

New \$100b BRICS bank opens in China to challenge US-led lenders

AFP, Shanghai
A new \$100 billion international bank dedicated to the emerging BRICS countries opened in China's commercial hub Shanghai on Tuesday, officials said, as an alternative to other multilateral lenders.

The "New Development Bank", backed by the so-called emerging BRICS nations Brazil, Russia, India, China and South Africa, has been viewed as a challenge to Washington-based institutions. The NDB's website explicitly describes it as an "alternative to the existing US-dominated World Bank and International Monetary Fund" which will address needs for infrastructure and sustainable development.

It comes as Beijing -- which is seeking a greater role on the global political stage to mirror its rise to become the world's second-largest economy -- is also setting up a separate Asian Infrastructure Investment Bank (AIIB).

Chinese Finance Minister Lou Jiwei played down the competitive aspect.

"The NDB will supplement the existing international financial system in a healthy way and explore innovations in governance models," he told the NDB's opening ceremony in Shanghai, as quoted by the official Xinhua news agency.

The bank says on its website that it will have authorised capital of \$100 billion, with \$50 billion paid in initially.

Xinhua quoted bank president K. V. Kamath, formerly a private banker in India, as saying the institution's management was "working on initiation of operations", including "making business policy" and "developing project preparations".

Operations would begin late this year or early in 2016, he added.

The opening comes two weeks after



REUTERS
President of the New Development Bank Kundapur Vaman Kamath, left, China's Finance Minister Lou Jiwei, centre, and Shanghai's Mayor Yang Xiong attend an opening ceremony of the NDB in Shanghai yesterday.

a BRICS summit hosted by Russian President Vladimir Putin.

Moscow -- which has suffered huge currency fluctuations and struggled to attract investors since the outbreak of the crisis in Ukraine -- sees the bank and a BRICS currency reserve pool as alternative global financial institutions.

At the time of the summit, Russian Foreign Minister Sergei Lavrov said in a statement that BRICS "illustrates a new polycentric system of international relations" demonstrating the increasing influence of "new centres of power".

The BRICS nations, which represent 40 percent of the world's population, formally agreed to establish the bank at a meeting in Brazil in July last year.

The World Bank said it hopes to work with the newcomer.

"We are committed to working closely with the New Development Bank and other multilateral institutions, offering to share our knowledge

and to co-finance infrastructure projects," World Bank president Jim Yong Kim said in a statement. The regionally-focused Asian Development Bank also said it would "look forward" to working with the NDB.

Chinese analysts denied the BRICS bank was aimed at challenging other multilateral agencies.

"It's a complement, instead of a challenge, to existing international institutions," Li Daxiao, chief economist of Yingda Securities, told AFP.

"It can help strengthen the currency markets and maintain a stable financial order through the internal stabilisation of the BRICS countries," he said.

The other new Chinese-based multilateral lender, the AIIB, will be headquartered in Beijing and China will be its biggest shareholder with about 30 percent, according to the legal framework signed late last month by 50 founding member countries.

New York oil ducks under \$50

AFP, London

World oil prices slipped Tuesday with US crude ducking under \$50 as demand took a hit from the looming return of Iranian supplies and the strong US currency, analysts said.

Expectations of more Iranian crude flooding the oversupplied global market within months after a landmark nuclear deal continue to drag the oil market lower.

Brent North Sea crude for September delivery nudged four cents lower to stand at \$56.62 a barrel nearing midday in London.

US benchmark West Texas Intermediate for delivery in August ducked below \$50 per barrel for the first time in more than three months.

The contract later stood at \$50.11 a barrel, also down four cents from Monday's closing level.

"Most of the movement that we're seeing now in oil prices mainly comes from the dollar strength," said Daniel Ang, analyst with Phillip Futures in Singapore.

The dollar got a boost after Federal Reserve chair Janet Yellen last week stuck to her forecast for an increase in the US central bank's key interest rate later this year, as the economy picks up pace.

A rise in interest rates will attract investors to the dollar because of the prospect of higher returns, driving up the currency's value.

Since oil is priced in dollars, a stronger US currency makes the commodity more expensive, denting demand and putting downward pressure on prices.

Greece sends second bill on bailout measures to parliament

AFP, Athens

The Greek government on Tuesday presented parliament with draft legislation on a second batch of measures that must pass if it is to receive its huge international bailout, a parliamentary source said.

