Dollar mortgage holders urge Russia to end financial slavery

AFP, *Moscow*

When Olga Savelyeva took out a $226,000 mortgage to buy a small apartment on the outskirts of Moscow in 2008, she could never have imagined that the ruble would lose more than half its value in a few short years.

But Savelyeva's $2,090 monthly instalments have skyrocketed in ruble terms due to the Russian currency's dive against the dollar. The resulting jump in monthly payments from 49,000 to 115,000 rubles now devours most of her family's income.

The 30-year-old mother of a young daughter and her husband has tried to honour their repayment commitments but despite their best efforts, December's instalment was $400 short.

"We're left with 3,000 rubles ($56) this month," Savelyeva told AFP.

"We won't be able to make the January payment in full... "We also have other obligations," she added, referring to her retired mother and cancer-stricken father.

Savelyeva is one of tens of thousands of Russians who took on lower-interest foreign currency-denominated mortgages in the years before the financial crisis and now struggle with repayments as the ruble's value shrinks.

Russia's central bank says that as of November 1, foreign exchange mortgage debt totalled 120.5 billion rubles ($2.28 billion).

According to the state-run Agency for Housing Mortgage Lending, those loans represent 3.3 percent of the total volume of outstanding mortgage debt.

Critics say the government is deliberately downplaying the scope of the problem and claim some 100,000 to 150,000 people are likely affected.

AFP/FILE

Russia's Communist Party supporters rally against the ruble's decline in exchange rates, in front of the headquarters of the government in central Moscow on December 22.

Hundreds of Russia's hard-currency mortgage holders have created a social media group, attracting members from Yekaterinburg in the Urals to the exclave of Kaliningrad on the Baltic Sea.

In a letter to central bank chief Elvira Nabiullina, the group threatened a "powerful social explosion" if assistance isn't provided.

Some 100 homeowners picketed the central bank this month and around 500 people plan to take to the streets this week, the first significant protests over the collapse of Russia's currency -- down some 40 percent against the greenback this year.

With Russia's mortgage industry still in its formative phase, taking out a loan to buy a home is considered risky business.

Even before the crisis, interest rates of 10 to 12 percent on foreign currency loans -- and 12 to 14 percent on ruble-denominated mortgages -- mean many Russians will wind up paying double to triple the principal borrowed on 15- to 20-year loans.

The group of foreign currency mortgage holders says Russia's financial crisis, exacerbated by falling oil prices and Western sanctions over Ukraine, has transformed their loans into "financial slavery".

To make matters worse, interest rates are expected to rise further still in the wake of the central bank's decision this month to hike its key rate to 17 from 10.5 percent to prop up the ruble.

"Why have ordinary borrowers been left alone with their misfortune?" asked members of the social media group in their letter to the central bank.

They said some of them have "ended up out on the streets" and warned they would be ready to go on hunger strike if no solutions were found.

A representative of the Bank of Russia said it had repeatedly warned clients of the risks associated with dollar-denominated mortgages.

The bank added that "a restructuring of such loans, including converting them into rubles at a reasonable exchange rate, would be in the interests of both borrowers and banks".

Zoya Kuliyeva, who borrowed $120,000 to buy a Soviet-era apartment in Moscow in 2008, said banks have so far refused to come up with an acceptable solution.

The bank has offered to extend her loan until she turns 70. "It means my children and grandchildren will be paying it off," Kuliyeva, chief accountant at a Russian firm, told AFP.

Economist Yevgeny Gontmakher said the collapse of the ruble was a huge blow to Russia's middle class, which includes many holders of foreign-currency loans.

"It's a catastrophe for them," said Gontmakher, deputy director of the Institute of World Economy and International Relations of the Russian Academy of Sciences.

The government, he added, would likely pass the buck by putting pressure on the banks, which are already struggling with a liquidity squeeze.

This year Hungary faced a similar scenario, with banks forced to convert foreign currency debt into forints to bail out hundreds of thousands of borrowers.

Russian lawmakers this month passed a personal bankruptcy law that will come into force next July.

A legislator from A Just Russia party, Andrei Krutov, suggested that foreign currency-denominated loans be banned altogether.

Krutov also said the state should bail out holders of those mortgages by allowing them to pay off loans at pre-crisis exchange rates.

"They won't be able to get by without state support," he told AFP, adding that he was preparing legislative initiatives to that end.

But Kuliyeva said such assurances offered little consolation.

"I am just trying not to follow the dollar exchange rate," she said. "It's very scary, it's depressing."

Trade and tension at Europe's troubled African borders

AFP, *Melilla, Spain*

Hassan Ibrahim, both physically and mentally disabled, staggers on his weakened legs as he pushes two huge packs of contraband goods loaded on a wheelchair.

He is one of thousands of Moroccans toiling for a living in the Spanish territories of Ceuta and Melilla -- two tiny specks of Europe at the northern tip of Africa which have the only two land borders between the two continents.

When he gets his load across the border from Ceuta to Morocco, Ibrahim will earn 30 euros ($37) for his labour.

