

GLOBAL POLITICAL ECONOMY - 181

BUSINESS AND POLITICS IN THE MUSLIM WORLD

Weekly Report on Global Economic and Business Developments

Period: July 17 – July 23, 2011

Submitted By: *Muhammad Ibrahim*

Presentation: July 27, 2011

Report Outline

GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD 04

- World Bank chief calls for "thinking big" on Doha Round
- Global aid for trade up by 60 pct, outlook stable: WTO report
- Latin America needs to generate endogenous growth: UN official
- China continues to be "bright spot" in global economy: IMF
- IMF calls for further actions to contain debt crisis in euro area
- EU summit delivers no "spectacular" solution: Merkel
- EU leader warns of damages if Greek crisis summit fails
- Germany, France reach agreement on Greece before EU summit
- Merkel stresses "historic duty" to defend euro
- France sees rising debts after Greece bailout
- World's biggest dairy firm announces third farm in China
- IFC posts record investment results in Asia-Pacific in FY2011
- Gold drops for third session in row as Euro zone Summit shows progress
- Oil gains on positive data, no new IEA release
- Cisco to cut 6,500 jobs

GLOBAL BANKING & FINANCE 14

- Foreign holdings of U.S. long-term securities rise in May
- China's tax revenue surges 29.6 pct in H1
- South Sudan decides to issue new currency
- SAFE reiterates no direct forex loss on yuan's rise
- Chinese yuan welcomed in Romania: national bank governor

- Romanian central bank prepares for contagion risk: governor
- Yuan hits new high after six-year exchange reforms
- Euro to be weaker currency: U.S. experts
- Dagong Global starts rating int'l financial institutions
- IBRD provides 7.6-bln-dollar financing to Turkey: report

INTERNATIONAL TRADE

22

- Commerce minister says China to back imports of safe Japanese products
- Chinese Association asks EU to drop anti-dumping measures on Chinese steel fasteners
- South Korea eyes ratification of trade deal with U.S. next month: official
- Singapore ranks second in most popular cities for international business
- South Korea to scrap anti-dumping duties on Chinese pigments
- China extends antidumping duties on imported TCE from Russia, Japan
- Russia upgrades grain export forecast to 18 million tons
- China MOC ends anti-dumping measures against PBT resin from Japan and Taiwan
- Chinese central SOEs net profits up 14.6 pct in H1
- Chinese call for tighter supervision on foreign-invested companies after ROK-invested toy maker folds
- China-New Zealand bio-security pacts bear fruit for consumers
- EU anti-dumping duties "unwarranted": Chinese bicycle makers

WORLD ECONOMIES

30

- Venezuela to introduce new law on prices to curb inflation
- Western Australia has nation's leading economy: report
- Japanese economy to contract 0.7 percent in 2011: IMF
- Japan's lower house approves 2nd recovery budget
- Japan's exports fall 1.6% on year in June
- U.S. debt talk makes "significant step": Obama
- Mixed factors drive U.S. commodity, food price increases: report
- Obama might accept short-term deal to lift debt limit: White House
- U.S. House passes huge debt reduction bill

- U.S. jobless claims up 10,000 last week
 - U.S. recovery from crisis far from complete: Bernanke
 - U.S. mayors meet in Los Angeles on economic recession
 - Cuba allocates idle lands to farmers
 - Long-term foreign investment grows in Indonesia: central bank
 - S&P raises Kuwait's sovereign credit ratings on high GDP
 - Athens takes new steps to draw visitors amid debt crisis
 - Brazil raises key interest rate to 12.5%
 - Sydney to develop late night economy
 - Moody's cuts Belarus credit rating to B3 from B2
 - Euro area industrial new orders up 3.6 pct in May
-

GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD

World Bank chief calls for "thinking big" on Doha Round

WASHINGTON -- World Bank Group President Robert Zoellick urged the world's trading nations to "think big" to facilitate the Doha Round of trade talks and provide a significant boost to current troubled global economy, the bank said in a Sunday statement.

In a speech to be delivered in Geneva, Switzerland to the World Trade Organization (WTO) on July 18, Zoellick noted that the fate of the Doha Round that he helped launch in 2001 was "deeply disappointing" and the consequence could be a missed opportunity for a global growth strategy when the world badly needed one.

"I won't sugarcoat it. Negotiators from key countries -- developed and developing -- let themselves fold into defensive crouches. Tactical ploys overwhelmed strategic vision and leadership," Zoellick said in the prepared remarks.

The World Bank head urged WTO members to take bolder action by "thinking ahead and thinking big", adding that the global trade deal now being considered was much smaller than that originally envisaged and it was a loss to both developed and developing countries.

"A mini-deal won't do much for global growth, which is my primary concern," Zoellick added.

http://news.xinhuanet.com/english2010/business/2011-07/18/c_13991011.htm

Global aid for trade up by 60 pct, outlook stable: WTO report

GENEVA -- Global aid for trade commitments have reached some 40 billion U.S. dollars in 2009, a 60-percent increase from the 2002-05 baseline period, said a World Trade Organization (WTO) report on Monday.

According to the report launched by the Geneva-based WTO, disbursements in purpose of aid for trade have been increasing at a constant growth rate of above 10 percent each year since 2006, reaching some 29 billion dollars in 2009, the report said, drawing a conclusion that "past commitments are being met."

For recipient countries and regions, "results range from increased export volumes, to more employment, to faster customs clearance times and impacts on poverty," said WTO Director-General Pascal Lamy, introducing the report at the Third Global Review of Aid for Trade held the same day.

The meeting is convened to assess the achievement made since the launch of the Aid for Trade Initiative at the Sixth WTO Ministerial Conference in Hong Kong in 2005.

Statistics from the report shows that Sub-Saharan Africa has received the largest share of total aid for trade among all regions, with an increase by 40 percent in 2009, reaching 13 billion dollars, while commitments to the Americas increased by almost 60 percent to 3 billion dollars.

Oppositely, aid for trade to other regions saw rapid declines. The commitments to Asia fell by 18 percent in 2009, 34 percent in Europe, and 28 percent in Oceania, compared to the previous year.

The report attributes this shift in regional distribution to the increased focus of aid for trade on the low-income countries and regions, saying that their share of commitments increase by 26 percent in 2009, while the share of middle-income countries and regions declined by 29 percent.

Despite the financial crisis, donor states and multilateral partners have managed to keep their aid growing in a steady pace, and rising of South-South cooperation on the issue has become another contributing factor. For these reasons, the report projected a stable outlook on future aid for trade.

Aid for Trade is functioned to help developing and least-developed countries and regions to increase exports of goods and services, to integrate more effectively into the multilateral trading system and to benefit from liberalized trade and increased market access opportunities.

To achieve that purpose, the Aid for Trade Initiative was introduced to help developing economies in overcoming their supply-side constraints, build their economic infrastructure and increase their competitiveness.

http://news.xinhuanet.com/english2010/business/2011-07/19/c_13993203.htm

Latin America needs to generate endogenous growth: UN official

SANTIAGO -- Latin American countries should use the profits from raw materials to boost their economic growth, a UN official told Xinhua Tuesday.

The rising prices of raw materials in the international market have brought extra revenues to the Latin American countries, whose economies depend considerably on exporting such products, said Alicia Barcena, executive secretary of the UN Economic Commission for Latin America and the Caribbean (ECLAC).

However, the heavy reliance on the external sector also makes the region vulnerable, and a viable solution is to promote internally driven economic growth, she told Xinhua in an interview. Thus Latin American countries need to "take advantage of the favorable situation of the external sector to support the internal development," she said.

The income from raw materials, Barcena said, should be used to pursue such long-term goals as creating more jobs, improving the economic structure and upgrading local industries so as to achieve sustainable economic growth.

Meanwhile, she stressed that one of the biggest challenges facing the region is that it is becoming vulnerable to speculative capital movements in the quest for short-term gains.

"We have nothing against capital for the production sector. That is all welcome. But we are not interested in speculative capital which leaves the minute after it arrives, leaving damage as a tsunami," said Barcena.

The Santiago-based ECLAC predicted last week in a report that the regional economy will grow 4.7 percent in 2011 and 4.1 percent in 2012, but it also cautioned that the pace is contingent on how China, the United States and the European Union will fare.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13997000.htm

China continues to be "bright spot" in global economy: IMF

WASHINGTON -- China contributed significantly to the global economic growth during the financial crisis and the trend is expected to continue, according to a report released by the International Monetary Fund (IMF) on Wednesday.

The Executive Directors of the IMF believed that "expansionary policies in China during the crisis had played an important role in bolstering global stability and growth, and expected China's positive externalities to continue, especially for regional economies," said the IMF in its annual assessment of the Chinese economy.

"A major disruption in China's so-far-steady growth would have material adverse consequences for the rest of the world," said the Washington based international financial institution.

It noted that China's economy remains on a solid footing, propelled by vigorous domestic and external demand.

"Chinese economy will continue to be a 'bright spot' in the global growth," Nigel Chalk, Senior Advisor of the IMF's Asia and Pacific Department and Mission Chief for China, told reporter during a conference call.

"We do see the growth is very healthy, and inflation is declining," Chalk added.

"China's near-term growth prospects continue to be vigorous and are increasingly self-sustained, underpinned by structural adjustment," revealed the report.

According to the IMF projection, Chinese economy will grow 9.6 percent in 2011 and 9.5 percent in 2012.

In 2010, the world second largest economy grew 10.3 percent, which topped the major economies in the world.

Still, it is facing challenges, some of which are in relation with the crisis tackling measures.

On the risk side, the IMF sees inflation, asset price increases and rapid credit growth in banking systems are the major threats.

"While inflation is expected to subside reflecting ongoing monetary policy tightening, upside risks remain, in particular from higher food and commodity prices," it noted. "Asset price developments and continued rapid credit growth, coupled with global liquidity conditions, pose policy challenges."

The fund praised the actions taken by the Chinese government to cool down rising property prices, emphasizing that any long-term solution to property bubbles would need to involve a significantly higher cost of capital, financial development, and higher real estate taxation.

It suggests that the current environment calls for a further tightening of macroeconomic policies.

In the longer-term, the 187-member global lender also noted that the acceleration of China's economic transformation toward a more inclusive and balanced growth model will improve the welfare of the Chinese people and contribute to sustained and balanced global growth.

On the spillovers of the Chinese economy to the outside world, the fund noted that China will continue to be a positive driver of the global growth. This is the first time that the fund conducted such assessment of the Chinese economy,

Meanwhile, it pointed out that "a combination of currency appreciation and reforms to rebalance the growth model, together, would yield substantial benefits for both China and other countries."

Moreover, the fund welcomed China's generous contributions to low-income countries in both financial and technical assistance.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_13999230.htm

IMF calls for further actions to contain debt crisis in euro area

WASHINGTON -- The International Monetary Fund (IMF) on Tuesday urged policy makers to take further actions to contain the sovereign debt crisis in the euro area, warning that a spread to the core euro countries could cause "major global consequence."

The euro area (EA) is facing "lingering financial and sovereign market tensions," said the IMF in its annual economic assessment report on the 17-country euro area.

"These sovereign tensions constitute a key risk to the outlook with possible large regional and global implications," it noted.

The Washington-based international lender said that a year after Greece first sought financial support from the official international community, its adjustment problems are once again dominating headlines and many solutions- orderly and disorderly- are still possible.

The fund said that the banking system in EA continues to display weaknesses. Leverage and dependence on wholesale funding remain high. Banks in the periphery are vulnerable from large exposures to their governments and real estate and from high marginal wholesale funding costs. Across the region, banks are significantly exposed to sovereign risks, with a weak tail of banks with low profitability and very thin capital levels remaining particularly vulnerable to further shocks.

"Despite adjustment efforts and support from euro area member states and the ECB, market participants remain unconvinced that a sustainable solution is at hand."

"The crisis in the periphery is not fully addressed yet... Directors think this should be done very urgently," said Luc Everaert of the IMF's European Department, detailing the new report.

