After benefits of cheap oil, India counts cost of reduced Gulf remittances

REUTERS, *New Delhi*

HAVING quit his low-paid job with a contractor in Qatar, electrician Kurian Joseph scrabbles for work each day in his hometown in Kerala, a state that has one of India's highest unemployment rates.

He's a casualty of the global oil price collapse. Stories like Joseph's explain why remittances from Indians working abroad slumped 27 percent in the fiscal year through March to $48 billion - the lowest since the 2008 global financial crisis.

Making $250 a month, and faced with a pay cut as construction jobs in Qatar became scarcer, Joseph realised he could no longer afford monthly instalments on his house and son's education. In January, after 15 years in the Gulf, he decided to go home.

"Working conditions became bad after the oil crisis hit construction. Our company could not sustain its large work force," Joseph, 56, told Reuters from Changanassery, a ramshackle town strung along Kerala's main north-south road.

"I am told the company is planning to retrench workers. Many of my friends are planning to return."

Most of India's remittances come from the oil-rich Gulf, where some seven million Indians have been working, but more and more are being forced to come home. Earlier this year, 1,000 Indian professionals were laid off by Qatar Petroleum.

The prospect of further falls in remittances is a hindrance for the Reserve Bank of India, as it seeks to "bullet-proof" the economy against sudden capital outflows.

Whereas India's external balances are in a far better shape than three years ago, when a sudden burst of portfolio investment outflows put the rupee in a tailspin, there are still risks of external shocks.

Chances of U.S. interest rates going up, Britain voting to leave the European Union, and China's economy worsening all pose risks for emerging markets like India.

Portfolio investment is typically the most volatile source of inflows, but last year's $18 billion drop demonstrated how unreliable remittances can be. Taking note, an RBI panel warned last month that the likely impact on remittances should be factored into any monetary policy decisions.

Though oil prices have recovered more than 50 percent since late January, the rally could easily peter out before the labour market tightens in the Gulf once again.

Marie Diron of Moody's Investors Service warned there could be worse to come for remittances.

"We have highlighted the risks of a marked fall in remittances as the Gulf economies' long-term adjustment to lower oil prices has only just started," said Diron, a senior vice president in the rating agency's Sovereign Risk Group.

Having covered 50 percent of India's trade deficit in the previous two years, remittances only covered 40 percent in 2015/16 even though the trade gap had shrunk significantly.

"Essentially an improvement in the trade balance is being offset by worsening private transfers," said Pronab Sen, country director for the UK-based International Growth Centre's India programme.

On balance, of course, India has benefited massively from cheap crude over the past two years. It halved the oil import bill, cooled inflation and improved public finances, all of which helped the RBI to cut interest rates.

Economists expect a balance of payments surplus close to $25-30 billion for 2015/16, as foreign direct investment inflows into the world's fastest growing major economy remain robust, and foreign exchange reserves stood at $361 billion on May 13.

All of which makes lower remittances a far smaller headache for India than for its neighbours - Bangladesh, Pakistan and Sri Lanka.

Meantime, down in Kerala, Joseph has sold his house and cleared his debts. He plans to build a smaller home and start a business with what money he's got left.

REUTERS/FILE

Laundry is seen hung out to dry outside an accommodation for migrant workers in Labour City, Qatar.

Netflix, Amazon face quotas for European movies

AFP, *Brussels*

US firms Netflix and Amazon face quotas for European movies and television shows under new EU proposals unveiled Wednesday that also aim to lift cross-border barriers for Internet shoppers.

The plan is the latest step towards what Brussels calls a digital single market, in which the European Union's 500 million people will no longer be blocked from buying goods and services more cheaply abroad online.

"We have a European film culture and we think European content should be in those programmes," Guenther Oettinger, the German EU commissioner for digital economy, told a press conference in Brussels.

The European Commission, the executive of the 28-nation European Union, called for US web streaming giants like Netflix and Amazon to devote 20 percent of their content in Europe to European movies and television shows.

Oettinger said the Commission believes that "there should be a guaranteed share of those programmes," and that "20 percent is a reasonable figure", noting Netflix already devotes 21 percent of its catalogue to European content.

"We are giving businesses some room for manoeuvre to show non-European products," added Oettinger, speaking in German through a translator.

Quotas already set by some member states vary between 10 percent and 60 percent.

Fighting the dominance of Hollywood is a major priority for EU heavyweight France in particular, which has for years subsidised its own national film industry through a special tax on privately-owned broadcasters that rely heavily on US-made content.

Netflix has said it is against quotas or making contributions to film subsidies, instead putting a priority on developing its own content, including in Europe.