Lawmakers are due to vote on the measures Wednesday in a fresh test of Prime Minister Alexis Tsipras' authority, after he suffered a major rebellion in his Syriza party during a vote on a first tranche of bailout measures last week.

The second bill includes an EU directive, adopted after the financial crisis in Cyprus in 2013, that guarantees bank deposits up to 100,000 euros (\$108,000), as well as civil justice reforms designed to speed up legal proceedings and reduce their costs.

Civil servants' union ADEDY said it would stage a protest against the bill on Wednesday evening during the emergency debate in parliament.

The Greek government, led by the radical-left Syriza party, agreed last week to carry out tough reforms in exchange for a three-year international bailout of up to 86 billion euros (\$93 billion)

aimed at keeping Greece from crashing out of the eurozone.

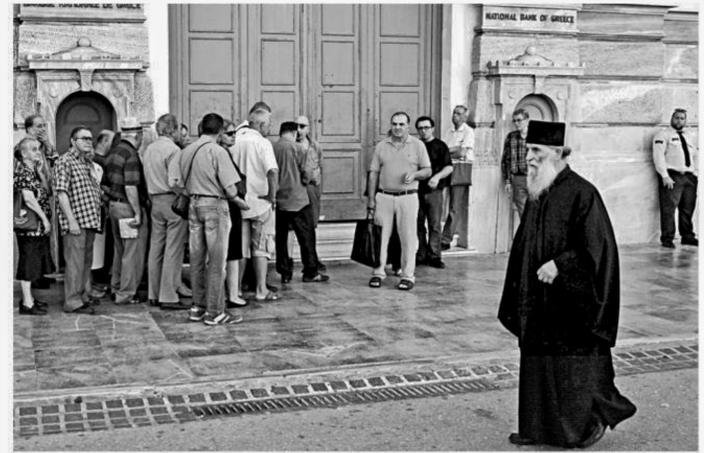
Tsipras managed to push a series of unpopular reforms through parliament last Wednesday -- including sweeping changes to Greece's taxes, pensions and labour rules -- but only with the help of pro-European opposition parties. Within Syriza, 32 of the party's 149 MPs voted against the measures, and a further six abstained.

Analysts forecast that Tsipras' coalition government, which teams his party with the nationalist Independent Greeks, will be forced to call early elections if the revolt within Syriza continues.

But the administration, in power for only six months, hopes to see a smaller rebellion in Wednesday's vote.

Prime Minister Alexis Tsipras reshuffled his cabinet on Friday to fill the vacancies left by three members who were sacked after voting against the first batch of reforms.

Government spokeswoman Olga Gerovassili on Monday said elections would not be "useful at the moment," adding: "The government has no intention of organising any."



REUTERS
People line up outside a National Bank branch while a Greek Orthodox priest walks by in Athens yesterday.



AFP
Indian Prime Minister Narendra Modi, right, talks with Parliamentary Affairs Minister Venkaiah Naidu as he arrives for the monsoon session in parliament in New Delhi yesterday.

Modi seeks opposition support for key reforms

AFP, New Delhi

Indian Prime Minister Narendra Modi appealed on Tuesday for opposition support in pushing through key reforms, as parliament began a new session set to be dominated by corruption allegations against members of his party.

Modi's right-wing government, which swept to power last year on a pledge to revive the economy, aims to push through a series of reforms during the 21-day session including introducing a new national sales tax.

"We all have to work together to take important decisions for the development of the nation," Modi told reporters outside parliament in New Delhi.

"I am hopeful that the parliament will live up to the country's expectations to act as a medium for constructive debate."

Modi is keen to pass a long-pending national goods and services tax, which aims to replace a myriad of overlapping state duties that often deter investment, as well as a controversial bill that makes it easier for businesses to buy land.

But the opposition Congress party has indicated it will use the current monsoon session to demand the resignation of a number of scandal-hit Bharatiya Janata Party (BJP) leaders.

immediately disrupted by opposition members protesting at Foreign Minister Sushma Swaraj's role in helping corruption-hit former cricket boss Lalit Modi to obtain a passport.

Congress has also urged Prime Minister Modi to sack Shivraj Singh Chouhan, chief minister of Madhya Pradesh state, where thousands of people are alleged to have bribed officials and politicians in return for jobs or places in training institutes.

The lower house shut down for the day soon after reopening to allow lawmakers to mark the recent death of a member.

The BJP does not have a majority in the upper house, and analysts say opposition parties will try to prevent progress in the current session, which comes ahead of elections in the eastern state of Bihar later this year.