Executive directors of the IMF noted the risks that the euro area sovereign debt crisis poses to both European and global recoveries.

"An intensification of the EA debt crisis, especially if stress were to spread to the core EA, could have major global consequences," warned the IMF in its spillover report accompanied with the economic situation report.

It called for strong policy implementation in the program countries, a more consistent effort across the euro area to restore market confidence, and a significant strengthening of economic governance, building on current efforts.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13995915.htm

EU summit delivers no "spectacular" solution: Merkel

BERLIN -- German Chancellor Angela Merkel said Tuesday that the upcoming European Union (EU) summit could not bring about a "spectacular" or all-round solution for the Greek debt crisis as well as the euro zone woes.

"If you are politically responsible, and this is what the (German) government wants to be, you know that such a spectacular, single step cannot happen, including (summit) on Thursday," Merkel said in a press conference in Hannover, where she and Russian President Dmitry Medvedev have co-chaired a high-level consultation since Monday.

The chancellor of Europe's largest economy, and also the largest contributor in the bailout for Greece, believed that Thursday's summit in Brussels could help ease Greece's debt pressure, but "further steps will be needed, not one spectacular event can solve all problems."

Instead of finding quick solutions, Merkel suggested that the euro zone nations "need a controlled and manageable process of successive steps and measures, which has one single purpose, namely getting to the origin of the problem."

"This means the issue of reducing Greece's debt and the issue of raising its competitiveness," she added.

With an aim to ease recent market worries over the euro zone economy, Thursday's EU summit is expected to hammer out a deal on the second rescue plan for Greece, which already received more than 110 billion Euros (156 billion U.S. dollars) of bailouts last year from the EU and the International Monetary Fund (IMF).

However, the summit was overshadowed by the long-time rifts between Berlin and the European Central Bank (ECB) as well as other EU nations, as Germany insisted that private bondholders should share part of the bailout burden in the new rescue package.

The ECB and other euro zone states warned that such a move could put Athens into default and cause more turmoil in countries with poor financial records, such as Italy and Spain, euro zone third and fourth largest economy.

http://news.xinhuanet.com/english2010/world/2011-07/20/c_13995921.htm

EU leader warns of damages if Greek crisis summit fails

BRUSSELS -- European Commission President Jose Manuel Barroso on Wednesday warned that a failed crisis euro summit on Thursday could damage the European economy as a whole and send shockwave beyond to the global level.

"Nobody should be under any illusion: the situation is very serious," Barroso told a press conference, just one day ahead of a crisis summit which is expected to outline a new rescue package for debt-ridden Greece.

"It requires a response, otherwise the negative consequences will be felt in all corners of Europe and beyond," Barroso said.

According to Barroso, Thursday's summit will also focus on the role of the European Financial Stability Facility (EFSF), repairing of the banking sector, and measures to ensure the provision of liquidity to European banking system.

He said the commission had created a Task Force for Greece, consisting of experts to help push forward Greek reforms, and that a proposal for the transposition of the Basel III agreement on bank capital requirements had been adopted.

"All of this is part of the wide-ranging exercise of reform and renewal that Europe is undertaking and that Europe has to deepen. But all of our efforts are based on a strong single market and a strong Euro. That is what is at stake," Barroso said.

http://news.xinhuanet.com/english2010/world/2011-07/21/c_13998425.htm

Germany, France reach agreement on Greece before EU summit

BERLIN -- German Chancellor Angela Merkel and visiting French President Nicolas Sarkozy have found a common position on rescuing indebted Greece, hours ahead of a key EU summit, officials said early Thursday.

Joined by the European Central Bank (ECB) President Jean-Claude Trichet, Merkel and Sarkozy reached an agreement on the next bailout plan for Greece, German government spokesman Steffen Seibert said after hours of late-night talks between the leaders.

The three leaders also communicated with European Council President Herman Van Rompuy by telephone during the meeting, he added, without giving any details of the agreement.

The key EU summit, scheduled for Thursday in Brussels, is aimed at finding a convincing solution to debt-ridden Greece, which was granted its first 110 billion euro (156 billion U.S. dollar) EU/IMF bailout last year but failed to end the financial nightmare.

Heads of state of the 17-nation euro zone, IMF chief Christine Lagarde and Trichet are due to attend the meeting.

Trichet showed up unexpectedly in Merkel's office late Wednesday, and took part in the discussion between Germany and France, two crucial powers in European affairs and the main contributors to bailouts for euro zone nations.

Although the two governments expressed confidence before Wednesday's talks, observers warned that Berlin and Paris' disagreement regarding the terms of the new bailout for Greece would create a lot of uncertainty at the upcoming summit.

Backed by Finland and the Netherlands, Germany has long demanded that private creditors should share the burden of rescuing Greece, while France and the ECB opposed such moves, arguing that it would trigger a selective default in Greece and cause more disastrous outcomes in the euro zone.

On Tuesday, Merkel played down expectations for the summit, saying that the meeting would not bring about a "spectacular" or all-round solution to the Greek debt crisis as well as the euro zone financial woes.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_13999470.htm

Merkel stresses "historic duty" to defend euro

BERLIN -- German Chancellor Angela Merkel on Friday expressed confidence in Greece's getting over the debt crisis, saying that her country and other euro zone members have "historic duty" to defend the euro.

Speaking at a pre-holiday press conference, Merkel said she is confident that the debt-gripped Greece would finally walk out of the shadow of financial woes, and Europe would become stronger after the worst crisis in euro's 12-year history.

Her comments come one day after an emergency summit held in Brussels, where euro zone leaders hammered out a new bailout package for Greece in late night, including 109 billion Euros (157 billion U.S. dollars) of new loans, increased flexibility of the EFSF (the European Financial Stability Facility) fund and private sectors' involvement.

Merkel hailed Thursday' rescue deal as "a significant outcome" of the summit, stressing that "it is our historical duty to support the euro."

"We know that the problem of one is also the problem of all of us," she said. "The euro is part of Germany's economic success. A Europe without the euro is unimaginable, and it is worth every effort."

"Standing, together, we will make it," the chancellor added. "Every euro zone state knows their responsibility."

Besides the helping hand from outside, Merkel said Greece also has a strong responsibility of implementing structural reforms and tough austerity measures.

"It is a very, very important thing that Greece should carry out its program," she said. "You have to solve the problem from the root, which is about the debt and (the country's) competitiveness."

Fighting back criticism that she looked impassionate and hesitant when handling the euro zone debt troubles, Merkel said "if I had as much passion for everything as I have for Europe, I could fill my day with 48 hours."

She said she has a passion of her own kind and it is always "intense".

Those who hoped for a once-for-all solution to the complicated problem are negligent and losing patience, she added.

The chancellor acknowledged there was no concrete amount of Germany's contribution in the second rescue package for Greece, but her government will do everything to "keep the cost as low as possible."

Although polls showed using taxpayers' money to bail out Greece is quite unpopular in Germany, Merkel said she is optimistic about winning lawmakers' support for the new rescue plan, and the legislation could be approved due to the majority of her centre-right coalition in the parliament.

The German parliament now is on a summer break. It is reported that the new Greek deal is to be voted in early September.

http://news.xinhuanet.com/english2010/business/2011-07/23/c_131003406.htm

France sees rising debts after Greece bailout

PARIS -- French Prime Minister Francois Fillon on Friday forecast an increase of the country's debts by 2014 due to the new bailout package for Greece.

"These decisions have no direct impact on our public finances ... This will have an indirect effect (which) is an increase of our debts by about 15 billion Euros (21.59 billion U.S. dollars) by 2014...," Fillon said at a meeting at his office with parliament members.

Eurozone leaders agreed on Thursday to help bail out debt-ridden Greece with new fund worth 109 billion Euros (157 billion U.S. dollars).

Fillon stressed that the further rise in debts would not hamper the government's efforts to meet its public deficit target set at 3 percent for 2013.

"This objective must be respected. It does not require further efforts ..., it needs to strictly respect the commitments that were made under the finance law ... to continue to reduce tax loopholes, to continue to reduce public spending, to not replace a public worker ... to further support local communities to participate in the collective effort," Fillon told local media.

France estimates debts to rise to 85.4 percent of gross domestic product (GDP) this year and 86.9 percent in 2012. It wants to cut budget deficit to 6 percent of GDP in 2011 and then to 3 percent in 2013.

http://news.xinhuanet.com/english2010/business/2011-07/23/c_131003386.htm

World's biggest dairy firm announces third farm in China

WELLINGTON -- The world's biggest dairy company Tuesday announced an expansion of its production in China with an agreement to invest 260 million yuan (40 million U.S. dollars) in its third Chinese dairy farm.

New Zealand-based Fonterra, a farmer-owned cooperative, said the agreement with the government of Yutian County, Hebei Province, was the next step in its strategy to build a high-quality and sustainable fresh milk supply for the Chinese market.

The 40-hectare farm was expected to raise Fonterra's total milk production in China to around 90 million liters of fresh milk every year.

"The demand for milk in China is expected to triple over the next 10 years, and much of this demand is for liquid and fresh milk products," said Philip Turner, president of Fonterra China, in a statement from Fonterra.

"Our future in China is underpinned by our ability to grow high- quality local milk production for our customers and by playing a strong role in the development of the local dairy industry."

Peter Moore, chief operating officer of Fonterra International Farming Ventures said the firm's pilot farm project, established in Hangu in 2007, demonstrated Fonterra could successfully produce high quality local milk profitably.

"Today's announcement of our third farm investment agreement is the next step in our plans to build a hub of farms in Hebei Province in the next five years," said Moore.

Ji Xinglong, Mayor of Yutian County, said Fonterra's two farms in the region were helping to build Yutian's reputation as a key national agriculture demonstration zone.

"We welcome the investment in the area and will support them in any way we can to ensure they have the right environment for their operations," said Ji.

Fonterra Yutian Farm Two would be developed on 611 mu of land (40.75 hectares) in Yutian County, Tangshan City, 130 km from Fonterra's existing farm in Hangu and 9 km from the first farm in Yutian County.

It would house around 3,200 milking cows, which were expected to produce around 28 million liters of milk a year, and would train and employ around 100 local staff.

Construction would begin in November and was expected to be completed by late 2012.

Moore said good progress had been made on Fonterra's first farm in Yutian, since the signing of the investment agreement in late 2010.

"We transferred the first 1,140 heifers to Fonterra Yutian Farm in June and we expect another 3,000 to be delivered from New Zealand in October 2011. We are on track to start milking in November this year."

Fonterra would sell milk from the new farm to leading local and international dairy brands in China, said the statement.

Fonterra, best known for its Anchor brand of products, is the largest processor of milk in the world, producing more than 2 million tonnes of dairy products every year and employing 16,000 staff.

Fonterra had a 43-percent stake in the Hebei-based Sanlu dairy company, which collapsed in late 2008 after thousands of babies fell ill and six were believed to have died after consuming infant formula contaminated with the industrial chemical melamine.

http://news.xinhuanet.com/english2010/business/2011-07/19/c_13994705.htm

IFC posts record investment results in Asia-Pacific in FY2011

HONG KONG -- International Finance Corporation (IFC), a member of the World Bank Group, said Thursday that it has made record investments results in the Asian- Pacific region during fiscal year 2011, with its investment commitments in 120 projects totaling 3.9 billion U.S. dollars for the region.

The new investments were expected to support 30,000 jobs, benefiting 840,000 farmers, and facilitating loans to micro, small, and medium enterprises worth around 21 billion U.S. dollars, said IFC, one of the largest global development institution focused exclusively on the private sector, in a statement.

Of the all projects, IFC committed 670 million U.S. dollars for 25 projects in China, covering areas including energy efficiency financing, wind power production and development, clean technology, rural finance, water management, agribusiness and healthcare.

To underscore the importance of the Asian region, IFC has appointed Karin Finkelston as the institution's first vice president exclusively focused on Asia.

