give more prominence to stabilizing the overall price levels to keep the financial system secure and stable.

In a report posted on its website, the People's Bank of China (PBOC) said China's monetary policy should be in line with the principles of "generally prudent," "measured adjustments" and "optimized structure."

The statement came hours after the PBOC raised banks' required reserve ratios (RRR) on Tuesday for the ninth time since October, and the sixth this year, to try to curb inflation.

Earlier on Tuesday, the National Bureau of Statistics announced that China's consumer inflation in May, largely fuelled by high food prices, rose in May to 5.5 percent, a 34-month high.

The 50 basis-point increase in the RRR means that big banks have to put aside 21.5 percent of their deposits, a record high, locking up funds that could otherwise be loaned out.

In addition to tightening bank reserve requirements, China's central bank has lifted interest rates four times since October to quell inflation.

"The Chinese economy is suffering some long-term and short-term problems that are interwoven and co-existing systemic and structural problems," said the central bank.

China's macro-economic regulation is faced with a number of challenges including the risk of asset price bubbles, rising inflationary pressure, and the need to accelerate the economic restructuring, according to the statement.

The PBOC said the rising inflationary pressure was a result of a mix of cyclical and structural factors, which included the extremely loose monetary policies adopted in some major developed economies.

"The loose global monetary conditions have pushed up inflation expectations and the prices of commodities which thus exacerbated China's imported inflationary pressure," said the statement.

The central bank also attributed the rising inflationary pressure to excess liquidity, increases in prices of agricultural products as a result of bad weather conditions, and rising labor costs.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13929589.htm

Iran to issue 2.7 bln euros in oil, gas bonds

TEHRAN-- Managing Director of the National Iranian Oil Company (NIOC) Ahmad Qalebani said Iran plans to issue 2.7 billion euros in bonds "as of next week" to develop its oil and gas projects especially in the South Pars gas field, the English language satellite Press TV reported on Wednesday.

"This year's first package of participation bonds is worth 2.7 billion euros and will be offered as of next week with the participation of three banks," the reported quoted Qalebani as saying.

Also, an Iranian oil official said that the Oil Ministry is scheduled to sell 8.7 billion euros in bonds by the end of the current Iranian calendar year (ending March 20) and that the "major portion of the bonds will be allocated for the development of the South Pars gas field," according to the report.

In April, Managing Director of Iran's Pars Special Economic Energy Zone Pirouz Mousavi said Iran's Oil Ministry plans to invest more than 16 billion U.S. dollars in South Pars gas field to develop its remaining phases in the current Iranian calendar year.

Mousavi said the ministry plans to start production of gas in phases 15-18 of South Pars field.

Mousavi said the production of more than 700 million cubic meters in the giant gas field is the goal of the ministry.

The South Pars/North Dome field is a natural gas condensate field located in the Persian Gulf. It is one of the world's largest gas fields, shared between Iran and Qatar.

According to the International Energy Agency, the field holds an estimated 50.97 trillion cubic meters of in-situ gas, or some 50 billion barrels of condensate.

http://news.xinhuanet.com/english2010/business/2011-06/15/c_13931343.htm

Use of Renminbi to facilitate business between China and emerging market economies: HKMA

MOSCOW-- Chief Executive of the Hong Kong Monetary Authority (HKMA) Norman Chan on Wednesday said here that the use of Chinese currency Renminbi will facilitate the business between China and emerging market economies.

Chan made the remarks in a luncheon seminar entitled "Use of Renminbi in Cross-Border Trade and Investment -- A New Era" which was jointly organized by the HKMA and China Development Bank (CDB).

"As emerging market economies are playing an increasingly important role in the world's financial and economic developments, the greater use of domestic currencies in cross-border transactions is a continuing trend in the future," said Chan.

"This (use of Renminbi) will help reduce currency conversion costs and exchange rate risks and enhance China's economic links with Russia and other emerging market economies, while providing increased convenience and business opportunities for enterprises and financial institutions," he added.

Di Weiping, chief investment officer and chief executive of Hong Kong Branch of CDB, said the CDB, China's largest bank in cooperative foreign financing and investment, signed in April an

agreement among relevant financial institutions in Brazil, Russia, India and China on pursuing cooperation in lending in domestic currencies.

"At present, CDB's lending in Russia amounted to 28.4 billion U. S. dollars, and will seek to further cooperation with Russia in respect of business in domestic currencies," Di said.

On Dec. 15, Russia's Moscow Interbank Currency Exchange (MICEX) officially launched ruble-yuan trading, while Yuan-ruble trading began last November in China's Shanghai Stock Exchange.

http://news.xinhuanet.com/english2010/business/2011-06/16/c_13932055.htm

China's yuan hits record high of 6.4716 against USD Friday

BEIJING-- The Chinese renminbi, or yuan, on Friday advanced by 87 basis points to 6.4716 per U.S. dollar, a fresh high since the reform of the yuan's exchange rate formation mechanism, according to the China Foreign Exchange Trading system.

The central bank announced on June 19, 2010 that it would further reform the formation mechanism of the yuan's exchange rate to introduce more flexibility.

Within nearly one year, the central parity rate of the yuan has strengthened 3,559 basis points from 6.8275 against the U.S. dollar set on the first trading day after the reform.

On China's foreign exchange spot market, the yuan can rise or fall 0.5 percent from the central parity rate each trading day.

The central parity rate of the RMB against the U.S. dollar is based on a weighted average of prices before the opening of the market each business day.

http://news.xinhuanet.com/english2010/china/2011-06/17/c_13935130.htm

Mutual investment benefits Russia, China, says Russian fund chief

ST. PETERSBURG, Russia-- Cooperation in promoting mutual investment between Russia and China will benefit both countries, said the chief of the newly-formed Russian Direct Investment Fund (RDIF) at the ongoing St. Petersburg International Economic Forum.

Both Russia and China would gain a lot through investment cooperation, RDIF CEO Kirill Dmitriev told Xinhua on the sidelines of the annual forum in Russia's second largest city.

"Cooperation in the sphere of investment will create jobs, promote new technologies, help Russia to modernize and assist China in moving further forward," said the fund chief.

Dmitriev attaches great importance to the presence of Chinese President Hu Jintao at the St. Petersburg forum, where Hu is expected to facilitate and formalize investment cooperation between China and Russia.

"I believe the presence of President Hu will promote the 10-year-old conception of mutual investment between Russia and China," Dmitriev said.

Thanks to a decade of consultation, especially during the last 12 months, the launch of investment cooperation between the two countries is getting ready, Dmitriev said.

The concept of such investment cooperation was first brought up by Russian President Dmitry Medvedev at last year's forum in St. Petersburg, and the Russian side has contacted and consulted with big investors from around the world, including China.

When potential Chinese investors had inquired whether Russia would limit foreign investment to only certain areas, they got a simple reply "No," Dmitriev said.

"By answering simply 'No', we mean that foreign investors could invest in various areas including energy and raw materials," said the fund chief.

"I believe that infrastructure would also interest us all, projects like port development and infrastructure development which will bring us fabulous investment returns. We have also studied the investment prospects in such areas as information technology and medicine."

Earlier this year, the Russian side consulted such key Chinese investors as the Chinese Development Bank and the Chinese Investment Corporation, and both sides have worked hard to contribute to the formation of the investment cooperation mechanism between the two countries, according to Dmitriev.

"It's important for both sides to get to know about where each other's interests lie and how to materialize each other's interests in those areas, so as to promote further development."