Earlier this month, Netflix released its first major French-language series "Marseille", starring Gerard Depardieu, largely seen as a sign of its commitment to bring ambitious, non English-language productions to Europe.

In addition, the Commission proposed that member states should be able to ask on-demand services available in their country to "contribute financially to European works," stopping short of calling for a tax.

The proposals also call for member states to allow for independent regulators, who will ensure that video-sharing platforms, such as YouTube, protect young people from harmful content, like violence and pornography.

They also call for protecting all citizens from incitement to hatred.

Strike-hit France dips into fuel reserves

AFP, *Paris*

FRANCE said Wednesday it has dipped into its strategic oil reserves due to blockades at refineries as power workers threatened to join gathering protests against a labour law reform.

Police fired water cannon to disperse activists blocking an oil depot in the northeast, but six out of eight of France's refineries were still either at a standstill or had sharply reduced their output.

The head of the oil industry federation (Ufip) said that with a fifth of petrol pumps running dry, it had begun using strategic reserves.

"For the past two days, since there have been operational problems at the refineries and blockades of depots, we have... been using reserve supplies," Francis Duseux told French radio.

France has nearly four months of fuel reserves, but the announcement that they are already being tapped heaps further pressure on President Francois Hollande's deeply unpopular Socialist government.

The CGT union, locked in an increasingly bitter struggle with the government, has threatened to extend its action to nuclear power stations on Thursday.

It has urged "the biggest action possible" on a day when unions have called for a broad day of strikes and demonstrations across the country.

One nuclear power plant in Nogent-sur-Seine, around 100 kilometres (62 miles) southeast of Paris, is already operating at reduced capacity.

One of the two reactors has been out of operation since Tuesday "due to a technical problem" and "we will ensure that it is not re-started", said Arnaud Pacot, the local CGT representative.

Authorities stepped up their action to try to ensure the blockades of refineries and fuel depots do not paralyse France with just over two weeks to go before it hosts the Euro 2016 football championships.

Riot police used force to break a blockade at an oil depot in Douchy-les-Mines near the Belgian border that had been in place since Thursday.

Watched by around 80 striking workers, firefighters extinguished burning tyres that were blocking roads, sending thick plumes of smoke billowing into the air.

"They cleared away all our barricades. The depot was unblocked without confrontation," said Willy Dans, a spokesman for the local branch of the SUD union.

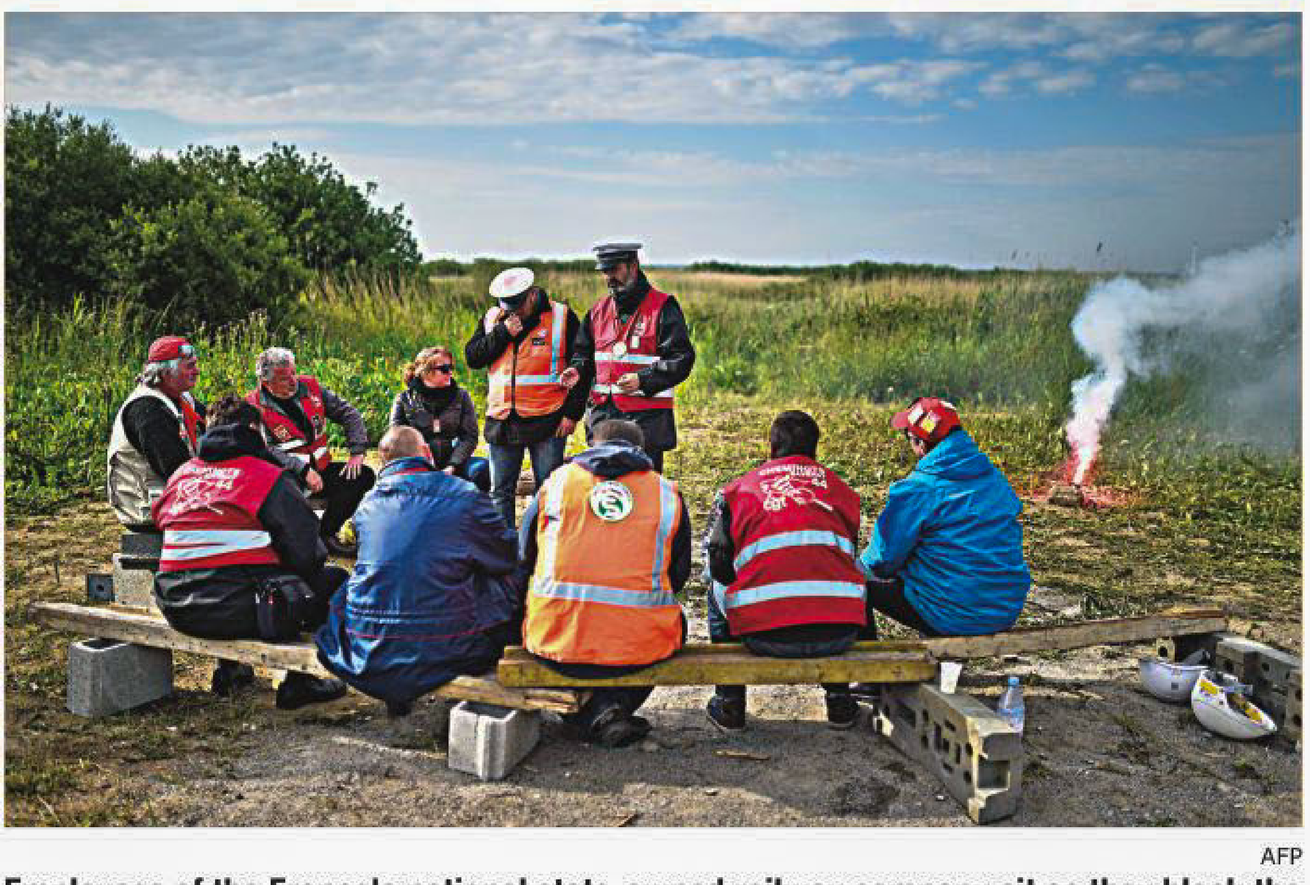
"The police moved in quickly. They used water cannon. We got the feeling they were tense," Dans told AFP.