"Our record investment numbers underscore IFC's strategy of supporting jobs through investments in infrastructure, access to finance for small and medium enterprises, and fighting climate change through clean energy and energy efficiency, as well as investments in socially important sectors such as water and health care," said Finkelston.

The company's preliminary results for the fiscal year ending June 30, 2011, showed an 11 percent increase in investment projects in Asia from the previous year, with two-thirds of investments in the region's poorest countries, rising to 1.7 billion U.S. dollars from 1.4 billion U.S. dollars a year ago.

Globally, IFC invested about 18.7 billion U.S. dollars in 513 projects in 2011, up 0.7 billion U.S. dollars from the previous year.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_131000887.htm

Gold drops for third session in row as Euro zone Summit shows progress

CHICAGO -- Gold futures on the COMEX Division of the New York Mercantile Exchange extended a losing streak into three sessions on Thursday, after European leaders agreed on a plan to contain the region's sovereign-debt crisis, dimming gold's shine as a safe-haven asset.

The most active gold contract for August delivery dropped 9.9 dollars, or 0.6 percent, to 1,587 dollars per ounce.

A trader mentioned that the precious metal has lost some steam as officials indicated that German Chancellor Angela Merkel and visiting French President Nicolas Sarkozy had found a common position on rescuing indebted Greece, hours ahead of a key EU summit.

But some analysts believed that gold remained well supported as some investors worried that the new plan might not be enough to restore market faith in European financial system which exhibited a lack of credibility.

The dollar index, which compares the U.S. unit with a basket of six currencies, dropped on Thursday, lifting gold's appeal as an alternative asset.

Silver for September delivery lost 61.1 cents, or 1.5 percent, to 38.947 dollars per ounce.

http://news.xinhuanet.com/english2010/business/2011-07/22/c_131000992.htm

Oil gains on positive data, no new IEA release

NEW YORK -- Crude prices gained on Thursday as U.S. data came in upbeat and International Energy Agency (IEA) confirmed that it will release no more oil strategic reserve.

According to Philadelphia Federal Reserve's survey, the Mid- Atlantic manufacturing sector expand in July after a contraction in June, with the Philly Fed's general business conditions index rising to 3.2 from minus 7.7. An improving manufacture lifted crude market sentiment.

As the euro-zone leaders summit is held on Thursday, there were signs that a plan to solve indebted Greece's fiscal problems would be adopted. Hopes among investors helped push oil higher.

And the euro rose over 1 percent against the dollar. The dollar index, therefore, dipped about 0.8 percent, making oil more attractive to the investors holding foreign currencies.

The IEA confirmed on Thursday that it would not release more oil reserve for now. The western watchdog said none of its 28 members asked to inject more oil into market after the 60-million release late June, missing the expectation of many analysts.

Light, sweet crude for September delivery rose 73 cents, or 0.74 percent to settle at 99.13 dollars a barrel on the New York Mercantile Exchange. But in London, Brent crude for September delivery edged down 64 cents, or 0.54 percent to close at 117.51 dollars a barrel.

http://news.xinhuanet.com/english2010/business/2011-07/22/c_131000990.htm

Cisco to cut 6,500 jobs

SAN FRANCISCO -- World's largest networking- equipment maker Cisco Systems Inc. on Monday announced that it is cutting 6,500 jobs as part of its moves to boost profitable growth.

The layoffs, representing about nine percent of Cisco's regular full-time global workforce, include some 2,100 employees who elected to participate in a voluntary early retirement program, the company said.

The cuts also include the reduction of executive staff at vice president and above level by about 15 percent.

Impacted employees in the United States, Canada and select countries will be notified during the first week of August, while the remainder of the global workforce reductions are expected to occur at a later date, according to Cisco.

"While these decisions do not come easily, we believe we have right-sized the organization and realigned our workforce to support our priority areas, while retaining the capabilities and talent to effectively support our long-term strategy," Cisco said in a statement.

"Our impacted employees will be treated with respect and receive appropriate severance benefits," it added.

Cisco estimates that the cuts will cost it 1.3 billion U.S. dollars over several quarters, consisting of severance and other one-time termination benefits.

It expects that 750 million dollars of these charges will be recognized during the fourth quarter of fiscal 2011, including approximately 500 million dollars relating to the voluntary early retirement program.

Cisco noted that the reduction of workforce is part of its plan to cut the costs by 1 billion dollars in fiscal 2012.

The company on Monday also announced that it has agreed to sell its set-top box manufacturing facility in Juarez, Mexico, to Foxconn Technology Group.

The approximately 5,000 people employed at the facility will become employees of Foxconn in the first quarter of fiscal 2012 and no job losses are expected as a result of the sale, Cisco said.

After dominating market of IP routing and switching for more than two decades, Cisco has been suffering a slow down recently with some of its main businesses moving to rivals such as Hewlett- Packard.

In early May, Cisco announced that it will simplify operations structure to focus on key growth areas. In April, Cisco's CEO John Chambers acknowledged that mistakes had been made in the company's operational execution and warned that "tough decisions" would be made to preserve its profitability.

http://news.xinhuanet.com/english2010/business/2011-07/19/c_13993211.htm

GLOBAL BANKING & FINANCE

Foreign holdings of U.S. long-term securities rise in May

WASHINGTON -- Total foreign holdings of U.S. long-term securities in May reached 4.514 trillion U.S. dollars, up from 4.4891 trillion dollars in April, the U.S. Treasury Department reported on Monday.

The figures reflect demand for U.S. Treasury obligations and other assets including stocks and government agency debt, key to funding the massive U.S. balance of payments deficit with the rest of the world.

According to the Treasury International Capital report, China, the largest holder of U.S. Treasury securities, increased its holdings by 7.3 billion dollars to 1.1598 trillion dollars in May from the previous month.

Japan, the second largest foreign holder of U.S. government debt, also boosted its holdings from 906.9 billion dollars in April to 912.4 billion dollars in May.

Britain, the third largest holder, increased its holdings to 346.5 billion dollars in May from 333 billion dollars in April.

The debt figures are closely watched at a time when more and more investors believe that the U.S. soaring debt is unsustainable.

The world's largest economy has hit the 14.29-trillion-U.S.-dollar legal ceiling on borrowing 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.

U.S. federal budget deficit reached 1.29 trillion dollars in the fiscal year 2010 ended September 30. It recorded a historic high of 1.42 trillion dollars in fiscal year 2009 when the economy was hit deeply by the financial crisis.

According to President Barack Obama's fiscal year 2012 budget, the U.S. federal deficit in 2011 is expected to hit a new record of 1.65 trillion dollars.

In recent days, the debt limit and deficit cut battle has been shown on the Washington political stage.

Although both parties stressed that the debt reduction should be "balanced" in nature, they are unwilling to take on their own sacred cows, slowing the negotiation process and making the markets increasingly impatient.

Obama highlighted the new investments to shore up short-term economic growth and pressed for heavier taxes on the wealthy, while Republicans pushed for no new taxes and steep budget cutting to honor their mid-term election promises.

Analysts say that the Monday report shows that foreign investors didn't lose their confidence for U.S. government debt in May, even though the United States reached its borrowing limit on May 16.

http://news.xinhuanet.com/english2010/business/2011-07/18/c_13993117.htm

China's tax revenue surges 29.6 pct in H1

BEIJING -- China's tax revenue rose 29.6 percent year-on-year to exceed 5 trillion yuan (769.66 billion U.S. dollars) in the first half of the year, the Ministry of Finance announced on Tuesday.

The rate of increase was lower compared with the 32.4-percent rise in tax revenues in the first quarter of the year.

The ministry attributed the tax revenue increase in the first six months to improvements in the profitability of the country's enterprises, which have been buoyed by rapid economic growth.

Inflation has also played a role in the surging tax revenues, as most of China's taxes are calculated using current prices, the ministry said in a statement on its website.

The country's economy increased by 9.6 percent year-on-year in the first half of the year. Inflation hit a three-year high of 6.4 percent in June, despite the government's efforts to ease price rises.

From January to June, revenues from value-added taxes, which account for 24.8 percent of the country's total tax revenues, grew by 19.7 percent from a year earlier to reach 1.24 trillion yuan, the ministry said.

Revenues from personal income taxes and tariffs climbed 35.4 percent and 32.1 percent year-on-year, respectively, in the first six months, it said.

http://news.xinhuanet.com/english2010/china/2011-07/19/c_13995431.htm

South Sudan decides to issue new currency

KHARTOUM -- The south Sudan state has recently announced that it was planning to launch a new currency to replace the Sudanese pound circulated there, while in response, the Central Bank in north Sudan declared its intention to launch a new currency to replace the current one.

The "war of currency" has become the term for the newest confrontation between north and south Sudan, which have become two separate states since July 9, after Khartoum and Juba decided to break the link in dealing with the Sudanese pound and issue two new currencies.

The sudden move by south Sudan and the quick response by north Sudan prompted concerns over negative impacts on the economies of both countries at a time when the south Sudan population is circulating a cash mass worth of two billion Sudanese pounds (about 700 million U.S. Dollars).

In this respect, Dr. Mohamed Al-Nayer, a Sudanese economic expert, held the south Sudan state's government responsible for launching the "war of currency."

"The ill intention by the government of the south was available in great percentage," Al-Nayer told Xinhua. "There was an agreement in advance on dealing with the Sudanese pound for six months. The south Sudan state has backtracked from the agreement and surprised the world with a currency that was ready and subject to circulation as of current July 18," he added.

"The south's rush to print and circulate a new currency would have negative impact on the economy of the north, which would lead to an increase in the exchange price and the necessary commodity price," he said.

Al-Nayer further criticized the previous agreement between north and south Sudan on dealing with the Sudanese pound for six months, saying that "this agreement is unsound in terms of economic standards because circulation of one currency in two separate states is unsound."

He further reiterated that there were logical reasons for South Sudan to issue a new currency, saying "issuing of a new currency would avail the opportunity for South Sudan to remove whatever points to South Sudan culturally or symbolically in the Sudanese currency."

"Additionally, the change of the currency avails the opportunity for producing a currency of highly security standards and unsusceptible to forgery, particularly that the Sudanese currency has come through organized forgery in many occasions in the past period," he noted.

Al-Nayer stressed the importance for the concerned authorities in Sudan to speed up replacement of the old currency and declare it as illegal tender banknotes, saying "I advise the government of

Sudan that the period for replacing the old currency should not exceed two to three weeks maximum and then it should declare the old currency as illegal tender banknotes."

"Speeding up the replacement of the old currency with the new one is likely to block the way before any endeavor by the South Sudan government to transfer the cash mass it has to the north to replace it with the new currency. However, if the replacement process lasted for three months, the cash mass in the south would come to the north," he said.

Dr. Al-Nayer, meanwhile, downplayed the south Sudan state's move of launching its pound with the same value of the Sudanese pound, saying that "the south Sudan government has selected the shortest ways to convince the southern Sudanese citizens to withdraw the old pound from them and replace it with a new one to avoid many problems with its citizens."

He expected that the southern Sudan pound would be less in value than the Sudanese pound as for lack of reserve of foreign currency in the south Sudan state because it is a new born state besides lack of any kind of production in the south.

"South Sudan pound will be less in value than the Sudanese pound at the short term for many reasons including that South Sudan is a new state and does not have a reserve of foreign currency besides lack of enough production. Therefore, the south will suffer a great gap in commodities and services," he said.

"The real strength of South Sudan's pound would appear after completion of the currency replacement in South Sudan. South Sudan's pound may become strong at the medium and long term, but this depends on the ability of south Sudan government to run the economy and secure a considerable reserve of foreign currency," he said.

In the meantime, Somia Sayed, a Sudanese economic analyst, for her part, declaimed to term the move by north and south Sudan states to replace their currencies as a "war of currency."

"I'm not inclined to call this matter the (currency war) because each country is supposed to have its own currency and to adopt all the necessary measures to protect its economy," she told Xinhua.

