Russian sanctions threaten both Europe's farmers and policymakers

REUTERS, *Paris/Warsaw*

Pascal Sauvetre, an apple farmer in Poitou-Charentes on France's Atlantic coast, has a headache beyond the usual concerns about weather and tree fungus - Polish apples.

As the European Union's second biggest apple producer, Poland has some 700,000 tonnes of the fruit it usually sells to Russia but can't, because Moscow has a food embargo on many EU and US goods as part of tit-for-tat sanctions related to the Ukraine crisis.

Many of those Polish apples will inevitably head for western Europe, potentially displacing their more expensive European rivals. Others will go to markets in Asia and the Middle East, traditionally supplied by EU countries such as France.

"What's really sending shivers down my spine is the ricochet effect," said Sauvetre, sales manager of Pom' Deux-Sevres cooperative. "These apples from eastern Europe that can't be sold to Russia and will be sent to western Europe -- it's obvious it's going to hurt, a lot."

Apples are just one element in an unfolding problem for Europe's farmers and its central bank policymakers. From Polish apples to French pork and Greek peaches, exporters to Russia may either have to slash prices or destroy produce.

REUTERS

An employee sorts cheese at a Metro Cash and Carry store in Moscow. Moscow imposed a total ban on imports of many Western foods on August 7 in retaliation against sanctions over Ukraine, a stronger than expected measure that isolates Russian consumers from world trade to a degree unseen since Soviet days.

It is just about the last thing that the European Central Bank wants to see as it struggles with a flatlining economy and worries about deflation.

George Polychronakis of Greek fruit export association Incofruit-Hellas, for example, watched as some 250 truckloads of peaches and nectarines en route to Russia were halted when the embargo hit.

Greece exported 160,000 tonnes of fruit to Russia last year, worth 180 million euros ($240 million) to the crisis-hit EU member.

"They'll either have to sell it at any price to countries along the way or be forced to bring it back to Greece where it will be destroyed," he said.

"Oversupply will drag down prices for other goods and that will have a domino effect on the entire market. Even today, I went to the supermarket to buy peaches for myself and they were cheaper than three days ago."

It is also not just fruit.

"In total, a million tonnes of pork, poultry and beef from the EU will remain on the market (rather than go to Russia). It's a very big blow," said Paul Rouche, general manager in charge of pork for the French meat trade union SNIV.

At the macroeconomic level, this threat of lower prices might not matter in normal times.

Food accounts for about 14 percent of the basket of goods used to calculate euro zone harmonised inflation. Alone, fruit and vegetables account for just less than 3 percent the basket.

But these are not normal times as far as inflation is concerned.

Despite record low interest rates and money pumping policies, euro zone inflation is running at only 0.4 percent year-on-year, a number that is way below the ECB's close-to, but below 2 percent level and also entrenched in what the central bank considers "the danger zone" under 1 percent.

This is before any major impact from the sanctions.

Deutsche Bank analysts have lowered their euro zone 2015 inflation forecast to 1.1 percent from 1.2 percent on the basis of western European food supplies being banned from Russia and producers offloading capacity in the euro zone. They see the impact taking effect from this autumn.

"I think it would have to start pervading core inflation before they (the ECB) really freak out. But it doesn't help," Deutsche Bank economist Gilles Moec said.

The deflationary potential can already be seen in some places.

Total Dutch fruit and vegetable sales to Russia were about 600 million euros last year, according to Frugi Venta, a trade association that represents 420 Dutch companies.

"Prices in some fruit and vegetables have fallen by as much as 75 to 80 percent," said spokeswoman Inge Ribbens. "A lot of trucks have been turned back at the border."

The closing off of a major export market, meanwhile, threatens to hurt segments of the euro zone economy at a time when growth is pretty poor anyway.

There was no economic growth between the first and second quarters of this year in the euro zone and on a year-on-year basis the growth rate is just 0.7 percent.

Scrambling to limit damage on their agricultural sector, Poland and others have asked the EU to draw up plans to withdraw the surplus from the market and compensate farmers.