"This will be a very stormy session since the objective is no more to conduct parliamentary business, but to put the government in the dock," said political analyst KG Suresh.

Parliament's last session was the most productive in recent years, with 23 bills passed, including long-awaited legislation to open the insurance market to foreign companies. Voters turned against the Congress Party in general elections last year after it was embroiled in a string of corruption scandals during its decade in power.

Novartis sees 20pc income fall for strong dollar

AFP, Zurich

Swiss pharmaceutical giant Novartis reported \$4.1 billion (3.8 billion euros) in income for the first half of the year, down 20 percent, due largely to a stronger dollar.

The Basel-based firm said its net sales over the last six months had fallen six percent to \$24.6 billion, but grew four percent in local currencies.

Novartis, the world's largest pharmaceutical company in terms of sales, said in a statement that its outlook for its core business remained unchanged, with 2015 sales expected to grow in the mid-single digits.

The Swiss firm in March agreed to a massive asset swap with Britain's GlaxoSmithKline, and said Tuesday that implementation of the deal remains on track.

Under the deal GSK acquired Novartis's global human vaccines business while the two firms tied up their global consumer health operation under GSK control.

In return, GSK sold its oncology business to Novartis for \$16 billion.

Earlier this month, US authorities launched a court action seeking \$3.3 billion in fines from Novartis, on allegations it paid kickbacks to boost drug sales.

The filing notes that Novartis maintains it offered legal rebates to pharmacies it worked with.

"We are committed to creating a culture of integrity at Novartis and demonstrating ethical leadership, and have taken concrete steps to increase transparency and strengthen our ethical business practices," the Swiss firm said Tuesday.

Toshiba president, top executives quit over \$1.2b scandal



AFP
Toshiba President Hisao Tanaka, centre, Chairman Masashi Muromachi, left, and Corporate Executive Vice President Keizo Maeda bow at the end of a press conference at the company's headquarters in Tokyo yesterday.

AFP, Tokyo

The president of Toshiba and seven other executives resigned Tuesday over a \$1.2 billion accounting scandal blamed on their overzealous pursuit of profit that has battered one of Japan's best-known firms.

Hisao Tanaka and vice chairman Norio Sasaki -- also a former president -- were the most senior to step down after an independent report found top management complicit in a years-long scheme to pad profits.

In a stinging indictment, the report by a company-hired panel said managers were involved in "systematically" inflating profits over several years, in one of the most damaging accounting scandals to hit Japan in recent years.

"There has been inappropriate accounting going on for a long time, and we deeply apologise for causing this serious trouble for shareholders and other stakeholders," said a company statement.

At a packed press briefing, Tanaka offered a "heartfelt apology" as he bowed deeply in a show of contrition.

"This is the worst damage for our brand in its 140-year history," he said.

But the 64-year-old company veteran denied ordering staff to doctor Toshiba's books.

"I didn't order inappropriate accounting," he said.

Sasaki, 66, served as Toshiba president between June 2009 and June 2013, covering most of the period during which profits were inflated. He did not appear before the media on Tuesday.

Chairman Masashi Muromachi is taking over as interim president.

The embarrassing findings come less than two months after Japan adopted a long-awaited corporate governance code aimed at improving firms' transparency.

They will also deal another blow to corporate Japan's image after a huge scandal at camera and medical equipment maker Olympus.

In 2013 a trio of former executives at that firm got suspended jail terms for their roles in a \$1.7 billion accounting fraud.

That story grabbed international headlines as its first foreign executive exposed the cover-up that led to his colleagues' downfall.

Toshiba's accounting scandal began when securities regulators uncovered problems as they probed

its balance sheet earlier this year.

The Toshiba panel, headed by a former Tokyo prosecutor, described a corporate culture where underlings could not challenge powerful bosses who were intent on boosting profits at almost any cost.

"Inappropriate accounting was systematically carried out as a result of management decisions... betraying the trust of many stakeholders," it said.

"Toshiba had a corporate culture in which management decisions could not be challenged."

The panel said: "In some cases top management and division leaders appeared to have shared a common objective to inflate profits."

The findings drew a rebuke from Japan's Finance Minister Taro Aso, who warned that it "could damage the credibility of the Japanese market."

However it was unclear whether any of the Toshiba executives who stood down would face charges.

And despite the storm Toshiba shares jumped Tuesday, as the report ended months of uncertainty about the extent of the accounting problems and who was to blame.

The Tokyo-listed shares soared 6.13 percent to 399.90 yen.