She reiterated that the decision of the government of Sudan to replace its old currency with a new one was a correct economic decision, saying that "it would have been disastrous for north Sudan if the south managed to launch its currency first."

Juba, capital of the south Sudan state, on Monday started launching its new currency, the pound, which bears the photo of late John Garang, the historical leader and founder of the Sudan People's Liberation Movement (SPLM), where the banks in the south started the process of replacing the old currency with the new one prior to be circulated as of this week.

Governor of the Central Bank of Sudan, Mohamed Khair Al-Zubair, in turn, announced on Saturday, the launch of a new currency at all the branches of the bank prior to the beginning of replacing the old currency with the new one through the official channels during a period that would not exceed three months, saying the cost of the print of the new currency amounted to 40 million euros (57.2 million U.S. dollars).

Speaking at a press conference, Al-Zubair reiterated readiness to cooperate with South Sudan to restore the old currency currently circulated in the south.

Preliminary indications showed that the south Sudan state would lose about 700 million dollars because of the replacement of the old currency which constitutes the cash mass currently being circulated in the south.

http://news.xinhuanet.com/english2010/business/2011-07/19/c_13995894.htm

SAFE reiterates no direct forex loss on yuan's rise

BEIJING -- China's foreign exchange regulator reiterated Wednesday that an appreciation of China's currency renminbi, or yuan, will not directly result in a loss of the country's foreign exchange reserves.

Value changes in foreign exchange reserve assets only happen when they are converted to yuan, the State Administration of Foreign Exchange (SAFE) said in a statement on its website.

"Currently China does not need to repatriate forex reserves massively," it said.

Currency fluctuations only reflect a change to the book value, it said, adding it is not an actual loss and does not affect real purchasing power of the forex reserves.

Government data shows China's forex reserves totaled nearly 3.2 trillion U.S. dollars by the end of June.

The statement echoed the stance the SAFE voiced in May, which was made after a government researcher said in an essay that China likely suffered an accumulated loss of around 271 billion U.S. dollars on foreign exchange reserves since 2003 because of the yuan's appreciation.

However, excessive growth and size of foreign exchange reserves pose challenges to the management, SAFE said, adding it will accelerate reform of the formation mechanism of the yuan exchange to promote an international balance of payment.

SAFE also called for the United States government to take "concrete and responsible measures" to strengthen confidence in the international financial market and respect and secure investors' interests.

The call was made after credit rating agencies such as Standard & Poor warned the U.S. government about its growing sovereign debt.

China is by far the largest holder of U.S. debt, with holdings at 1.153 trillion U.S. dollars by the end of April.

SAFE added that using China's forex reserves to make large-scale investments in global commodities, such as gold and oil, would hurt domestic consumption and economic development as the move would increase the price of commodities.

http://news.xinhuanet.com/english2010/china/2011-07/20/c_13997974.htm

Chinese yuan welcomed in Romania: national bank governor

BUCHAREST -- The Chinese currency - the yuan - and Chinese banks are welcomed in Romania, Mugur Isarescu, governor of the National Bank of Romania said in an interview with Xinhua Tuesday.

"We talked since early 1990s about Chinese banks opening subsidiaries here. I expect that to happen in the future," Isarescu said.

China's monetary authorities decided to deposit foreign currencies in the National Bank of Romania back in the early 1990s, when foreign currencies were still in short supply in Romania, he recalled, adding that the event proved the longtime friendship between the two countries' national banks.

"That was a concrete help and friendly gesture. A friend in need is a friend indeed. I didn't forget this gesture of friendship," Isarescu said.

Romania is striving to adopt the single currency of euro by 2015.

The bank governor said he was convinced that the strong confidence in euro voiced by Chinese Premier Wen Jiabao during his European tour in June helped boost the single currency.

"China, as a major trading and economic power of the world, has also become a financial power, with its increasing accumulation of currency reserves. Therefore a message of confidence in euro from a financial power will obviously help that currency," Isarescu said.

Isarescu expressed his belief that the European Union will overcome the present sovereign debt crisis.

"Future crises maybe can be avoided when China's currency plays a stronger international role," he added.

"China is an economic and trading power. Its balance of trade shows surpluses. The yuan will play a more important role in the world monetary system," he said.

"When the yuan becomes an international reserve currency, we will have it immediately in our treasury," he added.

Isarescu praised the efficient and constructive role played by China's representatives at the International Monetary Fund.

He also called for closer bilateral financial cooperation. "Our current collaboration can focus on various aspects to solve the international financial crisis," he said.

http://news.xinhuanet.com/english2010/china/2011-07/20/c_13998046.htm

Romanian central bank prepares for contagion risk: governor

BUCHAREST -- Romanian central bank has prepared itself for a contagion risk from the Greek crisis through a number of measures, Mugur Isarescu, governor of the National Bank of Romania said in a recent interview with Xinhua.

Romanian banking system has no direct exposure to the Greek sovereign debt crisis, but there are possible channels for contagion and those must be strictly monitored, admitted Isarescu, as Greek banks currently hold about 16 percent of Romania's total bank assets.

The governor described the overall situation of the local banking system as being "under control," and explained that previous circumstances have placed banks in a better position to cope with the sovereign debt crisis.

Romania was severely struck by the global financial crisis in the winter of 2008, and in March 2009 asked for the International Monetary Fund's help.

"We looked at all the banks we have here and there are essentially Romanian banks with foreign capital, mostly subsidiaries of European financial groups. We called for the parent groups, long before the stress tests conducted by European banks, to rise the level of capital," Isarescu said.

"I can tell you that our stress tests and requests for capital were much tougher than those made in Europe," he added.

As a result of central bank's requirements, Romanian banks exceeded the international capital adequacy ratios. By the end of the first quarter of 2011, local banking system's solvency ratio was 14.88 percent, while the Basel Accord puts the ratio at 8 percent.

The capital adequacy ratio measures risk-weighted assets and it is used to evaluate a bank's capacity to cope with liabilities and with other risks. Asking the foreign parent banks to rise the capital, in already difficult times, was a severe exam, said the governor.

"All these parent banks behaved impeccable. We never had any delay, we had no argument, or any negative reaction, the main shareholders behavior was impeccable," he said.

But right now the governor does not rule out a possible contagion from what he describes as a very critical situation, adding that the central bank is prepared to react and the contagion channels are quite narrow.

"Of course we may face a financial contagion which can manifest through the path of capital, but this channel is thin and it functioned in an opposite direction. For us the capital channel worked in a rather positive manner, meaning that parent banks increased their capital contribution to their Romanian subsidiaries," Isarescu explained.

Romania has no exposure to Greek debt or any other sovereign in Europe, he added, while the parent banks were heavily exposed to Romania.

By the time Romania was hit by the financial crisis, the International Monetary Fund concluded the Vienna Agreement, according to which foreign banks promised to keep their exposures to Romania at a high level. Now, said Isarescu, the agreement is relaxed.

"At the latest renewal this spring we felt that we should give more flexibility in the Vienna agreement so that mother banks exposure to Romania to get some flexibility depending on the needs of funds of the parent financial institutions. We believe that Romania exceeded the impact of the difficult times," he said.

The governor does not ignore the possible rush of the money out of the country, for the benefit of some troubled parents of the Romanian banks.

"I do not exclude some flows of capital, which may have some influence on Romania. For example, if the exposure of a bank to its Romanian subsidiary would be suddenly reduced. But we monitor the capital withdrawals and we believe that this channel of contagion, via capital movements will not create market disruptions in Romania," he added.

What troubled Isarescu the most is the psychological channel of contagion, which trigger an irrational reaction.

"Everybody cries that here comes the crisis, it's hysterical and you cannot answer efficiently to this, and it's not exactly time to respond to what comes, to explain how it will affect us. The atmosphere is deeply irrational. But I must confess that we are prepared for it. We learned how to send messages so that such an impact to be as limited," he said.

The governor also believes that the currency is a useful tool in times of crises.

"The flexibility of the currency and the fact that the Lei moves within certain limits may absorb these tensions, particularly on the irrational side. But we must be careful here, because there is a point from which the currency rate can send panic. But within reasonable limits, it can absorb irrational panic, can unchaining the irrational," he concluded in the Tuesday interview.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_13998478.htm

Yuan hits new high after six-year exchange reforms

BEIJING -- The renminbi (RMB), China's official currency, set a new high for the second day to a ratio of 6.4536 yuan per U.S. dollar on Thursday.

It indicates a 22-percent increase after the country launched exchange reforms on July 21, 2005.

The ratio was 8.11 yuan per U.S. dollar when the reforms were launched six years ago.

The RMB, or yuan, has appreciated in an unilateral way and anticipation on this is attracting more capital inflow, burdening domestic liquidity management, said Chen Bingcai, a researcher with the National School of Administration.

The yuan's unilateral appreciation has brought challenges such as global payment imbalances, soaring foreign exchange reserves, inflows of speculative "hot money" and high trade costs for exporters.

Troubles brought by the unilateral appreciation are more serious than those caused by pegging the yuan to the U.S. dollar, said Lu Zhengwei, a senior economist with the Industrial Bank.

The yuan's real effective exchange rate (REER) went up 14 percent in the past six years, far below the yuan's appreciation against U.S. dollar, according to the Bank for International Settlements (BIS).

The yuan's REER currently stands at 116.31, up from 101.42 when China launched the exchange reforms six years ago, according to the BIS. (Meanwhile, the ratio of yuan against the U.S. dollar rose 2.45 percent this year, but the yuan's REER actually depreciated 3.02 percent.

The REER index of the yuan is used to measure the yuan's external competitiveness vis-a-vis the currencies of the country's major trading partners and competitor exporter countries.

A hike in the REER index would mean the currency is appreciating on a real, trade-weighted basis, suggesting a loss in external price competitiveness.

China faces risks from inflation and a possible boom and bust in real estate prices and should allow its currency to rise to promote economic stability, the International Monetary Fund said in an annual review on Wednesday.

It said a stronger yuan is "a key ingredient to accelerate the transformation of China's economic growth model."

China abandoned a decade-old peg to the U.S. dollar by allowing its currency to fluctuate against a basket of currencies on July 21, 2005.

The reforms were suspended in a bid to fight the global downturn in 2008. The yuan exchange rate again was pegged to the dollar at a ratio around 6.83 from September 2008.

The peg was lifted on June 19, 2010, when the central bank announced further yuan exchange rate formation mechanisms.

In China's foreign exchange spot market, the yuan is allowed to rise or fall by 0.5 percent from the central parity rate each trading day.

The central parity rate of the yuan 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/2011-07/21/c_131000737.htm

Euro to be weaker currency: U.S. experts

WASHINGTON -- Europe's ongoing efforts to rescue the sovereign-debt-hit countries are risky of failing and no matter what scenario will happen, the euro will end up with a weaker currency, according to some U.S. experts.

"Attempts to resolve the problems in Europe are failing, and the crisis is spreading from Greece, Ireland, and Portugal to larger nations," revealed in a report released on Thursday by Perter Boone and Simon Johnson, two researchers at Washington based think tank Peterson Institute for International Economics.

Europe's financial system relies on moral hazard, i.e. a "no defaults" policy, to attract the funding needed to roll over large amounts of short-term bank and sovereign debt, said the two authors who released a new report -- Europe on the Brink.

They argued that politicians in European creditor nations are calling for private sector burden sharing, investors are demanding higher interest rates to hold these debts. "But higher rates may tip banks and nations toward bankruptcy."

Their comments came at a moment when the Euro zone leaders are gathering in Brussels to discuss an agreement at an emergency summit to resolve the Greek debt crisis.

There would be three scenarios for the future of the euro area, according to Boone, a nonresident senior fellow of the institute and Johnson, former chief economist of the International Monetary Fund.

Under the first scenario, the euro area would try to reassert its commitment to avoid defaults and inflation. But this will continue the moral hazard regime, which may cost the credibility of all parties involved.

The second scenario involves elimination of the moral hazard regime. The euro area would admit that some sovereigns have too much debt and a series of debt restructurings would follow.