European Agriculture Commissioner Dacian Ciolos has said he would soon announce measures to help support producers of perishable fruit and vegetables.

"We asked the Commission to help us avert the crisis this season and allow us to deal with the surplus by distributing it to charities, turning it into biofuel or simply using the apples as organic fertiliser," Polish Agriculture Minister Marek Sawicki said.

Poland is trying to tap markets in Algeria, Hong Kong, Taiwan, Singapore and India.

"Realistically, we can place around 100,000 tonnes on new markets in South America, North Africa and the Far East," Miroslaw Maliszewski, head of the Polish Fruit-growers' Association, told Reuters.

Warsaw has also asked the United States to open up its market to Polish apples, said Poland's ambassador to Washington, Ryszard Schnepf.

He has dubbed them "Freedom Apples" in the hope of persuading Americans it is a patriotic duty to tuck in.

Britain's top bosses earn '131 times more' than staff

AFP, *London*

The heads of Britain's largest companies earned 131 times as much as their average employee last year, a study said Monday, exposing the growing pay gap between bosses and workers.

The wage divide has more than doubled since 1998, when the average chief executive of firms in the FTSE 100 earned 47 times as much as staff, the report found.

The British government has brought in laws to curb executive pay and bonuses since the financial crisis, but a severe squeeze on wage growth has fuelled public anger about highly-paid senior executives.

"When bosses make hundreds of times as much money as the rest of the workforce, it creates a deep sense of unfairness," said Deborah Hargreaves, director of the High Pay Centre think-tank, which wrote the report.

Martin Sorrell, which heads up marketing giant WPP, took home a pay package nearly 800 times bigger than his employees of £29.8 million ($49.6 million, 31.2 million euros), the study found.

At retailer Next, boss Simon Wolfson earned almost 460 times as much as his average worker in 2013 -- but then chose to distribute his bonus to staff.

The chief of mining group Randgold Resources, Mark Bristow, was paid £4.4 million last year -- 231 as much as his average employee.

The study comes after the Bank of England last week halved its pay growth forecast for this year to below the rate of inflation at 1.25 percent.

Governor Mark Carney said the figures reflected "relatively unprecedented weak wage growth" in Britain.

The gloomy forecast came after official data showed that annual pay fell by 0.2 percent in the second quarter of the year -- the first decline since the height of the financial crisis in 2009.

The squeeze on people's spending power comes even as Britain's growth picked up pace, with the economy now bigger than before the start of the global financial meltdown in 2008.

"The government needs to take more radical action on top pay to deliver a fair economy that ordinary people can have faith in," said Hargreaves.

The think-tank carried out the study using pay figures from company reports and data from the Pensions Investment Research Consultants.

China to spend $1b on massive Caribbean resort

AFP

A couple is sunbathing on a beach in St John's, Antigua and Barbuda.

AFP, *St John's, Antigua and Barbuda*

Chinese investors are to plunge more than $1 billion into developing Antigua and Barbuda's first mega-resort, creating 1,000 jobs for the tiny cash-strapped nation.

Construction on the mammoth 1,600-acre (647-hectare) multi-hotel, residential and commercial project is slated to begin early next year.

The Singulari scheme -- 50 per cent bigger than the regionally-heralded Baha Mar resort under way in the Bahamas -- is being lauded as a major feather in the East Caribbean country's tourism cap.

Spanning 900 acres of land in the north of Antigua and 700 acres of tiny islands, it will include several luxury hotels, hundreds of private homes, a school, hospital, marinas, golf courses, an entertainment district, horse racing track and the Caribbean's biggest casino.

It is being created on land previously owned by disgraced US financier Allen Stanford, once Antigua's largest employer.

Sam Dyson, of Luxury Locations real estate agency which introduced Beijing-based Yida International Investment Group to the island in May 2013 and negotiated the deal with the land's liquidators, said: "Singulari will provide Antigua & Barbuda with an economic boost and galvanise the destination as a tourism force to be reckoned with."