"Now with the formation of the investment cooperation mechanism, both countries can sit down to discuss which areas best present interests to which side," Dmitriev added.

Dmitriev also disclosed that Russia is forming a special delegation which will travel to China later this year to brief potential Chinese investors on the investment opportunities and environment in Russia, the far eastern part of the country in particular.

"Most hopefully the delegation will go to China in July, at the latest before September," he said.

http://news.xinhuanet.com/english2010/china/2011-06/17/c_13936106.htm

INTERNATIONAL TRADE

China trade helps buoy confidence of New Zealand private enterprises

WELLINGTON-- Ninety percent of New Zealand's privately owned businesses are expecting positive growth in the next year partly thanks to significant optimism in trade with China, according to the 2011 ANZ Privately-Owned Business Barometer released Tuesday.

The survey found 34 of the country's privately-owned businesses were operating internationally and another 12 percent aspired to expand offshore.

About 29 percent already had sales to China and 61 percent of them expected those sales to increase in the next three years, the survey found.

Although Australia, India, North America and Vietnam were the top markets where businesses anticipated increasing their operations in the next three years, "Australia, China and India are the markets that are most frequently indicated as the markets that businesses aspire to be in," said the report.

New Zealand business owners were demonstrating their resilience through the recession and the Christchurch earthquakes, said ANZ managing director for the commercial and agriculture sectors Graham Turley.

"Stiff competition for households' disposable dollar remains a concern for businesses all along the supply chain," said Turley.

"As a result, managing costs, actively engaging customers and actively managing debtors and cash flow will continue to dominate the business environment. We expect the Canterbury (earthquake) rebuild and influx of international visitors for Rugby World Cup 2011 will also give businesses a boost," he said.

"For the most part, business owners are optimistic 90 percent of business owners are expecting positive growth in the next year, while 85 percent expect growth of 5 percent or more in the next three years.

"However, the recovery is not impacting evenly across the sector. While most are driving for growth, around one in 10 are anticipating negative growth in the next 12 months."

The survey also showed skills shortages were emerging with 37 percent indicating availability of people and skills as being a main concern, compared with 34 percent in 2010.

About half of all business owners said they wanted to spend less time in their business and 22 percent of business owners said balancing family and business was an issue, compared with 10 percent last year.

http://news.xinhuanet.com/english2010/china/2011-06/14/c_13928974.htm

International trade fair kicks off in China's province bordering Russia

HARBIN-- A major international trade fair kicked off Tuesday in northeast China's Heilongjiang Province, which borders Russia.

The Harbin International Fair for Trade and Economic Cooperation, held in the provincial capital Harbin, has attracted more than 110,000 domestic traders, and attendees from about 80 foreign countries and overseas regions, said Tan Yuhong, a spokesman with the fair.

Covering an area of 86,000 square meters, the fair features 3,000 exhibition booths, including sections for green food, the biological industry, traditional Chinese medicine, furniture, tourism and also special exhibitions for Hong Kong, Macao, Taiwan and Russia, Tan said.

The five-day event is organized by the Ministry of Commerce, the National Development and Reform Commission, the Council for the Promotion of International Trade, along with the local governments of Heilongjiang and Harbin.

Since its debut in 1990, the annual event has attracted 1.6 million company representatives and officials and led to deals valued at up to 100 billion U.S. dollars, according to the official website.

As Heilongjiang is where Russia borders China, the fair is also a major platform for economic and trade exchanges between Chinese and Russian merchants. Commencing one day prior to President Hu Jintao's visit to Russia, organizers believe the fair will set a record in trade volume.

Two-way trade volume reached about 60 billion U.S. dollars in 2010, and China has become Russia's largest trade partner, said Hu in a written interview with Russian media Friday.

During Hu's visit to Russia, energy and other economic deals are likely to be concluded between the two countries, which also provides optimism to Chinese and Russian traders at the fair, Tan said.

http://news.xinhuanet.com/english2010/china/2011-06/14/c_13929489.htm

China sees import expansion as long-term strategy: MOC

BEIJING-- Increasing imports is not a temporary measure for China, but a long-term macro-economic strategy, Yao Jian, spokesman for the Ministry of Commerce, said on Wednesday.

Yao stressed the importance of import expansion in balancing China's economy during a press conference held in Beijing.

The government will continue to create favorable trade, tax and financing policies to boost imports, Yao said, adding that the measures taken by the country have caused import growth to outpace export growth over the last 17 months.

China's imports grew by 29.4 percent year-on-year during the first five months of this year, compared with a 25.5 percent increase in exports. The country's trade surplus dropped 35.1 percent year-on-year to reach 22.97 billion U.S. dollars during the same period.

http://news.xinhuanet.com/english2010/business/2011-06/15/c_13931101.htm

Ukraine-Russia trade may hit 50 billion dollars in 2011: president

KIEV-- Trade between Ukraine and Russia may reach around 50 billion U.S. dollars by the end of the year, Ukrainian President Viktor Yanukovich said here on Wednesday.

"We have restored the trade with Russia and even exceeded last year's figure. I think in 2011 we will come up to 50 billion dollars in trade," said Yanukovich when opening the 13th World Congress of Russian Press.

According to the official data, trade between Russia and Ukraine grew 73 percent year-on-year in the first quarter of 2011 to 12.2 billion dollars. Exports from Ukraine to Russia increased by 63 percent to 4.2 billion dollars, while Russia's exports to its neighbor rose by 79 percent and totaled 8 billion dollars.

Ukraine mainly exports engineering products to Russia, making up 73 percent of the total; while energy accounts for the largest share of Ukraine's imports from Russia, at around 76 percent.

http://news.xinhuanet.com/english2010/world/2011-06/15/c_13931665.htm

Sino-Russian trade opportunities abound with 100-bln-dollar trade target

HARBIN-- Natalia Semenets, the head of the development department of Moscow-based canned food manufacturer OVA, was busier than most attendees at the recent China Harbin International Economic and Trade Fair (HTF).

The Russian businesswoman tirelessly worked to introduce and promote her company's products to merchants passing by her exhibition booth on Wednesday.

"Our company is a household brand in Russia, and we're here to seek business partners. We hope to develop our Chinese market," she said.

The fair was held in Harbin, the capital city of north China's Heilongjiang Province, which borders Russia. Russian companies and merchants occupied a total of 138 of the fair's 3,000 exhibition booths, an increase of 151 percent over last year's fair.

"Before I came to Harbin, I saw the news that China's top leader was going to visit Russia, and that a new target on trade volume had been set. I think it is a great sign for business," said Semenets.

The "new target" Semenets mentioned was designated by Russian President Dmitry Medvedev in 2009. He said that trade volume between Russia and China would reach 100 billion U.S. dollars in the next three to five years.

Chinese President Hu Jintao recently embarked on a state trip to Kazakhstan, Russia and Ukraine, and is scheduled to arrive in Russia on Wednesday.

Bilateral deals concerning energy and finance are likely to be concluded during Hu's four-day visit to Russia.

"Judging from the current trend, our target is very likely to be realized," Hu said during an interview with Russian media prior to his visit.

Two-way trade volume reached about 60 billion U.S. dollars in 2010, making China Russia's largest trade partner, said Hu.

Deputy Minister of Commerce Wang Chao said at the fair that trade volume between China and Russia for the first five months of this year has continued to rise.