The final scenario would be for policymakers to continue to contradict themselves by promising selective defaults or restructurings of some countries' debts while maintaining that they can ensure the stability of the rest of the euro area. But this may cause contagion, which in turn would result in panic.

"The evolution of politics in this scenario is hard to predict," they said. "Ultimately, whatever occurs, the euro would turn into something more reminiscent of the Italian lira or the Spanish peseta than the strong Deutsche mark its founders once envisioned."

http://news.xinhuanet.com/english2010/business/2011-07/22/c_131000980.htm

Dagong Global starts rating int'l financial institutions

BEIJING -- The Chinese rating agency Dagong Global Credit Rating Co. extended its reach into foreign financial institutions as it published its first rating report on a Malaysia-based bank Friday.

Dagong Global assigned the long-term local currency rating of Malaysia's CIMB Bank at AA and that of the foreign currency at AA-, both carrying a positive outlook.

The ratings showed CIMB Bank's vigorous business situation, brand effect in the Association of Southeast Asian Nations (ASEAN) regions and internal cooperation as a universal bank, said Dagong in the report.

CIMB Bank is a wholly-owned subsidiary of the CIMB Group, Malaysia's second largest financial service provider.

This rating has been conducted under brand new international rating standards that are different from Western ones, which marks Dagong's debut on the global corporate rating stage, said the agency.

Nazir Razak, chief executive officer of CIMB Group, said Dagong's rating has provided an alternative assessment of CIMB Bank's financial strength and credit condition for regulators, fund managers and investors.

The Asian market needs its own rating agency with different perspectives from the Western agencies, and Dagong has everything to become a qualified Asian leader in this field, he added.

Dagong Global uses a three-level assessment system, with each level containing three sub-levels, for example, AAA, AA and A.

Dagong Global published sovereign credit ratings on 50 countries last July, which made the agency the first sovereign credit rater outside the West.

http://news.xinhuanet.com/english2010/china/2011-07/22/c_131003190.htm

IBRD provides 7.6-blm-dollar financing to Turkey: report

ANKARA -- International Bank for Reconstruction and Development (IBRD) of the World Bank Group has provided financing of 7.6 billion U.S. dollars to Turkey within the scope of the Country Partnership Strategy (CPS) in the period between 2008 and 2011, the semiofficial Anatolia news agency reported on Friday.

World Bank President Robert Zoellick was quoted as saying earlier, "Turkey is our second largest country for loans outstanding. So, we've already got a substantial investment through the World Bank in Turkey. Over the past few years we've lent about 7.6 billion U.S. dollars to Turkey to help it deal with the growth strategy."

"In addition, our private sector arm, the International Finance Corporation (IFC), has about 2.6 billion U.S. dollars of commitments in Turkey, of which about 2.3 billion U.S. dollars are outstanding and, IFC has a regional hub based in Istanbul that employs over 150 people that enables us to provide private financial services throughout the region, extending into North Africa and Central Asia."

Turkey has been a member of the World Bank Group since 1947 and is IBRD's second-largest client by loans outstanding. CPS for FY08- 11 included IBRD financing of 7.6 billion U.S. dollars, and IBRD's portfolio includes net commitments of 5.4 billion U.S. dollars. Turkey is IFC's 4th largest exposure and the committed portfolio accounts for 2.6 billion U.S. dollars.

http://news.xinhuanet.com/english2010/business/2011-07/22/c_131003233.htm

INTERNATIONAL TRADE

Commerce minister says China to back imports of safe Japanese products

BEIJING -- China will support Japanese products entry into the Chinese market on the basis that they are safe, Minister of Commerce Chen Deming said Monday.

"China is willing to help Japan with its post-disaster reconstruction and economic recovery," Chen said while meeting Japan's Minister of Economy, Trade and Industry Banri Kaieda in Beijing.

Chen noted that the country will arrange a special exhibition area for the promotion of Japanese goods at the 110th Canton Fair, or China Import and Export Fair, which will take place this fall in south Guangdong Province.

China will invite Japanese companies to attend the fair, especially those companies from the three worst-hit regions -- Fukushima, Miyagi and Iwate, he said.

According to a statement from the Ministry of Commerce, the two ministers talked about various issues, including China's rare earth export policies, and enhanced cooperation in fields such as the e-commerce, energy-saving, environmental protection, and protection of intellectual property rights.

http://news.xinhuanet.com/english2010/china/2011-07/18/c_13992856.htm

Chinese Association asks EU to drop anti-dumping measures on Chinese steel fasteners

SHANGHAI -- The China Fastener Industry Association strongly demanded the lifting of discriminatory anti-dumping duties from the EU on fasteners from China in an open letter sent to the Council of European Union on Monday.

Feng Jinyao, president of the association, said the country's fastener industry has suffered great losses in the recent two years due to the EU's unfair treatment on Chinese fastener makers. The association is a representative body of nearly 500 Chinese fastener manufacturers.

Feng said the anti-dumping duties have affected the normal trade between China and the EU, while the EU market has also endured losses.

China is the world's biggest producer of screws, nuts, bolts and washers, while the EU is its major market.

The strong voice from the industry came after the appellate body of the World Trade Organization ruled recently that the EU is not complying with international commerce rules by imposing anti-dumping duties on the fasteners from China, and that the EU is illegally taxing Chinese steel fasteners.

The EU imposed anti-dumping duties of 26.5 to 85 percent on fasteners from China for five years in January 2009. The country's fastener exports to the market plunged from 1 million metric tons in 2008 to merely 100,000 tons in 2010.

http://news.xinhuanet.com/english2010/china/2011-07/18/c_13993038.htm

South Korea eyes ratification of trade deal with U.S. next month: official

SEOUL -- South Korea wants its bilateral trade deal with the United States ratified by August, a trade official said here Wednesday, heralding a parliamentary deadlock amid opposition protests against the pact.

"We seek parliamentary endorsement of the free trade agreement in August," deputy trade minister Lee Si-hyung told reporters in a press briefing, referring to the two-way trade accord awaiting legislative approval in Seoul and Washington.

The government and the ruling party are seeking to pass the deal, originally signed in 2007, in the forthcoming extra parliamentary session next month. The opposition parties, meanwhile, have repeatedly vowed to block the passage of what they see as a lopsided deal favoring Washington.

The main opposition Democratic Party in particular is calling for "re-balancing" the trade deal, supplemented last December due to U.S. opposition over auto trade imbalances, claiming Seoul made too much concession during additional negotiations.

The deputy trade minister practically dismissed the opposition that recently called the government plan to get the bill passed soon "a declaration of war" against the opposition camp. "For now, we are hoping for ratification of the deal that has already been submitted to the parliament," Lee said, apparently ruling out the possibility of further adjustment to the pact.

Washington, meanwhile, is currently preoccupied with the issue of raising the debt ceiling amid fears of the federal government defaulting on its debt. Seoul is keeping an eye on whether the issue would affect U.S. Congressional endorsement of the free trade agreement, Lee said.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13997487.htm

Singapore ranks second in most popular cities for international business

SINGAPORE -- Singapore was placed as the second popular city worldwide for international business after China's Hong Kong with the first ranking, local TV Channel NewsAsia reported on Wednesday.

This is according to a study conducted by a commercial real estate services firm CB Richard Ellis Group, Inc. (CBRE), which analyzed office locations of 280 of the world's largest companies across 232 cities.

Some 67.5 percent of international companies surveyed set their offices in Singapore, comparing with the 68.2 percent in China's Hong Kong, the firm said. And Tokyo, London and Shanghai were next in the top five positions.

Meanwhile, Singapore was ranked as the top choice for companies in the industrial goods and services sector. And it was also ranked among the top five in media sector and banking and financial services sector, the study said.

"Singapore's ranking attests to the quality, quantity and competitive cost of Singapore's office space in attracting businesses," said Petra Blazkova, head of CBRE Research in Singapore and South East Asia.

China's Hong Kong achieved the most popular city mainly due to its unique position from which international businesses can operate globally, said Nick Axford, CBRE's head of Research for Asia Pacific.

The easy access to other major Asian economies and the impact of rapid growth in major markets of China mainland were some reasons that enabled Hong Kong to emerge tops, the firm said.

The survey also covered various international companies of different sectors including transport, distribution and retail, industrial goods and services, media, food and beverage, and insurance sector.

CBRE is a multinational real estate corporation based in Los Angeles in the United States. The company is widely considered to be the world's largest real estate services firm and currently manages 24 billion square feet of building space worldwide.

http://news.xinhuanet.com/english2010/world/2011-07/20/c_13998103.htm

South Korea to scrap anti-dumping duties on Chinese pigments

SEOUL -- South Korea plans to scrap anti-dumping duties against Chinese pigments as there is little change of damage to the local industry, a government report showed Thursday.

The Korea Trade Commission (KTC) decided Wednesday to end the punitive duties against Chinese anatase titanium dioxide as the pigment prices have risen enough to pose little threat to the local firms, the Ministry of Knowledge Economy said in a statement.

The anatase titanium dioxide is an ingredient used to produce paint, paper, plastic goods and rubber. South Korea had slapped anti-dumping tariffs of 4.82-23.08 percent on the Chinese product since 2005, and has reset the rates to 4.86-23.08 percent in 2008.

"The commission decides to scrap the duty as there is little possibility for local companies to be damaged by the Chinese product imports. The local industry is in a stage of recovery due to the six-year anti-dumping measures," an official at the ministry told Xinhua.

The decision will be notified to the Finance Ministry, which will make a final decision within 50 days after receiving the official notice to scrap the punitive duties, according to the statement.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_13999859.htm

China extends antidumping duties on imported TCE from Russia, Japan

BEIJING -- China has decided to extend existing anti-dumping measures on trichloroethylene (TCE) imported from Russia and Japan for another five years, after concluding that importing the chemical can hurt local manufacturers, the Ministry of Commerce (MOC) said Thursday.

Revoking the current anti-dumping duties on these products from Russia and Japan would likely lead to a continuation or recurrence of material damage to the domestic industry, the MOC said in a statement posted on its website.

The MOC said it had decided to maintain the punitive duties of up to 159 percent on all TCE made in Russia and Japan for five more years, starting July 22.

The ruling came after a one-year review process requested by China's domestic TEC producers on May 21, 2010.

China began to levy anti-dumping duties on TCE imported from Russia and Japan on July 22, 2005. The MOC set final anti-dumping duties of 159 percent on the imported TCE from Russia and Japan to offset below-market pricing, except for Russia-based Usoliekhimprom LLC, which was given a 3-percent anti-dumping tax.

Trichloroethylene is widely used as a cleaning agent in the production of home electronic appliances.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_131000070.htm

Russia upgrades grain export forecast to 18 million tons

MOSCOW -- The Russian Agricultural Ministry on Thursday upgraded its forecast of the grain export to 18 million tons for this agricultural year.

The previous forecast made by the ministry was from 15 to 17 million tons.

Minister Yelena Skrynnik told a political meeting that the country, which imposed a grain export embargo last year due to harvest loss caused by abnormal drought and heat, would harvest 85 to 90 million tons of crops this year, which fully covered domestic demand on grain and its export potential.

"We are going to re-conquer our positions on the world grain market," she was quoted by Interfax news agency as saying.

She added that this year the increase of agricultural gross output would reach over 10 percent, including a 19.8-percent growth in plant cultivation and 2.8 percent in livestock production.

In 2010, Russian farmers harvested 60.9 million tons of grain, which was 30 percent down from the 2009.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_131000673.htm

China MOC ends anti-dumping measures against PBT resin from Japan and Taiwan

BEIJING -- China's Ministry of Commerce (MOC) announced Friday that the anti-dumping measures against PBT resin imported from Japan and Taiwan to China's mainland will be ended as of July 22.

The ministry announced on January 22 that it planned to end the anti-dumping measures on July 22, and it said that industrial representatives and organizations in China could file applications to it for a reexamination of the imports.

