

China-backed AIB seeks cooperation, looks to add new members



Asian Infrastructure Investment Bank President Jin Liqun attends the opening ceremony of the bank's first annual meeting in Beijing, China yesterday.

REUTERS

The China-led Asian Infrastructure Investment Bank (AIIB) stressed its plan to cooperate with other development banks at its first annual meeting in Beijing on Saturday, and said it was taking applications for new members.

The bank's board approved its first four deals worth \$509 million on Friday, with three projects co-financed with the World Bank, the Asian Development Bank, the United Kingdom Department for International Development and the European Bank for Reconstruction and Development.

The co-financed projects are a slum renovation in Indonesia and highway construction in Pakistan and Tajikistan. A power grid upgrade project in Bangladesh will be solely financed by AIIB.

"We are working on a number of additional projects and look forward to bringing them to our Board for its approval later this year," said AIIB President Jin Liqun.

AIIB was proposed by Chinese President Xi Jinping two years ago and began operations in January. It counts 57 founding member countries and \$100 billion in com-

mitted capital. AIIB plans to invest \$1.2 billion this year.

The bank and the Chinese government emphasized cooperation with other multilateral development banks.

"AIIB should learn from the successful experience of other multilateral agencies and forge close partnership with the World Bank, Asian Development Bank and other institutions," said Chinese Vice-Premier Zhang Gaoli, at the opening ceremony for AIIB's annual meeting on Saturday.

It is crucial for the AIIB to comply with multilateral agency procedures and rules, Zhang added.

The bank "is committed to working together with the World Bank, ADB and other organizations on the initiative to formulate quantitative targets for high-quality infrastructure investment," said Jin.

Vice-premier Zhang also said that China will contribute \$50 million to a new fund set up by AIIB to support member countries with project preparations.

The AIIB is looking to expand its numbers this year and will take applications for new members through the end of September, Jin said.

Mexico announces \$1.68b budget cut after Brexit

AFP, Mexico City

Mexico's government announced on Friday a \$1.68 billion budget cut to deal with the fallout from Britain's vote to leave the European Union.

At the same time, the Latin American country said it would negotiate a free trade deal with Britain if London severs all commercial agreements with the EU.

"The British people have surprised the world," Finance Minister Luis Videgaray told a news conference. The budget cut will ensure that the government reduces its financing needs and meets its fiscal deficit goal, Videgaray said.

"At this moment of higher complexity in international financial markets, it is key that the Mexican government reduces its outside financial needs," the minister said.

It follows a \$7.3 billion budget reduction earlier this year, mostly at state oil firm Pemex, which will not be required to trim further in this second spending cut.

The Mexican currency surged to around 19.50 pesos to the dollar early Friday after Britain voted to ditch the EU, but it later settled at



The currency board of a bank shows the dollar exchange rate, in Mexico City, on Friday.

around 18.80-18.90 pesos, he said. But authorities will only take actions to defend the peso if it is hit by a "specific speculative phenomenon" that threatens inflation goals, Videgaray said.

The peso finally closed at 19.25, down from 18.65 on Thursday. Mexico's stock market, meanwhile, closed down 2.01 percent.

The "Brexit" vote will not have a "relevant impact" on Mexico's current account or trade balance, however, he said, noting that trade with Britain represents just 0.7 percent of the Latin American nation's global trade. Economy Minister Ildefonso Guajardo said Mexico will negotiate a free trade deal with Britain over the next two years if London completely ends commercial ties with the EU.

There would be no need to negotiate a deal, however, if Britain remains in a free trade arrangement with the EU, Guajardo said. The foreign ministry said in a statement that it was ready to boost ties with the EU as well as "continue strengthening the excellent friendly relations, significant commercial exchanges and investment" with Britain.

Spain struggles to reduce unemployment, debt despite growth

AFP, Madrid

Spain, which goes to the polls on Sunday in a repeat general election, is the eurozone's fourth largest economy and one of the fastest-growing nations in Western Europe, although it suffers from high unemployment and debt.