He said Sino-Russian trade went up 30 percent year-on-year to hit 29.1 billion U.S. dollars.

Sergey Tsyplakov, a Russian trade representative, said "as the economies of both countries continue to develop well, I'm confident that the 100-billion-dollar trade target will be met."

Tsyplakov said trade quality must also be emphasized.

"On one hand, we need to enlarge trade volume, but on the other hand, we need to improve our trade structure," he said.

http://news.xinhuanet.com/english2010/china/2011-06/16/c_13933784.htm

South Korean, EU trade officials to meet over free trade pact

SEOUL-- South Korea and the European Union will hold talks next Tuesday to discuss preparations for their bilateral free trade pact scheduled to take effect next month, the foreign ministry here said Thursday.

The upcoming talks in Seoul will be led by South Korea's chief negotiator for the trade agreement, Choi Seok-young, and his EU counterpart Ignacio Bercero.

South Korean parliament approved the pact in May, three months after the European parliament passed its first trade accord with an East Asian country. The deal was originally signed last October.

Under the deal, the two sides are expected to eliminate 98 percent of import duties and other trade barriers in manufactured goods, agricultural products and services over the next five years.

The deal is expected to boost South Korea's exports by 2.5 billion U.S. dollars and imports by 2.7 billion U.S. dollars on annual average for the next 15 years.

http://news.xinhuanet.com/english2010/business/2011-06/16/c_13933873.htm

Indonesia seeks alternatives of meat supply after Australia's exports ban

JAKARTA-- Indonesian Trade Minister Mari Elka Pangestu said on Thursday that the government considers the United States and Mexico as new sources of meat supply to Indonesia following Australia's exports ban.

The minister said that the two countries have been free from cattle disease, while the others have not.

"According to the rules of import, the sources (countries) must be 100 percent free from diseases. If I am not making mistakes, the countries categorized as free from the disease are only the United States and Mexico," Minister Pangestu said at the Trade Ministry office.

Indonesia imported beef and live cattle from Australia, New Zealand and the United States, but recently the government of Australia, which exports the biggest portion of live cattle to Indonesia, temporarily banned the exports due to the issue of cattle cruelty in Indonesia's abattoirs. Australia exported over 600,000 live cattle annually to Indonesia. The minister said that the Indonesian government is now seeking alternatives of supply sources.

"We are still coordinating at the level of ministries to seek the possibilities to find new sources of supply. Going forward, we will see some possibilities. (But) so far, there has been no concrete act," she said.

Regarding to the impact of Australia's exports ban on Indonesia 's meat supply, the minister played down the impact, saying that Indonesia still has sufficient supply up to several months.

"Our domestic meat supply in the form of beef and live cattle is sufficient," said Pangestu. Indonesia, the world's most populous Muslim country, is to face Islamic holy month of Ramadan and the Islamic festivity in the second half, during which the demand on meat will increase.

"We will keep monitoring the supply up to the festivity, the supply must be sufficient, so that price hike can be avoided," said Pangestu.

Indonesia and Australia are jointly verifying the cruelty issue on the abattoirs.

http://news.xinhuanet.com/english2010/world/2011-06/16/c_13933973.htm

HK exports volume falls 4.3% on year in April

HONG KONG-- Hong Kong's exports volume fell 4.3 percent in April from a year ago, while the imports volume decreased 0.3 percent from a year earlier, the city's statistics department said Thursday.

The exports volume of the first four months this year rose 11.6 percent, and the volume of imports increased 9.3 percent, according to the department.

The exports volume to the Chinese mainland in April lost 9.1 percent from a year ago, followed by that to the United States down 9.0 percent and Japan down 6.3 percent, while the exports volume to Taiwan and Germany increased 15.4 percent and 23.7 percent, respectively.

Over the same period, the imports volume from Japan and Singapore dropped 17.3 percent and 12.3 percent, respectively, followed by that from Taiwan down 1.4 percent and the United States down 0.3 percent. The imports volume from the Chinese mainland rose 0.9 percent.

http://news.xinhuanet.com/english2010/china/2011-06/16/c_13934063.htm

China to levy 5-year anti-dumping duties on hydrazine hydrate imports

BEIJING-- China has decided to levy five-year anti-dumping duties starting from Friday on hydrazine hydrate imports from Japan, the Republic of Korea, the United States and France, the Ministry of Commerce said on Friday.

In June 2005, the ministry levied anti-dumping duties ranging from 28 percent to 184 percent on hydrazine hydrate imports from the four countries for five years, the ministry said in a statement posted on its website.

Last April, China's hydrazine hydrate producers filed an application for a reexamination of the anti-dumping measures imposed in 2005 to extend the levy.

The findings of the final judicial review launched by the ministry last June showed that the dumping would continue and the domestic hydrazine hydrate industry would be harmed if the anti-dumping measures are scrapped.

Hydrazine hydrate is a raw chemical widely used in the production of pesticides, medicines, intermediates, dyestuffs, rocket fuel and explosives.

http://news.xinhuanet.com/english2010/china/2011-06/17/c_13935277.htm

EU should treat China fairly on market economy status issues: deputy foreign minister

BEIJING-- Whether the European Union grants China market economy status is more an issue of "political attitude" than of substantial significance for either side, Chinese Vice Foreign Minister Fu Ying said in Beijing on Friday.

Fu made the remarks at a news briefing held prior to Chinese Premier Wen Jiabao's upcoming official visits to Hungary, Britain and Germany, which will last from June 24 to 28.

The EU has already found China to have a fairly developed market economy, but the criteria it uses to determine market economy status are still an obstacle, Fu said.

"Strictly speaking, many countries recognized by the EU as market economies, including some EU members, have not fully met these criteria," she said.

Under the terms of China's accession to the World Trade Organization in 2001, all WTO member countries, including EU countries, are required to recognize China as having a market economy by 2016.

Whether the EU acknowledges China's market economy status is not a troublesome issue for China, and anti-dumping measures against China have become less effective over the years, Fu said.

Although the EU has yet to formally recognize China's market economy status, economic ties between China and the EU have continued to prosper in recent years, she said.

China is the EU's second-largest trading partner, while the 27-member bloc constitutes China's largest overseas market. Bilateral trade reached 480 billion U.S. dollars in 2010.

"Our appeal for the EU to recognize China's market economy status is only being done to remind the bloc to treat China fairly," she added.

During the briefing, Fu also urged European governments to improve their investment environments for Chinese businessmen.

"Some European politicians tend to read Chinese enterprises' economic activities with a political bias in mind, which is detrimental to the development of China-EU relations," she said.

http://news.xinhuanet.com/english2010/china/2011-06/17/c_13936227.htm

Ecuador expects to sign trade agreement with Turkey in 2011

QUITO-- The governments of Ecuador and Turkey are expected to sign a new landmark trade agreement before the end of 2011, the Ecuadorian Foreign Ministry said Friday.

Based on the positive advance in bilateral talks between Ecuador and Turkey, both countries are confident that the details of the agreement will be negotiated without major complications, the ministry said in a statement.

The first round of official negotiations for a bilateral "Trade Development Agreement" started officially earlier this week in the Turkish capital of Ankara and concluded Friday.

"An important advance was made in a number of issues and agreements on technical assistance and the strengthening of capacities have already been closed," said the ministry.

Ecuador and Turkey first started discussions about the possible bilateral trade agreement in 2010 in order to establish a formal mechanism that can help promote exports and the opening of new markets for both countries.