The statement said the ministry had received no applications, and the anti-dumping measures had come to an end.

The MOC slapped an anti-dumping tax on PBT resin from Japan and Taiwan for a five-year term in 2006.

PBT Resin, also called Polybutylene Terephthalate Resin, is used in auto manufacturing, telecommunications, textile and equipment and instrument manufacturing.

http://news.xinhuanet.com/english2010/china/2011-07/22/c_131002801.htm

Chinese central SOEs net profits up 14.6 pct in H1

BEIJING -- China's centrally administered state-owned enterprises posted a net profit increase of 14.6 percent year-on-year in the first half of this year, China's SOE watchdog said Friday.

This increase was 0.4 percentage points higher than that of the first five months.

The combined net profits of the government's 120 central SOEs totaled 457.17 billion yuan (70.88 billion U.S. dollars) during the period, the State-owned Assets Supervision and Administration Commission (SASAC) said in a statement on its website.

The administration did not give any explanation for the profit increase or the lower growth rate.

The SASAC said revenues for central SOEs rose 24.2 percent year-on-year to hit 9.69 trillion yuan from January to June.

The central SOEs had 851.4 billion yuan payable in taxes and fees for the first six months, up 26.4 percent from the same period last year, according to the statement.

http://news.xinhuanet.com/english2010/china/2011-07/22/c_131002914.htm

Chinese call for tighter supervision on foreign-invested companies after ROK-invested toy maker folds

GUANGZHOU -- The sudden and unexpected closure of Dongguan Soyea Toys Co. Ltd. in south China's Guangdong Province has triggered public complaints about government supervision of foreign-funded companies as the company boss from the Republic of Korea (ROK) has vanished without paying employees or suppliers.

Following a protest by more than 200 Soyea workers in front of the city government offices of Dongguan, Lichuan Share-holding Economic Cooperative, lessee of Soyea's plant, has agreed to pay most of their wages.

On hearing the news, the company's more than 20 suppliers have also begun to search for the boss. One supplier surnamed Deng said that the payment for goods in arrears amounted to 10 million yuan (1.55 million U.S. dollars).

In the past few days, these suppliers have also been to Soyea's factory in Suzhou of east China's Jiangsu Province and another subsidiary in Dongyuan, Soyea Children's Goods Company Ltd. Their efforts however have been not yielded results.

Under Chinese laws, unpaid workers rank ahead of goods suppliers when it comes to claiming assets from a bankrupt company.

Suppliers said they had informed Dongguan city government of their plight, but received no response.

Dongguan Soyea Toys Co. Ltd. last operated with 470 employees, and used to be the supplier of America's second largest retail giant Target Corporation and exported its products mainly to Japan, Europe and the United States, according to information released by the Dongguan Foreign and Economic Cooperation Bureau.

This is not the first time a ROK-funded company in China has defaulted on wages and payment for goods, and many furious Chinese have recently blogged their support for the out-of-pocket employees and suppliers.

A citizen called "Fei Fan Lao Niu" urged on news portal 163.com for the Chinese government to severely punish irresponsible foreign-invested companies. "The boss should not get out as easily as all this!"

Another citizen from Shenzhen who did not reveal his name said, "With a poor track record, ROK investors habitually run away after losing money in China."

Official statistics show that in Qingdao, a coastal city in eastern China's Shandong Province, 206 ROK-funded companies illegally pulled out of the country from 2003 to 2007, owing a total of 160 million yuan in wages and 700 million yuan in bank loans.

To fix the situation, China's Ministries of Commerce, Foreign Affairs, Public Security and Justice jointly issued in December 2008 a guideline "to advance the international investigation and judicial action on foreign-invested companies illegally withdrawing." [The guideline stipulates that if the Chinese plaintiff wins a lawsuit and the guilty foreign party has no assets in China, the winning party can apply to the foreign party's country to recognize and enforce the Chinese verdict.

By June 30, China has agreements with more than 70 countries and regions including ROK on the matter.

Under the 2011 Amendment to the Criminal Law, intentionally defaulting on workers' wages is a crime. If the company is foreign-funded, however, its representatives can only be detained when they are in China.

Cai Kang, an official with the Dongguan Foreign and Economic Cooperation Bureau, said that the city had previously established an early warning system against illegal withdrawal of foreign-funded companies. Special inspectors were designated to regularly monitor the operation of foreign-invested companies, especially signs of default on factory rent and wages and other abnormalities.

"The reason why we didn't detect Soyea was that our inspector posted in the local village was not seasoned enough. As the company was found defaulting only on factory rent, it was not listed on the bureau's warning list," said Cai.

Cai said the illegal pull-out of Soyea showed the loopholes in the bureau's daily monitoring, promising to improve the inspection indexes.

Sources with the Dongguan Police Department said they had started to search for Soyea's legal representative.

ONE PULL-OUT, NOT A TREND

Primary investigations have showed that broken capital chains, ill management and recruitment difficulties led to Soyea running out of money, according to Cai.

Employee Zou Xiaoyuan recalled that some senior workers had felt "something was wrong" back in March. "They also heard some rumors as that the plant had massive debts," said Zou.

As Soyea's pull-out has come after a number of low-end manufacturers have folded amid the rising yuan, as well as climbing labor costs and soaring expenditures on raw materials and environmental protection -- many people have voiced their concern about the economy.

Nanfang Daily has published a lengthy feature, saying the difficulties the low-end companies face are as huge as those in late 2008 when the global financial crisis hit.

But Jiang Ling, Dongguan's deputy mayor, has stressed that enterprises in Dongguan are comparatively good overall.

Statistics from the Dongguan Foreign and Economic Cooperation Bureau show that in 2010, about 500 enterprises closed down in Dongguan and 266 in the first half of 2011.

A survey conducted by the bureau shows that the first half of the year had seen more than 800 overseas-funded enterprises registered in Dongguan, with an aggregate contract investment of 1.988 billion U.S dollars.

Cai said that seven companies had come to consult on renting Soyea's factory plants. "If we were in the doldrums, why have so many companies come to discuss investment?" said Cai.

http://news.xinhuanet.com/english2010/business/2011-07/23/c_131004519.htm

China-New Zealand bio-security pacts bear fruit for consumers

WELLINGTON -- Agreements to protect bio-security between China and New Zealand are bearing fruit for markets in both countries, New Zealand's Ministry of Agriculture and Forestry (MAF) announced Monday.

Agreements on bio-security standards were enabling traders to take advantage of New Zealand's free-trade agreement with China, while at the same time keeping New Zealand's unique environment, and flora and fauna free of bio-security risks, said a statement from the MAF.

The ministry's plant standards team was working with Chinese authorities to put in place import health standards and approve associated quality assurance programs, it said.

An agreement for importation of Chinese pears was signed in March last year, and since May last year, 215 tonnes of pears and 148 tonnes of nashi had been brought into New Zealand.

Recent government-level agreements had also paved the way for importation of table grapes and peeled onions from China and for imports of New Zealand apples into China.

Stephen Butcher, MAF's manager of plant imports and exports, said the system of arranging for exports to meet pre-arranged standards had been used between Australia and New Zealand "for decades."

The approach was encouraged in international bio-security forums such as the International Plant Protection Convention, he said.

Official pre-border assurance was more efficient and effective than just inspecting goods on arrival at the border, so MAF specialists worked in the country of origin to assess export systems, said Butcher.

"We investigate and make sure we understand the whole product pathway and assess risks before signing the agreement. We can then agree on suitable official assurance programs, which are formally signed off," he said.

"When we assess, we look for documented evidence of activities such as spray diaries and training of their inspectors."

The agreement for export of table grapes identified the fruit fly, *Bactrocera dorsalis*, and the mite, *Tetranychus kanzawai*, as particular risks. Another fruit fly, *Drosiphila suzukii*, was an emerging pest that used table grapes as a host.

As part of the official assurance program, the Chinese authority would register all vineyards producing table grapes for export to New Zealand, and the vineyard of origin would be marked on cartons and the phytosanitary certificate, which showed plants were free of pests, to enable trace-back.

Producers would be required to use an integrated pest management program, including pest and disease monitoring, and chemical, biological and cultural control measures.

"The advantage for producers is they understand New Zealand's requirements and can do their best to avoid problems," said Butcher.

"If we find unwanted pests at the border, we take measures to manage bio-security risks. These measures include fumigation, which can diminish quality of fruit, or possibly sending it back at the importers' cost," he said.

"The agreements provide advantages for everyone along the supply chain."

The MAF is responsible for managing New Zealand's bio-security, and works at three levels: overseas to stop travelers and importers bringing pests to New Zealand; at the border to identify and eliminate pests that do arrive; and in New Zealand to find, manage or eliminate pests that have established there.

http://news.xinhuanet.com/english2010/business/2011-07/18/c_13992333.htm

EU anti-dumping duties "unwarranted": Chinese bicycle makers

BRUSSELS -- Chinese bicycle makers Tuesday condemned the proposed extension of the anti-dumping duties on their products as "unwarranted," urging the European Union (EU) to drop the 18-year-old duties.

Representatives from the China Chamber of Commerce for Machinery and Electronic Products (CCCME) and the China Bicycle Association (CBA) arrived in Brussels on Monday for a hearing with the European Commission on the issue.

"The proposal of the European Commission to extend the duties for another three years is totally unwarranted," Senior Commissioner for CCCME Zhang Peisheng told reporters at a press conference here on Tuesday.

Zhang said that Chinese bicycle imports into the EU had decreased by 38 percent during the three year review investigation period, and at the same time, their average prices had risen by an enormous 125 percent since 2007.

"Based on these two trends alone, it is impossible to agree that Chinese bicycles have caused any injury to the EU bicycle industry. This simply defies the basic laws of economics," Zhang explained.

The EU has imposed anti-dumping duties on imports of bicycles originating in China since 1993 following the allegation of the European Bicycle Manufacturers Association (EMBA) that Chinese bicycle producers were dumping in the EU and squeezing them out of the market.

The duties were previously rolled over twice, first in 2000 and again in 2005 following affirmative findings of the European Commission through expiry review investigations, making them one of the longest EU anti-dumping measures against Chinese products.

The duty rate, initially set at 30.6 percent, was raised to 48.5 percent in 2005.

The European Commission's proposal found that the EU industry' profitability was considerable lower than the previous review investigation back in 2005, ranging from 0.6 percent to 2.2 percent.

However, the CCCME and the CBA rigorously dispute that this is because of Chinese bicycle imports.

"During the review investigation period, and especially in 2008 and 2009, Chinese bicycle import volumes were at their lowest levels for many years," said Guo Haiyan from the CBA.

"Yet the EU industry moved into negative profitability for the first time in 10 years."

"This shows that there is absolutely no relationship between Chinese imports and the situation of the EU bicycle industry," Guo said. Both kinds of bicycles, she said, are sold in different market segments in the EU.

The European Commission's analysis also confirms that Chinese market share of bicycle sales in the EU is now at its lowest level for several years at 3.0 percent.

And the loss of Chinese bicycle market share in the EU did not benefit EU industry either.

Eric Jiang of Jurisino Law Firm in Beijing, one of the lawyers representing the Chinese manufacturers, said "The space left by Chinese bicycles was filled by imports from non-EU countries like Thailand and Sri Lanka."

"This shows that there is little if any competitive overlap between EU-made bicycles and Chinese ones," Jiang said.

Dr Robert MacLean of Squires Sanders Hammonds, another law firm appointed to assist the Chinese producers, said that obviously the EU industry did not make good use of the protection granted by the European Commission for 18 years to adapt itself to global competition.

The Chinese delegation also complained the lack of transparency of the hearing with the European Commission. Jiang said that no one kept records of what the Chinese delegation said and the hearing was just for effect compared with those conducted in the United States and Canada.

The European Commission will put its proposal for a vote by EU member states next week. If approved, the Chinese bicycle industry would face punitive duties for another three years at least.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13995955.htm

WORLD ECONOMIES

Venezuela to introduce new law on prices to curb inflation

CARACAS -- Venezuela will introduce a new law on prices to curb its soaring inflation, Vice President Elias Jaua said Monday.