Spain's gross domestic product (GDP) expanded by 3.2 percent in 2015 and growth has remained steady this year despite a political stalemate that has left the country without a government since inconclusive December elections.

GDP expanded by 0.8 percent between January and March from

the previous three months, higher than the average in the eurozone.

Acting Prime Minister Mariano Rajoy's conservative government predicts the economy will expand by 2.7 percent this year, then slow to 2.4 percent in 2017.

Spain in 2014 posted its first full-year of growth since a 2008 property crash sent the economy into a tailspin. Consumer spending is up as is investment by firms while export growth, which help lift Spain out of recession, has lost some of its steam.

Spain has benefited from favourable tailwinds that have propelled growth such as low interest rates set

by the European Central Bank, a favourable euro exchange rate that helps exports, and falling oil prices that have reduced production costs.

Spain is highly dependent on energy imports and the price of a barrel of oil has dropped to around 50 euros from the record highs of over 140 euros a barrel reached in 2008.

But the Bank of Spain warned earlier this month that these beneficial conditions will progressively fade, leading to a slower pace of economic expansion.

The outgoing conservative government reduced the amount of compensation which companies must pay workers that they fire and

created a new open-ended contract with a one-year trial period.

The government and its backers argue these reforms helped lower Spain's unemployment rate from a record 26.94 percent in the first quarter of 2013 to 21 percent in the first quarter of 2016.

They say the flexibility it introduced especially helped the auto sector. Spain is the second-largest automobile producer in Europe after Germany.

Critics charge that part of the fall in unemployment is due to the drop in the size of Spain's total workforce as emigration has risen due to the lack of jobs.



Ruhul Amin Molla, CEO of Orion Footwear, opens a new outlet of the company at Uttara sector 9 in Dhaka.

US durable goods orders fall in May

AFP, Washington

US durable goods orders fell more than expected in May after increasing the two prior months, in fresh evidence Friday of the weakness in the American manufacturing sector.

New orders for manufactured durable goods like cars, aircraft, electronics and machinery fell 2.2 percent in May after a 3.3 percent jump in April, the Commerce Department reported. Analysts on average forecast a modest 0.6 percent decline.

"A pullback in May was expected but

the larger than anticipated, broad-based decline serves to reinforce underlying weakness," said Sophia Kearney-Lederman, an economic analyst at FTN Financial. Kearney-Lederman pointed to the impact of the strong dollar, which has only surged higher following Britain's unexpected vote Thursday to exit the European Union.

"A strong dollar and softening global growth has weighed on demand for US goods for much of the last two years. So far today, post-Brexit, the dollar has strengthened nearly 2.3 percent," she said in a client note. The

volatile transportation sector was a leading factor in the May downturn.

New transportation orders, which typically swing sharply month-over-month, tumbled 5.6 percent in May. Orders for defense aircraft dived 34.1 percent. Commercial aircraft orders rose a modest 1.0 percent after soaring in April.

New orders for motor vehicles fell 2.8 percent in May, reflecting a slight cooling in US auto sales. Excluding transportation, durable goods orders fell 0.3 percent from April.

Massive food imports arrive in Venezuela from Trinidad, Tobago

AFP, Port Of Spain

Trinidad and Tobago sent approximately 68 tonnes of food and commodities to crisis-hit Venezuela Thursday, with hundreds more tonnes set to arrive in the coming days, a Venezuelan official said.

Venezuela, which is enduring severe shortages of food and other basic commodities, will receive 600 tonnes of goods from Trinidad and Tobago under a trade agreement.

The embattled South American country is grappling with an economic crisis prompted by the plunge

in prices for its crucial oil exports.

The country's opposition is meanwhile seeking to remove President Nicolas Maduro from office with a referendum he is resisting.

Maduro's critics blame his economic management for the country's woes and denounces the jailing of his political opponents.

Two Venezuelan military aircraft made two trips Thursday carrying chicken, rice, pasta, tomato sauce, mayonnaise and toilet paper to the country. Venezuela's deputy minister of domestic trade, Renier Urbaz, oversaw the shipment.