Most petrol stations in that area were empty, forcing motorists to hop over the border to Belgium to fill up, reported an AFP photographer on the ground.

Police also removed a blockade at a fuel depot in the western port of Brest.

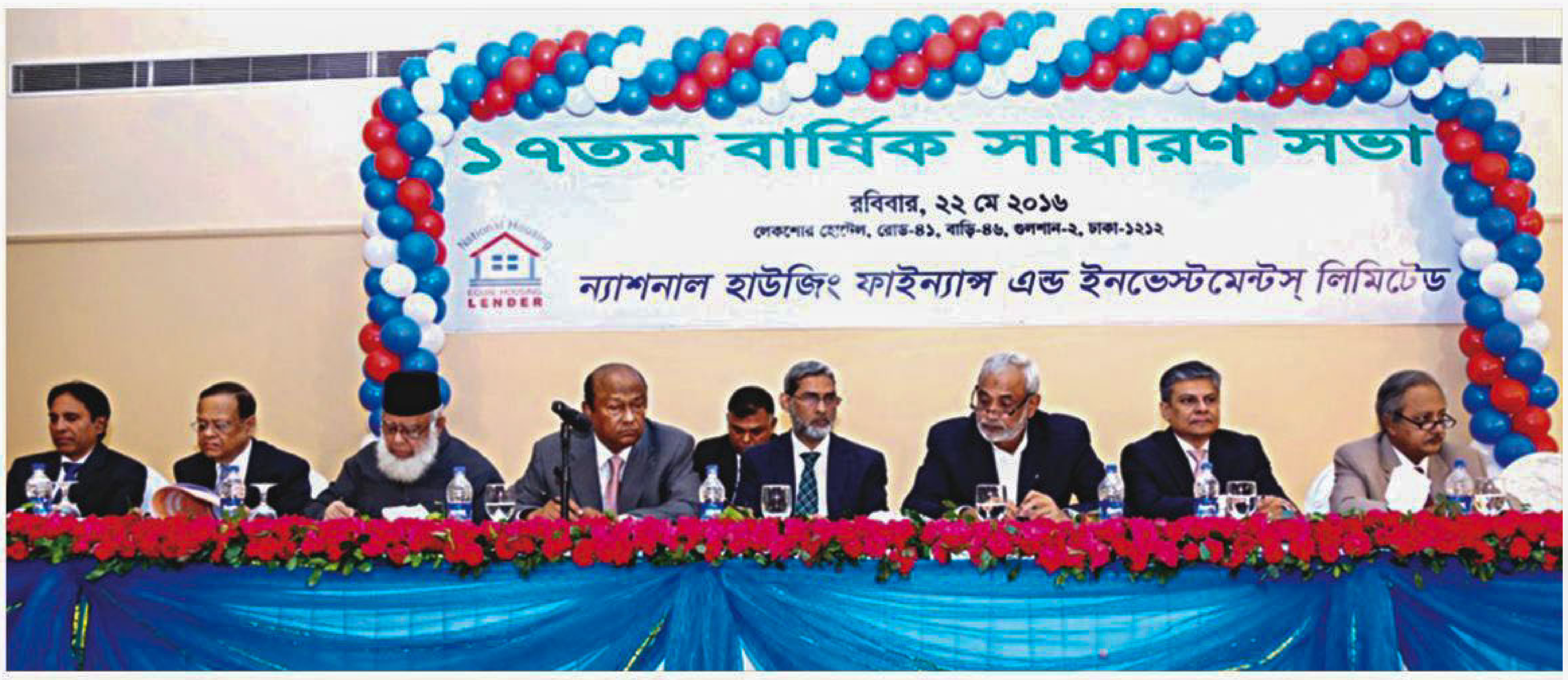
The blockades and strikes are part of a wave of social unrest that has seen hundreds of thousands take to the streets in often violent protests against labour reforms over the last three months.