"The regulations aim to set fair prices and limit profit margins according to the income of the population and the companies," Jaua told a press conference.

Jaua said the new law will not affect the private sector, but "the consultation with private companies does not reduce the competence of the national executive of setting prices."

The regulations will cover food, construction materials, health services, medicines, and education. Those who fail to abide by the law could be fined up to 5,400 U.S. dollars.

High prices are among the top concerns in Venezuela. The country's Central Bank said last week accumulated consumer inflation reached 13 percent during the first half of 2011.

Venezuela expects inflation to fall to between 23 and 25 percent this year compared with last year's 27.2 percent.

http://news.xinhuanet.com/english2010/business/2011-07/19/c_13994642.htm

Western Australia has nation's leading economy: report

SYDNEY -- Western Australia's economy is now judged as the strongest in the nation, while the state of New South Wales (NSW) and Queensland are in the worst position, according to a new report released on Monday.

The latest CommSec State of the States report showed that Western Australia (WA) had taken over the top spot from the Australian Capital Territory (ACT) to become the best-performing state or territory, benefiting from continued strength in the mining and engineering sectors. Next on the list was Victoria, followed by South Australia, Tasmania and the Northern Territory. Australia's financial firm CommSec found NSW's economy remained in the doldrums by the construction sector and a comparatively soft job market. Meanwhile, the report found Queensland's economy was still recovering from natural disasters in early 2011, although its economy should gain momentum as rebuilding continues. The report, authored by chief economist Craig James, is compiled by analyzing eight indicators, including economic growth, retail spending and completed construction work.

http://news.xinhuanet.com/english2010/world/2011-07/18/c_13991837.htm

Japanese economy to contract 0.7 percent in 2011: IMF

WASHINGTON -- The Japanese economy is expected to shrink 0.7 percent this year mainly due to the natural disaster in March, the International Monetary Fund (IMF) said in a report released on Tuesday.

"The Great East Japan Earthquake and Tsunami on March 11, 2011 brought Japan's nascent recovery to a halt," said the IMF in its annual economic situation assessment of Japan. However, the world third largest economy is set to expand later this year.

"GDP growth is expected to slow to -0.7 percent in 2011 before rising to 2.9 percent in 2012," the 187-member international financial institution said.

Headline inflation in Japan is projected to be around zero percent in 2011 and 2012, while underlying inflation- excluding food and energy- will likely remain negative as a result of the still wide output gap.

The report noted that uncertainty surrounding the Japanese economic outlook is large with the risks mainly on the downside. The key risks facing the recovery are from delays in restoring electricity capacity and a slow pick-up in private demand.

It said after a sharp contraction in the first half of this year, supply conditions are expected to normalize this summer and reconstruction spending to pick up steadily. The recovery is forecast to continue in 2012 as the resumption of exports lifts domestic demand and reconstruction spending continues.

On spillovers, the IMF said that although policy spillovers from Japan on the global economy have been relatively limited in recent years, Japan remains an important contributor to regional growth and stability.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13995951.htm

Japan's lower house approves 2nd recovery budget

TOKYO -- Japan's powerful lower house of parliament on Wednesday approved a second extra budget worth 2 trillion yen (25.32 billion U.S. dollars) to finance the country's reconstruction following the March 11 earthquake and tsunami.

The budget will go to the opposition-controlled upper house for approval, and it is expected to be enacted as early as Friday with the support of oppositions.

Enactment of the budget, following the first extra budget of 4 trillion yen, is one of the conditions that Prime Minister Naoto Kan, struggling with low popularity ratings, has set for stepping down.

Kan's government plans a third extra budget later this year, which is estimated to be worth 10 trillion yen.

http://news.xinhuanet.com/english2010/world/2011-07/20/c_13998080.htm

Japan's exports fall 1.6% on year in June

TOKYO -- Japan's exports fell 1.6 percent in June from a year earlier, marking the fourth consecutive month of decline, preliminary data from the Ministry of Finance(MOF) showed on Thursday.

According to the figures in the recording period, the value of exports totaled 5,775.9 billion yen (about 73.26 billion U.S. dollars), but the pace of decline slowed from the previous month as the nation's recovery from the March 11 disasters lifted the trade balance into positive territory in June.

June's export figures came in better than median economists' forecasts for a 4.1 percent decline and followed a massive 10.3 percent annualized slump in May.

The government's preliminary figures showed the balance of trade in goods marked a surplus of 70.7 billion yen, with imports rising 9.8 percent in the year to June at 5,705.2 billion yen on a custom-cleared basis, the MOF's said.

Initial forecast were for a 165.1 billion yen downturn in surplus, following a revised 855.8 billion yen shortfall logged in May.

From a month earlier however, the government noted that exports rose 5.4 percent as factory output increased as disrupted supply chains and damaged infrastructure improved significantly.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_13998598.htm

U.S. debt talk makes "significant step": Obama

WASHINGTON-- U.S. President Barack Obama said Tuesday that talks between Democrats and Republicans concerning debt limit and deficit reduction issues have achieved a "significant step." "Some progress was made, in some of the discussions. Some narrowing of the issues," Obama said at a White house briefing. But he warned that there is not much time left as the Aug. 2 deadline of debt ceiling closes in.

The president praised a deficit reduction plan by a group of bipartisan senators, the so-called "Gang of Six," as a "very significant step."

The group is proposing a new deficit-reduction plan aimed at averting a looming debt default. It plans to cut the deficit by more than 4 trillion dollars over the coming decade and suggest some tax increase.

Obama said that plan is broadly consistent with his approach and shows "shared sacrifice" of the two parties. But a broader agreement is still needed, he added.

"We don't have any more time to engage in symbolic gestures, we don't have any more time to posture. It's time to get down to the business of actually solving this problem," the president said. The U.S. borrowing limit, currently at 14.29 trillion, was reached on May 16 this year. The U.S. Treasury Department said the country would default without an agreement to lift the limit by Aug. 2.

Republicans have refused to discuss any debt-reduction deal that includes higher taxes, while Democrats have rejected any deal based solely on spending cuts.

Obama said that the country's critical debt challenge should be addressed, but needed to be done in a "balanced approach."

He has offered a 4-trillion-dollar deficit reduction deal including certain tax increase to add revenue and spending cut on social welfare programs. However, Republican leaders rejected the deal, insisting on no higher taxes on all Americans, including the rich.

With the clock ticking toward an unprecedented debt default, global markets are losing patience. Rating agencies, including the Moody's and Standard & Poors warned a downgrading of the U.S. credit if the world largest economy were to default.

Obama said that both Republicans and Democrats should send a message to the world that the leadership in Washington will not send the economy back to the cliff.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13995917.htm

Mixed factors drive U.S. commodity, food price increases: report

WASHINGTON -- The U.S. commodity and food prices have increased again in 2011, partly due to some of the same factors that drove 2008 price spikes, but new and very different factors have also emerged, said a research report released on Tuesday by Farm Foundation, a U.S. public charity focusing on agriculture and food system.

"Now, as in 2008, the full story behind rapid increases in agricultural commodity and food prices is not a simple one," Farm Foundation President Neilson Conklin said in a statement.

The report said that biofuels demands, particularly for corn, is a key factor pushing commodity price increases in recent months because biofuels policy mandates and blending limitations have generated a large, persistent and non-price responsive demand for corn.

In addition, weather is more important in 2011 than in 2008. Wheat and barley suffered weather-related production setbacks, but large stocks tempered price increases, noted the report, adding that corn stocks were drawn down when U.S. yields dropped in 2010, and soybean stocks have remained tight.

Moreover, a weak U.S. dollar also contributed to a commodity boom in 2011 as the dollar exchange rate remains weak and volatile, said the organization.

Farm Foundation, originally created in 1933, works as a catalyst for sound public policy by providing objective information to foster a deeper understanding of issues shaping the future for agriculture, food systems and rural regions.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13995934.htm

Obama might accept short-term deal to lift debt limit: White House

WASHINGTON -- U.S. President Barack Obama would accept a short-term deal to raise the country's borrowing limit with precondition of a bigger deal to reduce the soaring deficit, according to White House spokesman Jay Carney on Wednesday.

"We would not support a short-term extension absent an agreement to a larger deal," Carney said at a White House briefing, adding "if both sides agree to something significant, we will support the measures needed to finalize the details of that."

With an Aug. 2 deadline looming, Obama showed more gestures of compromise.

He once insisted on raising the 14.29-trillion U.S. debt limit by enough to avoid another politically painful vote before his November 2012 re-election bid.

"We need to meet, talk, consult, narrow down what our options are and figure out, in fairly short order, you know, which train we're riding into the station," Carney said.

Obama was scheduled to meet Democratic and Republican leaders separately on Wednesday.

"There is still time to do something significant if all parties are willing to compromise" on a "balanced approach," Carney added.

The U.S. borrowing limit, currently at 14.29 trillion dollars, was reached on May 16 this year. U.S. Treasury Department said the country would default without an agreement to lift the limit by Aug. 2.

Republicans have refused to discuss any debt-reduction deal that includes higher taxes, while Democrats have rejected any deal based solely on spending cuts.

Obama has offered a 4-trillion-dollar deficit reduction deal including certain tax increase to add revenue and spending cut on social welfare programs. However, Republican leaders rejected the deal, insisting on no higher taxes on all Americans, including the rich.

Analysts expect that the two parties will compromise in the end, but they predict that no real deal will be reached until the last minute of negotiation.

http://news.xinhuanet.com/english2010/world/2011-07/21/c_13998449.htm

U.S. House passes huge debt reduction bill

WASHINGTON -- The U.S. House of Representatives passed legislation Tuesday night to cut federal spending by 6 trillion U.S. dollars in exchange for a 2.4 trillion U.S. dollars increase in the nation's borrowing cap.

This tea party-backed plan also requires a constitutional balanced budget amendment. However, President Barack Obama has objected this plan earlier this day, and it also has no chance of passing the Democratic-controlled Senate.

The country's critical debt challenge should be addressed, but needed to be done in a "balanced approach," the president said at a White house briefing. He also warned that there is not much time left as an Aug.2 deadline of debt ceiling closing in.

The U.S. borrowing limit, currently at 14.29 trillion, was reached on May 16 this year. U.S. Treasury Department said the country would default without an agreement to lift the limit by Aug. 2.

Republicans have refused to discuss any debt-reduction deal that includes higher taxes, while Democrats have rejected any deal based solely on spending cuts.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13996822.htm

U.S. jobless claims up 10,000 last week

WASHINGTON -- The number of Americans initially applying for unemployment aid rose last week after falling for two weeks, showing the labor market remained weak and volatile, the U.S. Labor Department reported Thursday.

The department said the advance figure for seasonally adjusted initial claims for jobless benefits in the week ending July 16 was 418,000, an increase of 10,000 from the prior week's revised figure.

With last week's increase, applications have been above 400,000 for 15 consecutive weeks, evidence the labor market will take time to heal.

Fewer than 425,000 people applying for aid is consistent with modest job growth, but the number of jobless claims will have to fall to 375,000 or below to signal a sustained drop in the unemployment rate.

About 1750 applications in Minnesota were from state employees temporarily laid off due to the state government shutdown, the department said.

However, the four-week moving average, a more closely watched claims figure, inched down by 2,750 from the previous week.

The advance figure for seasonally adjusted insured unemployment during the week ending July 9 was 3.698 million, a sharp decrease of 50,000 from one week earlier.

U.S. economic growth has slowed in recent months, slowing the labor market's recovery, and lifting the unemployment rate in June to 9.2 percent.

The weekly figures of jobless benefits applications reflect the level of layoffs and indicate the real-time condition of the American job market.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_131000949.htm

U.S. recovery from crisis far from complete: Bernanke

WASHINGTON -- Recovery from the financial crisis still had a long way to go in spite of the economic growth, U.S. Federal Reserve Chairman Ben Bernanke said Thursday.