Tolerance of this cross-border trade makes Ceuta and Melilla magnets for those on the Moroccan side of the fence, who jostle in tense queues for their turn to enter.

But the borders are a headache for Spanish police, whose duties range from chasing queue-jumpers with their batons to catching drug-traffickers and suspected terrorists.

Critics complain that encouraging this undocumented cross-border trade reinforces the rich-poor split at this meeting of continents.

"Here there is just poverty and survival," said Mohamed Alami, a civilian steward supervising the chaotic queue in Ceuta.

Some 400 kilometres (250 miles) east, in Melilla, Naima Fakhri, 46, gets paid a euro for each of the thick blankets she carries home to Morocco on her back, leaning on a crutch since she twisted her ankle.

Today she has five blankets, tied in a bundle weighing 20 kilos (45 pounds).

Previously, she could make two or three journeys a day. But tighter border controls imposed this year restrict her to one return trip, four days a week.

"It's disgusting. Sometimes the police hit me or stop me getting back across the border," she said, seated and wearing a headscarf and pink dress. "But there's nothing else for me to do but come to Melilla."

Officials say the tighter controls are due to security concerns and efforts to renovate the border crossings.

Unemployment among Ceuta and Melilla's native workforce is more than 30 percent -- among the highest rates in Spain.

Meanwhile, authorities say some 30,000 Moroccan traders and menial workers cross into each territory every day.

There are no official figures for the value of what officials call the "atypical trade" in merchandise across the border, but Spanish media have estimated it at more than 600 million euros a year in each of the territories.

"If people are earning a living that way, there is obviously a big difference in income between one side and the other," said the Spanish government's delegate in Melilla, Abdelmalik El Barkani.

"But if it means that thousands of families can support themselves from it, then it is welcome."

Melilla's port handles turnover of 10 million euros a year in documented trade.

Shipping companies favour it over the neighbouring Moroccan port of Nador where taxes and import duties are higher, said Gonzalo Escribano, a researcher at the Royal Elcano Institute of International and Strategic Studies in Madrid.

"Who does that suit? It suits the transportation companies, but not the population overall," he said. "The distribution of resources is very unequal because 40 or 50 import and transportation companies get all the business."

Escribano said Spain tolerates the contraband trade to calm relations with Morocco, which claims sovereignty over the territories.

But he argued that the quick income from contraband lures Moroccans away from education and investment -- a problem Spain and the European Union should help to ease, he said.

"It supports many people in Morocco but at the same time it is holding back long-term development there," Escribano said.

"In the short-term, the status quo is much more comfortable for both countries. In the long-term it is very harmful. It is a vicious circle that someone has to break."

AFP

Shoppers walk along Oxford Street to find bargains in central London in the post Christmas Boxing Day sales on Friday.

Post-Christmas sales see strong start in Britain

AFP, *London*

Hundreds of thousands of bargain-seekers stormed British shops as post-Christmas sales began on Friday, in what one department store said was its most successful ever year.

A crowd of 4,000 gathered on London's main shopping site Oxford Street outside the Selfridges department store ahead of its opening at 09:00 GMT.

Selfridges said some shoppers began queuing at 22:30 GMT the day before on Christmas day, lured by discounts of up to 70 percent.

Within an hour tills at the flagship British fashion and luxury store took in over 2 million pounds ($3.11 million, 2.55 million euros) -- the department store's most successful hour on record, the shop said.

"It's the first time I'm shopping on Boxing Day, and queuing up and this is amazing," said Jenny, a tourist from Malaysia who was waiting outside the store.

"I've been waiting here outside the doors since 8:30 so it's not too bad," said Tahira, another tourist from Malaysia. "I'm expecting to get a good bargain."

Selfridges said it expected 160,000 customers to visit the store by closing time, compared to a usual figure of 250,000 customers a week.

Consumers are expected to spend 748 million pounds ($1.2 billion, 956 million euros) on "Boxing Day", the day after Christmas, 29 percent more than last year according to estimates by Experian and the online trade association IMRG.

China challenges India's polished diamond throne

REUTERS, *New Delhi*

India's long-held position as the world's top diamond polisher is being challenged by soaring output from China, compelling the south Asian country to seek help from ally and top rough diamond supplier Russia to defend its market share.

India has traditionally relied on the middlemen in trading hubs of Antwerp, Tel Aviv and Dubai for its supply of rough diamonds, which mainly come from Russia or Africa. Most of the world's diamond output is sent to India for cutting and polishing before being retailed around the world.

But China has managed to break the established trade route by getting diamonds directly from African mines in which Chinese companies have a stake. This has boosted the value of China's net exports of polished diamonds by 72 percent in the past five years to $8.9 billion.

While India's exports, supplied by firms such as Asian Star, Gitanjali Gems Ltd and Venus Jewel, rose 49 percent to $14 billion over that time, shipments have seen a sharp drop this year.

"China's active procurement of rough supply from African countries was reducing the supply available to Indian manufacturers," said Sandeep Varia, an executive of Indian industry body Assocham. "Many units across the country had to lay off workers due to losses."