The ministry said that during the first round of formal negotiations both countries also presented "wish lists" of areas and both agricultural and industrial products they seek to cover in the agreement.

"Ecuador reiterates its vision that the impulse of trade should serve as to create richness and growth and should ensure to incorporate traditional marginal sectors so that they also will benefit from the agreement," said the ministry.

The next round of talks has been scheduled for Aug. 1-5 in the Ecuadorian capital of Quito.

Ecuador is eager to reach a trade agreement with Turkey considering that it's home to a population of 72 million people and one of the 17 largest economies in the world. The Ecuadorian government wants to open new markets and diversify the number of local products for exports in order to reduce the deficit in its trade balance.

http://news.xinhuanet.com/english2010/business/2011-06/18/c_13936703.htm

Brazil welcomes U.S. decision to change anti-dumping measures

BRASILIA-- Brazil on Friday welcomed the U.S. decision to change some of its anti-dumping measures imposed on Brazilian orange juice exports in accordance with a World Trade Organization ruling.

The U.S. delegation to the organization, or WTO, said earlier that it intended to implement the recommendations of the WTO's dispute settlement body.

According to a statement issued by Brazilian Foreign Ministry, known as Itamaraty, it is the first time the United States has not appealed the WTO ruling that the U.S. calculation methodology for anti-dumping duties violated international trade rules.

It is "an important shift of attitude," Itamaraty said.

A WTO dispute settlement panel ruled in March the method of "zeroing" used by the U.S. Department of Commerce for calculation of the dumping margin was inconsistent with the Anti-Dumping Agreement and illegal.

"Zeroing" refers to a U.S. practice that treats all non-dumped sales as having a dumping margin of zero rather than a negative, thereby preventing non-dumped sales from offsetting dumped sales. Critics say this leads to overestimation of anti-dumping duties.

The WTO recommended the U.S. "bring its measures into conformity with its obligations under the Anti-Dumping Agreement."

Brazil claimed victory in its complaint about the "zeroing" method, which it took to the WTO in 2008.

Together with 13 similar cases opened by nine other countries, the success would contribute to consolidating multilateral case-law against this illegal practice, Itamaraty said.

http://news.xinhuanet.com/english2010/world/2011-06/18/c_13936981.htm

Indonesia, EU begin negotiations on comprehensive economic partnership

JAKARTA-- Indonesia and the European Union (EU) held the first of a series of negotiations toward a Comprehensive Economic Partnership Agreement (CEPA), local media reported Wednesday.

The event was organized to facilitate the presentation of recommendations from the Indonesia-EU Vision Group, which was established in December 2009 by Indonesian President Susilo Bambang Yudhoyono and European Commission President Jose Manuel Barroso, to "invigorate the Indonesia-EU partnership," especially in the trade and investment sectors.

During the event, these recommendations were officially handed over to Indonesian Trade Minister Mari Elka Pangestu.

Also during the event, Vision Group co-chairman Djisman Simanjuntak said while Indonesia and the EU were in "good and healthy relations, the status quo is unsatisfactory."

"We need a new initiative to invigorate the relations, in the pursuit of growth, job creation and poverty alleviation. So it's not only about trade but also for job creation ... for both Indonesia and the EU," Djisman was quoted as saying by the Jakarta Post.

Mari said that over the next few months Indonesia and the EU would be engaged in intensive consultations regarding the CEPA, comprising the governments and the private sectors of both parties. Djisman added that he hoped the negotiations would be completed within two years.

http://news.xinhuanet.com/english2010/business/2011-06/15/c_13931262.htm

U.S. company signs deal with Bangladesh to explore oil, gas

DHAKA-- Energy-starved Bangladesh Thursday signed a production-sharing contract (PSC) with Conoco Phillips South Asia New Venture Ltd to allow the U.S.-based company explore oil and gas in two offshore blocks in the Bay of Bengal.

William G Lafferrandre, vice-president of Conoco Phillips Asia Pacific, and Imam Hossain, secretary of Petrobangla, a government-owned national oil company, signed the agreement on behalf of their respective sides here Thursday.

Bangladesh's Cabinet Committee on Economic Affairs, the apex body of the country's economic matters, on May 23 approved an Energy Ministry's proposal on signing the PSC deal with the Conoco Phillips under the condition that it would not work in the internationally disputed maritime areas until the disputes are resolved.

http://news.xinhuanet.com/english2010/business/2011-06/16/c_13934134.htm

WORLD ECONOMIES

Saudi to offer incentives for firms hiring Saudis

RIYADH-- Saudi Arabia, the world's largest oil exporter, has announced that private companies, which are abiding by employing a specific number of Saudis, will enjoy incentives, local daily Arab News reported Sunday.

The incentives are part of the Labor Ministry's new quota system on private companies to hire Saudis.

Under the ground-breaking system, called Nitaqat, which will be effective from September, companies will be in the green and premium categories if they abiding by employing local staff and will get incentives for doing so.

Companies in the yellow category will be given a nine-month grace period to hire more Saudis and they will not be able extend permits for foreign works beyond six years, which takes effect retroactively.

Companies in the red category, the worst one, will be given six months to improve their status and will not be able to renew their foreign workers' visas.

The official unemployment rate in the kingdom is around 10 percent.

Earlier this month, Saudi Arabia said it will create 66,000 fresh jobs for Saudis in the education and health sectors across the kingdom within months.

The plans for new jobs aim to quell any grievances over unemployment rates in the kingdom, which has witnessed small scale protests by unemployed university graduates and teachers over jobs and better pay.

Earlier this year, more than 200 unemployed graduates gathered outside the education ministry in the capital Riyadh to demand employment.

In March, the Saudi king issued a host of royal decrees to ease economic and social pressures in the kingdom, including a minimal wage and a monthly unemployment allowance of 533 U.S. dollars.

http://news.xinhuanet.com/english2010/business/2011-06/12/c_13925296.htm

Crime costs Israeli economy over 4 billion U.S. dollars in 2010

JERUSALEM-- Crime-related financial damage to Israel's economy in 2010 totaled 14.7 billion shekels (around 4.34 billion U.S. dollars), according to a report issued by the Public Security Ministry on Sunday.

The figure accounts for 1.8 percent of the GDP and represents a drop of 2.4 percent from 2009, the report said.

Property and fraud-related offenses accounted for the highest damages - 24.9 and 24.8 percent, respectively, followed by violence (19.6 percent), drugs (14.9 percent), with sexual offenses (4.5 percent) and murder (2.3 percent) capping the list.

The ministry's budget oversight and planning department based the report on an array of damages divided into three categories: defensive and preventive measures in countering crime; personal damages to the victims; and costs incurred by the police and the legal system.

Some of the damages listed in the report include security and insurance costs, stolen property, medical and psychological treatment for victims, as well as the costs of incarceration and rehabilitation of felons.

Despite a minor improvement compared to 2009, ministry officials said crime-fighting should be a national goal, one accompanied by a budget boost for law enforcement agencies.

http://news.xinhuanet.com/english2010/business/2011-06/12/c_13925274.htm

Indonesia approve part of 2012 budget's macro economic assumptions

JAKARTA-- Indonesian government and parliament have agreed part of macro economic assumptions set for the country's state budget next year after long and serious discussions, local media reported here.

The meeting resulted in agreements on several macro economic assumptions that consisted of economic growth, national currency exchange rate and inflation.