A Yida spokesman said job fairs would be held within weeks to ensure locals were given first priority for the 200 positions being made available later this year when the land is prepared for development, and the 800 created next year when construction starts.

"Over the next 10 years, Yida Group and its global partners will create an additional $2 billion of gross domestic product and economic value to Antigua, including sales of real estate, creation of new industries and origination of foreign direct investment," he added.

Antiguan Prime Minister Gaston Browne signed a memorandum of agreement with the developers on June 13, one day after taking office following June's general election. Browne declared his intention to transform the country, suffering crippling national debt and unemployment, into an economic powerhouse.

With national debt at almost 90 percent of GDP, the main challenges for the new government will include reviving the 108-square mile (280-square kilometer) country's tourism-dependent economy.

Financial woes have been exacerbated by fallout from Texas businessman Stanford's $7 billion Ponzi scheme. A citizen of Antigua and Barbuda, Stanford was the private sector's biggest employer before his arrest in 2009.

StanChart nears deal over compliance failure

REUTERS, *New York*

Standard Chartered is close to a deal to pay between $200 million and $300 million to resolve allegations by New York's banking regulator that it failed to review high-risk transactions, two years after agreeing to reform its practices, a person familiar with the matter said on Monday.

The announcement of the settlement could come this week, possibly as soon as Tuesday, according to the person, who was not authorized to speak about the talks and declined to be identified.

The penalty would be the second the British bank has paid to the New York Department of Financial Services in two years. In August 2012, Standard Chartered agreed to a $340 million settlement over allegations that it stripped identifying information from transactions linked to Iran, making it impossible for US banks to detect them.

A person familiar with the matter previously told Reuters that a compliance monitor installed as part of the 2012 deal detected the latest problem. It is unclear precisely what transactions are at issue in the current probe.

A Standard Chartered spokeswoman declined to comment. A spokeswoman for the regulator did not immediately respond to a request for comment.

Sultan of Brunei denies report of bid for Sahara's New York, London hotels

REUTERS

A spokesman for the Sultan of Brunei dismissed a report by the Wall Street Journal online that he had made a bid for New York's Plaza Hotel, Dream Hotel and London's Grosvenor House hotel.

The Journal's website edition reported on Saturday, citing people familiar with the situation, that an investment firm affiliated with Brunei had offered to pay $2 billion for the three hotels, which are currently owned by India's Sahara conglomerate.

"Neither His Majesty, the Brunei Investment Agency, nor the government of Brunei are involved in any way in the purchase of the Grosvenor House in London or the Plaza and Dream Downtown hotels in New York," a spokesman at Bell Pottinger, acting on behalf of the Sultan of Brunei, wrote in an email.

Brunei has been criticised by civil rights and gay rights advocacy groups in the United States for becoming the first East Asian country to adopt sharia criminal law, which punishes sodomy and adultery with death by stoning.

The City of Beverly Hills voted in May to pressure the sultan's luxury hotel operator, the Dorchester Collection, to divest the Beverly Hills hotel.

The Journal story made headlines in India, where Sahara is best known as the long-time former main sponsor of India's national cricket team.

Its chairman, Indian tycoon Subrata Roy, has been negotiating a sale of the hotels from a makeshift office in prison in New Delhi. He wants to raise $1.6 billion for bail.

Roy has been held for more than five months after failing to appear at a contempt hearing in a long-running dispute with regulators over his group's failure to repay billions of dollars to investors who were sold outlawed bonds.

Sahara bought the Plaza Hotel for about $570 million in 2012. Two years earlier, it paid 470 million pounds ($786.5 million) for the 494-room Grosvenor House overlooking Hyde Park near Buckingham Palace.

The group is also looking to sell the Dream Hotel in midtown Manhattan.

AFP

A man walks past the Plaza Hotel in Midtown Manhattan in New York. There have been rumors that the Sultan of Brunei has offered to buy the Dream Hotel and The Plaza both located in New York. Brunei has been criticised by civil rights and gay rights advocacy groups in the US.