REUTERS/FILE

A supervisor checks the shape of a polished diamond inside the diamond processing unit at Surat, in Gujarat, India.

As a result, China's share of the global polished diamond market has tripled to 17 percent in the past decade, according to data from the United Nations. India's share has fluctuated between 19 and 31 percent.

Indian Prime Minister Narendra Modi, who comes from Gujarat where the polishing industry is centred, has answered calls to bolster the diamond sector by convincing Russia to sell rough diamonds directly to India.

During President Vladimir Putin's visit to New Delhi this month, Russia's state-run diamond monopoly Alrosa signed a dozen deals to increase direct rough diamond deliveries to India that would help reduce the cut taken by middlemen in the secretive precious gems trade.

The direct deals would also reduce risks linked to Western sanctions imposed over Russia's annexation of Crimea, while Modi is additionally seeking arrangements that would allow Russian jewellery makers to send rough diamonds to India and re-import polished stones duty-free.

But to compete effectively with China, India will also need to streamline its tax and import rules, industry sources said.

"China is not going to displace India as the leading diamond polishing hub any time soon, but India needs to reform its archaic tax rules to make the Indian diamond polishing industry more attractive for foreign miners," said Martin Rapaport, chairman of diamond and jewellery service firm Rapaport Group.

India is looking to build a special notified zone where companies can import rough diamonds on a consignment basis and re-export unsold ones, mirroring China's investor-friendly trading zones that avoid complicated export and import taxes.

"These are positive moves for the industry," said Mehul N Shah, committee member of India's Bharat Diamond Bourse. "It will increase profit margins of the Indian diamond manufacturing industry and make it more competitive."

Despite China's upper hand in securing rough diamonds, its cutting and polishing industry is not as organised as India's and rising labour costs are a problem.

"The Chinese diamond polishing industry works on a contract-basis and through joint ventures," said Rapaport. "They are consistent at mass producing small stones, but lack the expertise required for bigger and finer stones."

China starts building huge new Beijing airport

AFP, *Beijing*

Construction on a massive new international passenger airport in Beijing began Friday, state media reported, as booming demand for travel to and from China stretches the capacity of existing facilities.

Beijing's current international airport is the world's second busiest, but also one of the most delayed, with fewer than 20 percent of commercial passenger flights leaving on schedule according to a 2013 report.

The new facility located in southern Beijing is designed to handle 72 million passengers by annually by 2025, the official Xinhua news agency said.

The airport is set to cost 80 billion yuan ($13 billion) and will be completed in around five years, Xinhua said, adding that it will be able to handle 620,000 flights per year.

Travel demand in China has soared as the country has grown to become the world's second-largest economy and Beijing's current International airport in the city's northeast has begun to reach its capacity limits.

Beijing International Airport was the world's second busiest airport in terms of passengers in 2013, Xinhua said, ranking behind Hartsfield-Jackson Atlanta International Airport in the United States.

But it is also the world's most delayed, according to a study last year by US-based air travel information service FlightStats, which said just 18 percent of flights were on time.

About 42 percent of departures from Beijing suffered delays of 45 minutes or longer, the survey said.

LG offices raided over suspected washing machine vandalism

AFP, *Seoul*

South Korean prosecutors raided the Seoul headquarters of LG Electronics on Friday following allegations that the firm's executives vandalised their rival Samsung's washing machines at a trade fair in Germany, company officials said.

Samsung Electronics had filed a lawsuit accusing the LG executives of defamation, property damage and obstruction of business and said LG home appliance division president Jo Seong-Jin was among those who damaged machines displayed at September's event in Berlin.

Investigators seized documents and computer hard disks during Friday's raid on LG headquarters, Yonhap news agency said, adding that the company's home appliance factory in the southern city of Changwon was also searched.

"Our office is under scrutiny by investigators," an LG spokesman told AFP, declining to give details.

VW's Audi to step up investments in 2015-19 on models, plants

REUTERS, *Berlin*

Volkswagen's flagship Audi division is to increase spending on new models, plants and technology through 2019 to push its goal of surpassing German rival BMW as the world's largest luxury-car manufacturer.

Audi, which contributes 40 percent of operating profit at Europe's biggest automotive group, said on Saturday it will push up investment in car-making operations by 2 billion euros ($2.44 billion) to a record 24 billion euros over the next five years.

Seventy percent of spending will be assigned to developing new models and technologies such as emission-cutting plug-in hybrid vehicles, Audi said. The brand is also working on purely electric cars to catch up with BMW and Tesla Motors.

More than half of the funds will be spent on Audi's two German factories in Ingolstadt and Neckarsulm which accounted for half the carmaker's nine-month output of 1.34 million autos, Audi said, confirming a Reuters story.

"We place top priority on sustainable growth," Chief Executive Rupert Stadler said. "That's why we are making large investments in the innovative areas of electric mobility, connectivity and lightweight construction."

Audi, the world's second biggest luxury automaker, is aiming to expand its model range to 60 from currently 50 by 2020 and is spending over 1 billion euros on new factories in Mexico and Brazil.