"Nearly three years later, the recovery from the crisis in the United States and in many other countries remains far from complete," Bernanke said in a testimony to a Senate panel.

He said the financial crisis of 2008-2009 was unprecedented in its scope and severity, adding federal regulators would finalize some of the rules for the financial reform act during this summer.

The U.S. economy grew only 1.9 percent in the first quarter of this year and some economists worry it will keep the same pace for the second quarter. The unemployment rate rose to 9.2 percent in June.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_131000948.htm

U.S. mayors meet in Los Angeles on economic recession

LOS ANGELES -- About 50 mayors from across the United States began a three-day U.S. Conference of Mayors Summer Leadership Meeting in Los Angeles on Thursday, with the aim of coordinating efforts to deal with the lingering economic recession.

As part of the conference, Los Angeles Mayor Antonio Villaraigosa, who became president of the group in June, will show off his Summer Night Lights program, a largely successful effort to reduce gang violence during summer months when homicides tend to spike.

The conference will include a number of breakout sessions, including a discussion of the federal deficit with John Podesta, a White House chief of staff during the Clinton administration, and Los Angeles Times editor-at-large Jim Newton.

Villaraigosa's director of the Gang Reduction and Youth Development office, Guillermo Cespedes, will moderate a session Saturday about Los Angeles' efforts to reduce gang crime beyond the Summer Night Lights program. The panelists include Los Angeles Police Chief Charlie Beck and Advancement Project Director Connie Rice.

The visiting mayors, including Philadelphia Mayor Michael Nutter and Mesa (Arizona) Mayor Scott Smith, will visit Costello Park in Boyle Heights Thursday night to see the program up close.

http://news.xinhuanet.com/english2010/business/2011-07/22/c_131001042.htm

Cuba allocates idle lands to farmers

HAVANA -- The Cuban government has handed over 68 percent of idle lands to new farmers, an agriculture official said Tuesday.

According to Anibal Nunez, deputy director of Cuba's National Land Control Center, 77.1 percent of the lands given have been used for food production.

From January to June, 12,795 of the 15,975 land applications had been approved. However, 9,000 farmers who failed to "put the land into operation" within two years had to return the lands to authorities, Nunez said.

The Cuban Ministry of Agriculture is carrying out a "re-inspection" of usufruct land to determine the area of idle lands left on the Caribbean island, he said.

Aiming to increase agricultural production and reduce costs brought about by importing food, authorities handed over the first plot of idle lands in 2008. About 80 percent of food in Cuba is imported at a cost of 1.5 billion U.S dollars a year.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13996823.htm

Long-term foreign investment grows in Indonesia: central bank

JAKARTA -- The influx of foreign funds to Indonesia has begun to move to long-term investment including foreign direct investment (FDI), easing the risk of a sudden reversal, the Jakarta Post quoted an official from Bank Indonesia (BI), the central bank.

"Although portfolio (investment) remains dominant, FDI continues to improve. Long-term capital inflows increase, so pressures of reversal lessen," BI spokesman Difi A. Johansyah told a press briefing on Tuesday.

According to BI data, FDI rose nearly 17 percent to 2.9 billion U.S. dollars in the first three months of this year, up from 2.48 billion dollars.

Separately, foreign portfolio investment (FPI) decreased to 3.56 billion dollars from 6.1 billion dollars.

BI Deputy Governor Budi Mulya forecast this trend late last year when he announced the central bank's projection that capital inflows to the portfolio market would drop to 11 billion dollars this year, compared to 15.7 billion dollars last year, while foreign direct investment would be higher, at 16.7 billion dollars in 2011 compared with 13 billion dollars in 2010.

"There's a change in the characteristic of inflows to Indonesia. From 2008 to 2010, inflows were dominated by short-term investment. Now it's beginning to be seen that inflows are starting to enter the FDI, as indicated by surging investment loan growth," Johansyah said.

Investment loans increased 29 percent on a year-on-year basis as of May this year, while loan growth was down to 23.4 percent in June, BI data showed. Investment loan growth was faster than consumer loans' and working capital loans' growth of respective 17.8 percent and 24.8 percent.

"The increase in investment loans is expected to widen economic capacity so it could positively impact economic growth without resulting in overheating in the country's economy," BI's second quarter monetary policy report said.

http://news.xinhuanet.com/english2010/business/2011-07/20/c_13997283.htm

S&P raises Kuwait's sovereign credit ratings on high GDP

KUWAIT CITY -- International rating agency Standard & Poor's (S&P) said Wednesday it decided to raise Kuwait's sovereign credit ratings supported by its high Gross Domestic Product (GDP) and strong public finance.

S&P raised Kuwait's local and foreign currency sovereign credit ratings from AA- to AA, with the outlook stable.

The agency said Kuwait's economic strength minimize concerns over the country's dependence on oil, political standoff between government and parliament and slow pace of reform.

Kuwait is the fourth largest oil exporter of the Organization of Petroleum Exporting Countries (OPEC). Ninety-five percent of its national revenues come from oil exports.

The Gulf emirate has been bothered by high-level inflation rate, which reached a five-month top of 5.4 percent in May, the highest among Gulf oil exporters.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_13998456.htm

Athens takes new steps to draw visitors amid debt crisis

ATHENS -- Athens welcomes visitors with two Info-Points inaugurated this July as the Greek tourism industry is on a rebound this summer amidst the prolonged debt crisis.

The two new kiosks, one at the foot of the Acropolis hill and one at Piraeus port, are part of the City of Athens' strategy to present Athens as a dynamic modern metropolis with plenty to offer beyond historical monuments.

Tourists can receive travelling information through LCD screens, i-pads as well as traditional leaflets at the information centers, all free of charge.

"The traditional city guide gives you tips on exploring archaeological sites and Mediterranean cuisine, but lags in the updated in-depth info provided here regarding cultural events and excursions to nearby beaches and islands," a German visitor, Imogen Gruben told Xinhua.

Noting the Info-Points' strategic location, Athens Mayor Yorgos Kaminis said, "the key objective is to boost the city's economy through sustainable tourism development, efficient management and promotion of the Greek tourist product."

The first Info-Point was launched in Autumn 2008 at the Athens International Airport by the Athens Tourism and Economic Development Company, with an aim to project a new image of Athens.

The tourism industry has traditionally been one of the strongest sectors of the Greek economy, accounting for approximately 18 percent of its GDP.

However, as Greece has been suffering from an acute debt crisis since late 2009 that has led the country to the brink of financial collapse, the Greek government hopes that the tourism industry would help kick start the ailing economy and show the way out of recession back to growth.

This summer so far has witnessed some positive signs. According to the estimations of federations of hoteliers and travel agencies, the number of arrivals to Greece this year would increase by at least 10 percent compared to 2010.

Due to the global financial crisis in recent years and a wave of strikes that occasionally turned into violent clashes in the center of Athens over the past year and a half, the Greek tourism sector reported significant losses in 2009 and 2010.

Athens witnessed tens of thousands cancellations of hotel stays and flights to Athens in just one week in early May last year, after employees of a bank near the parliament building died in riots during an anti-austerity demonstration.

Despite sporadic protests of Greek labor unions over reforms this summer, it seemed that tourists no longer turned their backs on the country.

"Out of solidarity to Greek peoples we have chosen to spend our summer holidays in Greece this year and support the Greek economy," said Gruben.

But there are also other factors behind the rebound of the Greek tourism industry, as Greek officials and analysts explained.

A major reason is the favorable bargains on offer this year. Due to the crisis many tour operators and hotels have cut down on prices up to 30 percent compared to 2010, while the government has reduced ferry and flight fees.

Greek tourist destinations also regained its competitive edge as travelers now made a point to avoid northern Africa and Arab countries due to the political instability, seeking other Mediterranean resorts.

With an eye on double digit increases in the numbers of visitors, Greece has targeted emerging economies with measures such as easing visa restrictions for Chinese and Russian nationals, among others.

Despite the current challenge after all, Greece still offers a beautiful landscape, idyllic destinations at the Aegean islands, a rich history and culture and the warm hospitality of people.

It is no coincidence that last year Greece was the fourth most popular tourist destination across the EU, following Spain, Italy and France, according to a Eurobarometer poll on behalf of the European Commission.

http://news.xinhuanet.com/english2010/world/2011-07/21/c_13998481.htm

Brazil raises key interest rate to 12.5%

RIO DE JANEIRO -- Brazil's benchmark Selic interest rate has been raised from 12.25 to 12.5 percent, the central bank said Wednesday.

It was the fifth consecutive increase in the Selic rate, which had been expected by the market.

With the rise, the Selic reached its highest level since January 2009, when the country was the grip of the global financial crisis.

According to the Monetary Policy Committee (Copom) of the central bank, the decision to raise the Selic was unanimous, motivated by concerns of inflationary pressures.

Brazil's inflation has slowed markedly in the past two months, but the accumulated rate reached 3.87 percent in the first six months of this year, compared with 3.09 percent a year earlier.

The rate is close to the central bank's inflation target set for this year, which is 4.5 percent with a two percentage point tolerance, meaning that the rate cannot exceed 6.5 percent.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_13999010.htm

Sydney to develop late night economy

SYDNEY -- Sydney could soon become a late night city if a trial of extension of trading hours for businesses in the city center proves to be successful, Lord Mayor of Sydney Clover Moore said on Thursday. The City Of Sydney Council is conducting the trials over the spring and summer, as part of a plan to develop the city's first late night economy policy.

They include extended trading hours for businesses, tourist information kiosks that stay open until 11p.m., and roving, high quality food trucks in Sydney.

A council commitment to cutting red tape for things like outdoor dining is also on the agenda.

"We want to encourage more late night options such as museums, cafes, galleries and retail stores," Lord Mayor Clover Moore said in a statement on Thursday.

"Having more options - that do not revolve solely around alcohol - creates a safer and more balanced late night city."

If it were allowed to grow and prosper in a responsible way, a late night economy would add substantially to Sydney's overall economy, Moore said.

http://news.xinhuanet.com/english2010/business/2011-07/21/c_13999181.htm

Moody's cuts Belarus credit rating to B3 from B2

MINSK -- The international rating agency Moody's downgraded on Thursday the sovereign credit rating of Belarus from B2 to B3 and does not preclude further decrease. According to the agency, the decrease of the rating is associated with the reduction of foreign aid received by Belarus to cover the negative balance of payments. The agency also notes the impact of shortages of foreign currency and a significant devaluation of the Belarusian ruble.

A further downgrade would depend on an assessment of the likelihood of obtaining additional external funding, policies aimed at correcting macroeconomic imbalances. Moody's said that 3 billion U.S. dollars promised to Belarus by the Eurasian Economic Community over the next three years won't be enough to bridge the country's balance-of-payments gap.

In March, Moody's downgraded the country's credit rating to B2 from B1.

At the end of May, the Belarusian Central Bank cut almost in half the value of the Belarusian ruble against the dollar, causing panic across the country. The central bank raised its benchmark interest rate by 2.0 percentage points to 20 percent in a bid to battle the country's inflation.

http://news.xinhuanet.com/english2010/business/2011-07/22/c_131000982.htm

Euro area industrial new orders up 3.6 pct in May

BRUSSELS -- Industrial new orders index of Euro area rose by 3.6 percent in May as compared to April, according to a report released on Friday by Eurostat, the statistical office of the European Union. The index for the EU rose by 2.5 percent in May.

On a yearly basis, index rose by 15.5 percent in euro zone and by 14.3 percent in EU in May.

As for components of index, new orders for capital goods rose by 3.2 percent in the euro zone and by 1.8 percent in the EU.

Non-durable consumer goods increased by 2.8 percent and 2.5 percent respectively.

Intermediate goods grew by 2.5 percent in both zones. Durable consumer goods fell by 2.2 percent in the euro zone, but gained 0.1 percent in the EU.

http://news.xinhuanet.com/english2010/business/2011-07/22/c_131003324.htm