The goods were flown from Trinidad and Tobago's Piarco International Airport to nearby Sucre state in northern Venezuela, he said.

The Venezuelan government will transport approximately 170 more tonnes of food in the next three days, while the rest will be sent to other states by sea beginning next week.

The goods will be sold at subsidized prices through a state-owned company, Urbaz said. The country's food crisis erupted into deadly looting last week. At least five people were killed and more than 400 arrested, the authorities said.

Newly expanded Panama Canal opens for bigger business

AFP, Panama City

Panama is preparing to officially open its canal this weekend to far bigger cargo ships after nearly a decade of expansion work aimed at boosting transit revenues and global trade.

On Sunday, a VIP ceremony will be held on the banks of the canal to inaugurate the completion of the works.

President Juan Carlos Varela will unveil the new locks and third shipping lane built into the 102-year-old canal. Foreign dignitaries, including the presidents of Taiwan, Chile, and other Central American nations, will be present at the ceremony.

A Chinese-owned Neopanamax-class cargo ship will be the first vessel to officially test the new infrastructure, entering from the Atlantic and exiting into the Pacific a few hours later.

The Neopanamax vessels are much bigger than the Panamax-class ships that previously were the largest able to pass through the 80-kilometer (50-mile) long canal. Each is able to haul three times as much cargo as the smaller predecessors.

The expansion work began in 2007 and was meant to have been completed in 2014, but it ran well past deadline, and over budget.

The expansion is estimated to have cost \$5.5 billion. But there are outstanding disputes between the Spanish- and Italian-led consortium



A view of the Panama canal prior to the inauguration of the expanded sections in Panama City.

that carried out the work and the Panamanian government that could hike that figure by hundreds of millions more.

For Panama, the unveiling of the broader canal is a moment of pride and of opportunity.

Now, ships as long as the Eiffel Tower is tall, and as broad as Olympic-sized swimming pools, will be able to use the canal.

Annual cargo volumes should double over the next decade, leading Panama to hope to triple the \$1 billion in shipping fees it receives each year.

Also, with the country these days

linked to the "Panama Papers" scandal of offshore businesses owned by the world's wealthy and influential, the expanded canal is seen as a chance to burnish the country's tarnished image.

This will show the "real face of Panama," the head of the Panama Canal Authority, Jorge Quijano told AFP in an interview this week.

World trade should also benefit from what will essentially be an inter-oceanic highway for goods between the United States and Asia. More cargo on bigger ships should mean lower transport costs.

IMF calls for urgent action as Mozambique's growth dips

AFP, Johannesburg

The International Monetary Fund has called for urgent action to stem Mozambique's deteriorating economic performance, after revelations of \$1.4 billion in hidden debt saw donor nations suspending aid to the country.

In a statement released Friday, the IMF recommended "an urgent and decisive package of policy measures to avoid a further deterioration in economic performance."

Mozambique's growth is forecast to drop to 4.5 percent this year -- down from 6.6 percent last year -- while rising inflation reached 16

percent in May. The local currency, the metical, has depreciated by 28 percent since the beginning of the year.

"In addition, the discovery in April of \$1.4 billion of previously undisclosed loans has pushed the total stock of debt at end-2015 to 86 percent of GDP," IMF assistant director Michael Lazare said.

"According to our technical assessment, public debt is now likely to have reached a high risk of distress."

The IMF said in April it had suspended aid to the southern African country "pending a full disclosure and assessment of the facts".

On Friday the organisation said important steps had been taken to

investigate the undisclosed debt, but called for "an international and independent audit" of the state companies behind the controversy.

One of the 10 poorest countries in the world, Mozambique has been hit hard by falling commodity prices.

The government said tensions with the Renamo opposition group, which waged a 16-year civil war that ended in 1992, were behind its decision to hide the debt.

Clashes between government forces and Renamo have increased since February, with attacks reported almost daily and key roads often closed due to the unrest.