During the meeting with legislators, the government was represented by Finance Minister Agus Martowardojo, National Development Agency (Bappenas) Chairperson Armida Alisjahbana, Head of Statistic Agency (BPS) Rusman Heriawan and central bank deputy governor Budi Mulya.

The parliament agreed to set economic growth target for 2012 state budget at 6.6-7 percent, or higher than the range proposed by the government at 6.5-6.9 percent. The two parties also agreed the currency exchange rate at between 8,600 to 9,100 rupiah per 1 U.S. dollar.

Inflation rate assumption was set at 4-5.3 percent. "If we set the maximum rate at 5.4 percent, it would be no different from 2011," Harry Azhar Aziz, a legislator from the Golkar party was quoted as saying by the tempointeraktif.com.

The parliament has yet to pledge its agreement on loan benchmark rate. The two parties, however, had supported loan benchmark rate assumption at 5.5-6.75 percent from the range previously proposed at 5.5-7.5 percent.

The other macro economic assumptions, such as poverty and unemployment rates, were yet to be approved by the two parties. It would take more discussions between the two parties on those assumptions.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13928677.htm

OECD unemployment rate drops to 8.1% in April

PARIS -- The unemployment rate for the OECD area, composed of 34 economies, dropped to 8.1 percent in April, a 0.1 percentage point fall from March after two months of stability at 8.2 percent, the Paris-based Organization for Economic Cooperation and Development said on Wednesday.

In its monthly report, the advanced countries advisory agency said this was a continuation of the steady decline in the unemployment rate seen since October 2010. "For the first time since the start of the financial crisis in 2007, unemployment rates are showing a mostly falling pattern in most OECD countries."

Unemployed persons in OECD countries amounted to 44.1 million in April 2011, down 3.1 million from April 2010 but still 13.2 million higher than in April 2008, OECD figures showed. Over the month, the euro area unemployment rate was unchanged from that in last month, at 9.9 percent.

Most countries witnessed unemployment rates declining in April, except for Japan, Luxembourg, Mexico, Slovenia and the United States. U.S. new jobless rate of May showed a further rise of 0.1 percentage point to 9.1 percent.

With a steady rate at 20.7 percent, Spain faces the most severe unemployment problem among members. "Since May 2010, more than one in five people in the Spanish labour force has been unemployed and seeking work," OECD said in the report.

Other countries experiencing continuously high unemployment rates above 11 percent include Hungary (11.6 percent), Ireland (14.7 percent), Portugal (12.6 percent), and the Slovak Republic (13.9 percent). On the other end, it's still South Korea that recorded the lowest unemployment rate of 3.6 percent in April.

http://news.xinhuanet.com/english2010/business/2011-06/15/c_13931812.htm

Brazil's default risk lower than U.S.: finance minister

RIO DE JANEIRO-- Brazilian Finance Minister Guido Mantega said Wednesday that his country's default risk had become lower than that of the United States.

The credit default swaps, which measure the cost to insure debt against default, currently stood at 41.2 basis points on the Brazilian bonds, lower than the 49.7 basis points on comparable U.S. ones, the minister told reporters after a meeting with President Dilma Rousseff.

"For the first time in history, Brazil's default risk is lower than the U.S.," said Mantega, adding that the lower risk reflected the solidity of the Brazilian economy and the investors' confidence in the country.

Also on Wednesday, the Central Bank of Brazil said that the country's economic activity registered a 3.94-percent rise in the first four months of 2011 compared with the same period last year.

The index, released monthly, takes into account the activity levels in the industrial, trade, agricultural and tertiary sectors. It is also used by the central bank to decide whether to make any changes in the country's monetary policy.

http://news.xinhuanet.com/english2010/business/2011-06/16/c_13932998.htm

Int'l perception about Brazil's economy worsens: survey

RIO DE JANEIRO -- The international perception about Brazil's economy has worsened, but the perception about the country's social conditions has improved, according to a survey released Thursday by the Institute of Applied Economic Research (Ipea).

Ipea's International Perception Indicator (MPI) survey is carried out every three months among 170 embassies, commerce chambers, multilateral organizations, and foreign companies in Brazil. The survey includes 15 questions about Brazil's economic, social, and political situation.

The indicator ranges from -100 to 100, and any positive figures reflect optimistic positions.

According to Ipea, three of the six questions about Brazil's economy received an average negative answer. Out of the three questions on the country's social conditions, two received an average positive response, and only one out of six questions on Brazil's political conditions received negative answers.

The survey showed that 64 percent of the interviewees expect Brazil's inflation rate to surpass the 4.5 percent target in the next 12 months, and 57 percent believe the inflation rate will surpass the target in 2012.

In addition, 76 percent of interviewees approve the government's macroprudential measures to halt the rise of the inflation rate, but believe those measures will have a limited reach because of the pressure on commodities' prices.

http://news.xinhuanet.com/english2010/business/2011-06/17/c_13935295.htm

India's inflation rises to 9.06% in May

MUMBAI-- Indian headline inflation rebounded to 9.06 percent in May from 8.66 percent in the previous month due to pricier fuel prices, according to a press statement by India's Ministry of Commerce and Industry Tuesday.

The petroleum price index saw a 27.31 percent year-on-year growth in May from 21.81 percent in April.

The inflation with manufactured products also worsened to 7.27 percent from 6.18 percent in April due to price increase of sugar, edible oil, cotton textile, iron, machinery and others.

Still, inflation with primary articles eased to 11.3 percent from 12.05 percent in April on the softening of food prices.

Meanwhile, the inflation figures in March was revised up to 9.68 percent from 9.04 percent in earlier estimates.

The hardening of inflation was anticipated and will bring more pressure for Indian central bank to continue monetary tightening this Thursday.

The number is much higher than expected and a breach of nine percent mark without a diesel price revision and in a month when global commodity prices were softer highlights the

underlying inflationary pressure in the economy and validates the case for further tightening by the RBI, said Anubhuti Sahay, an economist with Standard Chartered.

Indian central bank is expected to raise key interest rates by 25 basis points Thursday again on its mid-quarter monetary report.

India was urged to actively guard against risks of high inflation and volatile capital flows as the country is poised for steady growth, according to a report released Tuesday by Organization for Economic Cooperation and Development in New Delhi.

The increase of Indian wholesale price index has hovered above eight percent since January 2010 with India's central bank hiking interest rates for nine times since March 2010 to tame persistent inflation.

http://news.xinhuanet.com/english2010/business/2011-06/14/c_13928851.htm

Indian central bank hikes interest rates by 25 basis points

MUMBAI-- Indian central bank Reserve Bank of India (RBI) Thursday unveiled latest monetary report and announced to lift key short-term interest rates by 25 basis points to tame persistent inflation.

Repo and reverse repo rate will be raised to 7.5 percent and 6.5 percent, respectively, after the tenth hike of interest rates since March 2010.

The move is in line with market expectations as Indian headline inflation rebounded to 9.06 percent in May on high commodity prices and input costs.

The report said, global environment has changed for the worse since last monetary policy in early May while domestic conditions are broadly consistent with previous projections.

"Global commodity prices still remain the key external risk though some signs of moderation are becoming visible," said RBI.

"Some short-term deceleration in growth may be unavoidable in bringing inflation under control and the monetary stance remains firmly anti-inflationary," said the report.

Still, RBI said there's no evidence of any sharp or broad-based slowdown even as there is deceleration in some important sectors like automobiles.