Transport was further hampered Wednesday by a rolling train strike, causing disruption for commuters.



AFP

Employees of the France's national state-owned railway company sit as they block the access to an oil depot near the Total refinery of Donges, western France yesterday.



NATIONAL HOUSING

Latifur Rahman, chairman of National Housing Finance and Investments Ltd, presides over the 17th annual general meeting of the company at Lakeshore Hotel in Dhaka on Sunday. The company approved 17 percent cash dividends for its shareholders for 2015. Md Khalilur Rahman, managing director, and Md Sarwar Kamal, company secretary, were also present.

From hinterland to wonderland: China's 'teapot' refinery boomtowns

REUTERS, *Boxing, China/Beijing*

FOR Zheng Ruifeng, the 25-year-old son of a wheat farmer from eastern China, acceptance at a technical school specializing in petrochemical engineering was a life-changing event.

Zheng, who grew up expecting to spend a lifetime toiling on the family farm, instead works as a technician monitoring control panels for Chambroad Petrochemical, one of China's largest independent refineries.

Earning 5,000 yuan ($760) per month - roughly five times what he could have expected to make working the fields - he got married two years ago and bought an apartment in nearby Boxing.

"At our company, employees are considered losers if they cannot save enough money to buy a home within five year of being hired," Zheng said.

Zheng's story offers a vivid example of the new wealth created by China's so-called "teapots" - independent oil refineries that have become a new force in global energy markets since Beijing allowed them to start importing crude last year.

The teapots, who previously refined mostly low-margin fuel oil and whatever excess crude they might be able to pick up from the big state-owned players, have seen their profits soar.

The rise of the teapots, now able to refine imported crude in much greater quantities into high-value products such as gasoline, is reshaping the local economy in dilapidated rural parts of eastern Shandong province, where most are located.

At Boxing, a new Volkswagen dealership and freshly painted condos line a four-lane highway leading to the Chambroad refinery, where smoke-stacks rise above swathes of farmland.

Refinery workers in their 20s have driven up vehicle sales and home prices in this rural town of around 10,000 people.

"We are aiming to sell 400 cars this year, doubling last year's sales," a manager at the Volkswagen dealership said. He declined to give his name due to company policy.

"Young people from the refinery have a lot of savings but nowhere to spend. They bought cars so they can commute between their work place and the nearest city."

Despite their nickname, derived from their comparatively small size compared with refineries run by state-owned giants such as Sinopec, China's teapots are now big enough crude buyers that global markets are taking notice.

Major oil ports such as Qingdao, in Shandong, have struggled to cope with the teapots' thirst, causing huge congestion with supertankers sometimes waiting several weeks to discharge their oil.

In January, profit margins for independent refiners processing crude reached around 600 yuan per tonne, according to data from commodities specialist Sublime China Information Group. By contrast, gross margins for refineries processing the teapots former staple fuel oil and crude blend stand below 70 yuan per tonne.

More than 20,000 truck drivers are employed by Shandong's teapots to haul crude and refined products. Demand for drivers is such that wages have surged from 3,000 yuan per month to at least 10,000 yuan.

Wang Xiaojun, 38, had struggled to make ends meet with a series of part-time jobs and periods of unemployment before finding work driving a tanker.

"It's a tough job. I work almost 16 hours every day," said Wang, who eats on the road and sleeps in the cab of his truck. "Every single moment I want to quit my job. Then I think about how much I am paid."

The current boom represents a dramatic reversal of fortune for the teapots, with their newfound success running counter to Beijing's policy for years of trying to squeeze them out by curbing access to bank loans and crude supplies.

By the end of 2000, more than 80 percent of Shandong-based refineries had closed.

But in late 2014, with China's economy slowing towards its lowest rate of growth in a quarter of a century, the Shandong government unexpectedly published plans to support the province's 49 large teapot refiners.