The inflation with non-food manufactured products is a matter of particular concern, suggesting high commodity prices, more generalized inflationary pressures and the pass-on of rising wages and service input costs along the supply chain, noted the central bank.

Meanwhile, monetary transmission has been quite strong since early May with higher cost of credit.

RBI will continue to maintain tight liquidity conditions such that neither surplus liquidity dilutes the monetary policy stance nor large deficit chokes off fund flows to productive sectors of the economy, said the report.

Although global commodity prices moderated in recent weeks, it's too early to downgrade this as a risk factor, added the report.

The monetary report also offered the guidance that RBI will need to persist with its anti-inflationary stance of monetary policy based on current and evolving growth and inflation scenario.

India's major industrial lobby body Federation of Indian Chambers of Commerce and Industry (FICCI) Wednesday urged the central bank to halt further hikes of interest rates in a letter, so as to protect business sentiment and economic growth.

India central bank is expected to extend monetary tightening by another 50 basis points in 2011 with inflation hovering around 9 percent.

RBI has raised repo and reverse repo rates by 2.75 percent and 3.25 percent since March 2010 to fight inflation as Indian economy recovered from global financial crisis.

http://news.xinhuanet.com/english2010/business/2011-06/16/c_13933605.htm

U.S. leading economic index surges in May

NEW YORK-- The U.S. index of leading economic indicators, a gauge of future economic activities, increased 0.8 percent in May, beating economists' forecast, a private research group said on Friday.

The Conference Board said its Leading Economic Index (LEI) for the U.S. increased to 114.7 (2004 = 100), following a 0.4 percent decline in April, and a 0.7 percent increase in March. The largest contributions came from the interest rate spread, consumer expectations, and housing permits.

The Consumer Group said the modest U.S. economic growth, though buffeted by such factors as high gas and food prices and a soft housing market, will still continue at a choppy pace through the summer and fall.

The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual components.

http://news.xinhuanet.com/english2010/business/2011-06/17/c_13936314.htm

IMF urges U.S. to raise debt ceiling to avert default

WASHINGTON-- The International Monetary Fund on Friday urged the United States to raise its federal debt ceiling to avert a default.

"Should Congress prove unwilling to raise the debt ceiling, there would be a risk of a major adverse market reaction," the IMF said in its updated Fiscal Monitor report. "An increase in the debt ceiling is neither avoidable-it would need to be lifted under all proposed plans-nor exceptional, as it has been increased more than 70 times over the past few decades, and 10 times during the last 10 years," the IMF said.

The world's largest economy has hit the 14.29-trillion-U.S.-dollar legal ceiling on borrowings and the U.S. Treasury is taking extraordinary measures to buy some time prior to Aug. 2 for Democrats and Republicans to reach a deal and ward off the default risk.

http://news.xinhuanet.com/english2010/world/2011-06/17/c_13936303.htm

ARTICLES/COMMENTARIES

How China could yet fail like Japan

By Martin Wolf

Until 1990, Japan was the most successful large economy in the world. Almost nobody predicted what would happen to it in the succeeding decades. Today, people are yet more in awe of the achievements of China. Is it conceivable that this colossus could learn that spectacular success is a precursor of surprising failure? The answer is: yes.

Japan's gross domestic product per head (at purchasing power parity) jumped from a fifth of US levels in 1950 to 90 per cent in 1990. But this spectacular convergence went into reverse: by 2010, Japan's GDP per head had fallen to 76 per cent of US levels. China's GDP per head jumped from 3 per cent of US levels in 1978, when Deng Xiaoping's "reform and opening up" began, to a fifth of US levels today. Is this going to continue as spectacularly over the next few decades or could China, too, surprise on the downside?

It is easy to make the optimistic case. First, China has a proved record of success, with an average rate of economic growth of 10 per cent between 1979 and 2010. Second, China is a long way from the living standards of the high-income countries. Relative to the US, its GDP per head is where Japan's was in 1950, before a quarter century of further rapid growth. If China matched Japan's performance, its GDP per head would be 70 per cent of US levels by 2035 and its economy would be bigger than those of the US and European Union, combined.

Yet counter-arguments do exist. One is that China's size is a disadvantage: in particular, it makes its rise far more dramatic for the demand for resources than anything that has gone before. Another is that the political effects of such a transformation might be disruptive for a country run by a Communist party. It is also possible, however, to advance purely economic arguments for the idea that growth might slow more abruptly than most assume.

Such arguments rest on two features of China's situation. The first is that it is a middle-income country. Economists increasingly recognise a "middle-income trap". Thus, sustaining rapid increases in productivity and managing huge structural shifts as the economy becomes more sophisticated is hard. Japan, South Korea, Taiwan, Hong Kong and Singapore are almost the only economies to have managed this feat over the past 60 years.

Happily, China has close cultural and economic similarities with these east Asian successes. Unhappily, China shares with these economies a model of investment-led growth that is both a strength and a weakness. Moreover, China's version of this model is extreme. For this reason, it is arguable that the model will cause difficulties even before it did in the arguably less distorted case of Japan.

Premier Wen Jiabao has himself described the economy as "unstable, unbalanced, uncoordinated and ultimately unsustainable". The nature of the challenge was made evident to me during discussions of the 12th five year plan at the China Development Forum 2011 in Beijing in March. This new plan calls for a sharp change in the pace and structure of economic growth. In particular, growth is forecast to decline to just 7 per cent a year. More important, the economy is expected to rebalance from investment, towards consumption and, partly as a result, from manufacturing towards services.

The question is whether these shifts can be managed smoothly. Michael Pettis of Peking University's Guanghua School of Management has argued that they cannot be. His argument rests on the view that in the investment-led growth model, repression of household incomes plays a central role by subsidising that investment. Removing that repression – a necessary condition for faster growth of consumption – risks causing a sharp slowdown in output and a still bigger slowdown in investment. Growth is driven as much by subsidised expansion of capacity as by the profitable matching of supply to final demand. This will end with a bump.

Investment has indeed grown far faster than GDP. From 2000 to 2010, growth of gross fixed investment averaged 13.3 per cent, while growth of private consumption averaged 7.8 per cent. Over the same period the share of private consumption in GDP collapsed from 46 per cent to a mere 34 per cent, while the share of fixed investment rose from 34 per cent to 46 per cent. (See charts.)

Professor Pettis argues that suppression of wages, huge expansions of cheap credit and a repressed exchange rate were all ways of transferring incomes from households to business and so from consumption to investment. Dwight Perkins of Harvard argued at the China Development Forum that the “incremental capital output ratio” – the amount of capital needed for an extra unit of GDP – rose from 3.7 to one in the 1990s to 4.25 to one in the 2000s. This also suggests that returns have been falling at the margin.

If this pattern of growth is to reverse, as the government wishes, the growth of investment must fall well below that of GDP. This is what happened in Japan in the 1990s, with dire results. The thesis advanced by Prof Pettis is that a forced investment strategy will normally end with such a bump. The question is when. In China, it might be earlier in the growth process than in Japan because investment is so high. Much of the investment now undertaken would be unprofitable without the artificial support provided, he argues. One indicator, he suggests, is rapid growth of credit. George Magnus of UBS also noted in the FT of May 3 2011 that the credit-intensity of Chinese growth has increased sharply. This, too, is reminiscent of Japan as late as the 1980s, when the attempt to sustain growth in investment-led domestic demand led to a ruinous credit expansion.

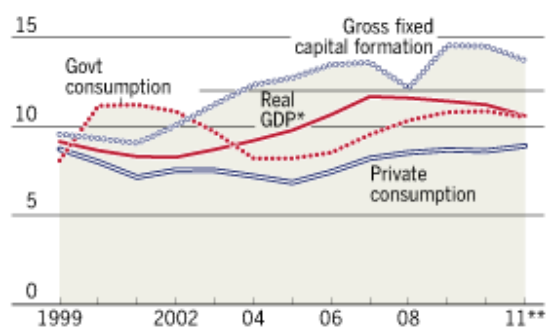
As growth slows, the demand for investment is sure to shrink. At growth of 7 per cent, the needed rate of investment could fall by up to 15 per cent of GDP. But the attempt to shift income to households could force a yet bigger decline. From being an growth engine, investment could become a source of stagnation.

The optimistic view is that China’s growth potential is so great that it can manage the planned transition with ease. The pessimistic view is that it is hard for a country investing half of GDP to decelerate smoothly. I expect the transition to slower economic growth and greater reliance on consumption to be quite bumpy. The Chinese government is skilled. But it cannot walk on water. The water it is going to have to walk on over the next decade is going to be choppy. Watch out for the waves.

<http://www.ft.com/intl/cms/s/0/6247d8e2-96b8-11e0-baca-00144feab49a.html?ftcamp=rss&ftcamp=crm/email/2011615/nbe/MartinWolf/product#axzz1PxeWnu6C>

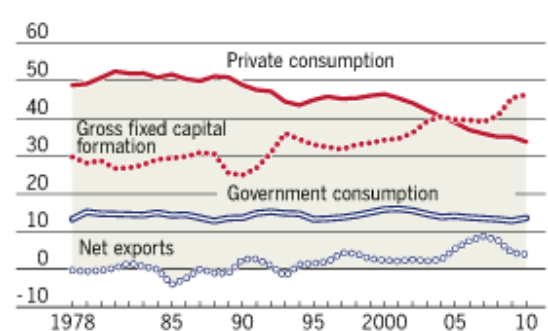
Growth in China's GDP and components

Average annual real growth over previous five years (%)



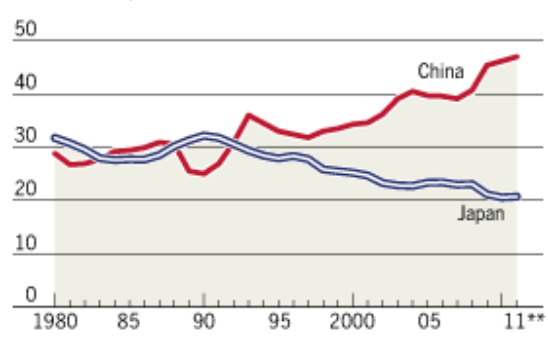
Composition of China's GDP

Per cent



Investment share of GDP

Gross fixed capital formation as a % of GDP



* Year-on-year (%) ** EIU forecast
Sources: Thomson Reuters Datastream; EIU

Fortress Europe: Immigration

By Tony Barber

At an austere army barracks in southern Malta that serves as a detention centre for illegal immigrants, Abdur Rahman, a young Somali, describes the turbulent journey that took him almost 5,000km from the Horn of Africa to the smallest country in the European Union.

“First I went by truck from Somalia to Libya. Then I went in a boat. It was going to Italy. But the boat was in trouble. We were picked up and brought to Malta,” says Mr Rahman, the son of a policeman. “I have been here two months. The military treat us well. My main problem is that I’m separated from my wife.”

About 200 African refugees occupy the barracks, built by British forces after the First World War, when Malta was a colony. But across the southern Mediterranean island there are 5,000-6,000 refugees – a large number for a state whose existing population barely exceeds 400,000, and testimony to the fact that unauthorised or “irregular” immigration is, next to the Euro zone debt crisis, the most urgent problem facing the 27-nation EU.

From the Greek-Turkish border in the east to the Spanish-owned Canary Islands off the west coast of Africa to the Italian island of Lampedusa, the arrival of tens of thousands of refugees from places as far-flung as Eritrea, Iraq, Afghanistan and Bangladesh is testing to the limit the EU’s principles of solidarity, burden-sharing and protection of human rights. Countries in northern, western and central Europe are reluctant to take in more than token numbers of illegal immigrants who arrive in the bloc’s southern and south-eastern frontier states.

While the Euro zone’s troubles are driving governments, in fits and starts, towards closer economic integration, the asylum-seekers and economic migrants arriving from outside the bloc threaten to create the opposite reaction, putting at risk the commitment to the free movement of people enshrined in the Schengen agreement. “The Euro zone crisis is being met with more Europe. The immigration crisis is being met with less Europe,” says Joseph Muscat, leader of Malta’s opposition Labour party.

Some experts say these apocalyptic visions distort reality. “We must anticipate an increase in the arrival of boats on European shores. Yet one element is certain: it is most likely that the influx will not exceed current capacity,” says Peter Widemann, head of the International Centre for Migration Policy Development, a group founded in 1993 by Austria and Switzerland to promote “innovative, comprehensive and sustainable migration policies”.

About 100,000 people crossed illegally into the EU between early 2010 and early 2011, according to official data. This equals 0.02 per cent of the bloc’s 500m population. But the uprisings in Egypt and Tunisia, the outbreak of civil war in Libya and the endemic instability of many sub-Saharan countries raise the prospect of an unending, unstoppable tide of immigrants – a theme exploited by populist, ultra-right political parties that have made substantial gains in elections across western Europe in the past 10 years, recently in Finland and Sweden.

As a result, mainstream politicians feel obliged to sound tougher than ever on the need for tight border controls. “We can’t just accept a flow of hundreds of thousands or millions of people into southern Europe and then coming beyond that,” says William Hague, the UK foreign secretary.

According to *Clandestino*, an EU research project that compiles data on irregular migration, ignorance and prejudice pervade certain countries. In France, it says: “Public opinion is informed by fearful and erroneous images of a flood of irregular migrants, often portrayed as an invasion, and of a form of religious fundamentalism that allegedly aims to insidiously convert the French population.”

Such arguments do not go down well in Italy and Malta, the nations most exposed to the boats from Africa. “All these refugees should leave Malta. Malta is not in a position to integrate these people,” says Carm Mifsud Bonnici, justice minister. “What can Malta do? We cannot expand the size of our island. In the time of the Knights of St John [from 1530 to 1798], there were only 20,000 people here. Now there are 400,000. Whatever we do, we are at our limits.”

Joseph Cassar, director of Malta’s Jesuit Refugee Service, which assists irregular immigrants, agrees that “Malta’s capacity to absorb and integrate these people effectively is limited”. But he points out the human tragedies behind the numbers. “Some people have been beaten and practically forced on to the boats. We’ve met them and heard their stories. Many have been in Libyan jails and detention centres for months or even years. Or they have been in the hands of smugglers, who run their own centres and collect people to hand on to the next set of smugglers,” he says.

Government ministers in Italy and Malta blame Muammer Gaddafi, the Libyan leader, for the recent rise in the number of boats arriving. Often, these vessels are barely seaworthy and packed with west Africans as well as Somalis and Eritreans. They contend that the Gaddafi regime is seeking to sow discord among EU countries, some of which are carrying out air strikes on his forces, by making Africans board boats for Europe.

Even so, as in many policy areas, governments are often unable to resist the temptation to blame EU institutions for failing to solve the problem. Where immigration is concerned, this means pointing the finger at Frontex, the EU border control agency.

Frontex headquarters are in Warsaw, far from the heart of Europe’s refugee crisis. But that does not stop Ilkka Laitinen, the agency’s executive director, delivering a robust defence of its operations. Interviewed at an event in the Polish capital ceremoniously styled the European Day for Border Guards, the soft-spoken Finn observes: “There are two persistent illusions. One, that border control is the panacea that solves all irregular immigration and cross-border crime. Two, that Frontex is responsible for controlling the EU’s borders.”

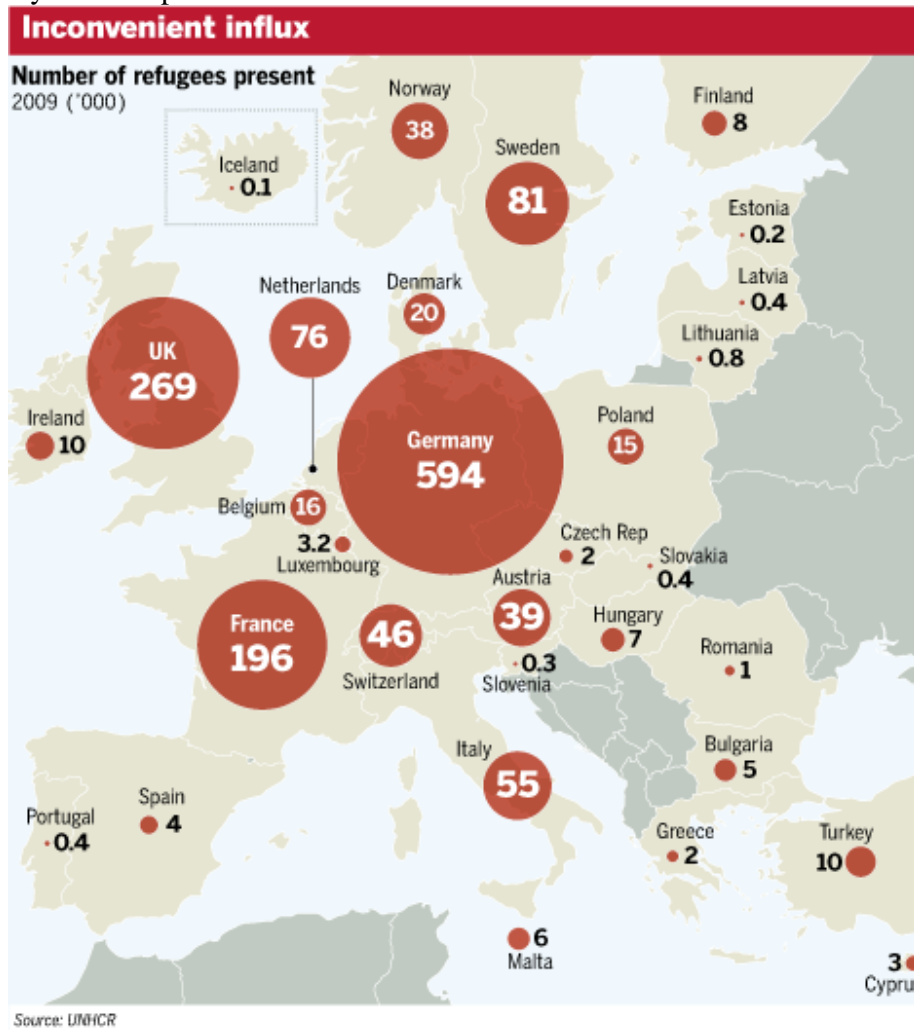
As he points out, border control remains overwhelmingly the responsibility of each government. The annual Frontex budget is just over €100m, increased this year from €88m but still a drop in the ocean compared with the tens of billions the EU spends on regional aid programmes and agricultural subsidies. When Frontex sets up an operation to tighten border controls, as it did on the Greek-Turkish frontier last year, it needs member states to provide everything from helicopters and vessels to thermal vision equipment.

“Frontex can offer added value – good risk analysis. Training is important. We can encourage best practice. We can stimulate mutual trust,” Mr Laitinen says. “But the vast bulk of border control measures are taken by the member states themselves, in terms of personnel, equipment and financing. We at Frontex can’t even begin to compare our tiny budget with theirs.”

The Frontex operation in Greece has produced mixed results. Before its launch, about 350 people a day were detected attempting to cross from Turkey. None were Turks; many came from Afghanistan, Africa, the Middle East and Russia. By April, Frontex had brought the number down to 50 or 60. Now, however, it has crept up to between 100 and 150.

Cecilia Malmström, EU home affairs commissioner, says Greece’s debt crisis has harmed its ability to cope with irregular migrants. “To defend the borders is a matter of resources, and they lack that today. Member states are really trying to assist. All are present to some extent – administrators, experts and so on. But it takes time. There is a huge backlog of asylum-seekers. By the end of last year, it was 60,000. Probably more now.”

Greece's stretched resources partly account for the increasing strains on the Schengen accord, a cornerstone of integration that permits border-free travel among 22 EU nations plus Iceland, Norway and Switzerland. Though they have fulfilled technical requirements for entry, Bulgaria and Romania were blocked this month from joining the system, largely because of French and German resistance. The underlying problem lies in Greece; the inclusion of these countries would create a land bridge for illegal immigrants to cross from there to the rest of the EU. "Until Greece has proper control of its borders, Bulgaria and Romania won't be admitted to Schengen," says a EU diplomat.



Still more threatening in its implications for Schengen was an initiative launched in April by Nicolas Sarkozy, French president, and Silvio Berlusconi, Italian premier, to revise the rules so that border controls could be re-established in certain circumstances. The proposal arose after France expressed anger with Italy for issuing temporary residence papers to thousands of French-speaking Tunisian refugees who had arrived in Italy but wanted to move to France, where many had relatives and friends.

Last month the anti-Schengen mood spread to Denmark, whose government announced plans to reinstate border controls. At face value, it appeared a significant concession to the populist, anti-immigrant Danish People's party, which seized almost 14 per cent of the vote in the 2007

national election and provides essential parliamentary support for the government. But Ms Malmström thinks the true picture may be less alarming. “It was a political decision, but not a piece of legislation. We’re in discussions with the Danish government,” she says.

Perhaps the most sensitive and least discussed aspect of the problem is that, according to many experts, the EU will need more immigrants in coming decades to compensate for ageing populations and low birth rates. Peter Sutherland, the UN secretary-general’s special representative for migration, wrote in the European Voice newspaper last month that the bloc should find ways to deter uncontrolled mass North African immigration and attract legal migrants. “We should seriously consider liberalising trade regimes, opening new avenues for legal migration, and vastly expanding the number of students from the region who come to Europe for education and professional training.”

No one is more aware than Ms Malmström of the obstacles to such a proposal. “When I meet ministers responsible for labour policies, they almost all speak of the need for immigrant workers – and it’s true, we need hundreds of thousands, millions in the long term. But when the ministers go and speak in front of their national publics, this message is not to be heard at all.”

She concedes: “The need for immigrants is hard to explain in a climate of high unemployment, riots in the streets, financial crisis and people in extreme difficulties.”

Back in Malta, politicians such as Mr Muscat concur whole-heartedly. Yes, there are long-term demographic pressures in Europe, he says. “But it doesn’t comfort anyone here in Malta who is on the front line.”

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