

Inflationary Risks Significant

Emerging market countries are helping to maintain strong global growth but a sharp rise in food prices is further fuelling significant inflation risks, G10 central bankers' spokesman Jean-Claude Trichet said on Monday. Trichet said the group of central bankers favor markets that are "as competitive as possible" as they believe only these can really tame inflationary risks such as the sharp jump in food prices, Bloomberg wrote.



"At a global level, global growth remains significant despite the slowing down observed in a number of industrialized economies and clearly thanks to the remarkable resilience of a great number of emerging economies," he said. "We see ongoing growth at a significant level... even if somewhat lower than in the previous year," added Trichet, who is also head of the European Central Bank.

He told reporters after a meeting of the Group of 10 central bankers at the Bank for International Settlements in Basel that inflationary risks were "significant" owing to oil, commodities and food price increases.

Putin Conditions Foreign Investment

President Vladimir Putin on Monday signed into law limits on foreign investment in key sectors of the Russian economy in one of his last acts before stepping down on Wednesday.

Putin signed the law on "The conditions for foreign investment in economic enterprises with strategic importance for the defense of the country and the security of the state" on Monday, the Kremlin said in a statement, AFP wrote.

Under the terms of the law any private foreign company wanting to buy more than 50 percent of a company in any of 42 strategic sectors will need authorization from a commission made up of economic and security officials.

Foreign state-controlled companies will have to go through the same procedure if they plan to acquire more than 25 percent in a Russian company that is included on the list, according to the text of the decree.

The new law has been under discussion for two years and has raised concern among the foreign investor community in Russia as it would widen the powers of the FSB security service, successor to the KGB, in business transactions.

China Markets Brace For Share Inflow

Chinese stock markets are bracing for fresh pressure in May when a massive number of new shares will become freely tradable after being locked up under local regulations, AFP wrote.



A total of 284.1 billion yuan (\$40.6 billion) worth of shares will become freely tradable in May at the expiry of a mandatory lock-up period, the Shanghai Securities News reported on Tuesday.

This is up nearly 90 percent from 150 billion yuan of newly tradable shares in April but was still in line with the monthly average for the whole year, according to the paper.

China's stock market hit a historic high in October, but then slumped by nearly half in the ensuing months, partly due to the overhang of these shares.

Only in late April did the market stage a rally, encouraged by a decision by Beijing policy makers to cut a stock transaction tax to one third.

Out of the shares that will become tradable in May, slightly more than half will be in Bank of Communications, the newspaper said.

UBS Posts \$11b Loss

Swiss banking giant UBS on Tuesday announced a net loss of 11.535 billion Swiss francs (7.075 billion euros/ \$10.972 billion) for the first quarter due to US subprime-related positions, Reuters reported.

The bank said it would cut 2,600 jobs this year and continue the downsizing in 2009 if the tough business conditions continued, and reported write-downs of 19 billion Swiss francs for the first quarter.

The results were in line with a warning the bank issued in April saying it expected a net loss of about 12 billion Swiss francs for the first three months of this year.

UBS said the year began with "tough business conditions" which it expects will continue. "The impact will affect all of UBS's businesses and it requires the firm to manage costs, resources and capacity very actively," the bank said.

It said it will cut 2,600 jobs from its investment bank unit by the year-end, most through redundancies.

Headcount will also be trimmed in other departments, mainly through natural attrition and internal redeployment, added UBS, which is also Switzerland's biggest bank.

News in Brief

\$250m Note for Zimbabwe

Zimbabwe's central bank, currently grappling with record-breaking inflation, has introduced a new high-denomination bank note of a quarter of a billion dollars, state television said Monday.

"The reserve bank of Zimbabwe's governor Gideon Gono has unveiled a new 100 million and 250 million dollar... note and this will be in circulation starting Tuesday," reported state television, AFP reported.

The report said the new note was for "the convenience of the banking public and the corporate sector."

This is the second set of high denomination notes to be issued this year, the last on April 2 when a \$50 million note was put into circulation after the introduction of a \$10 million note in January.

Iraq in \$2.2b Boeing Deal

The Iraqi government has ordered 30 Boeing 737 commercial airplanes in a deal worth up to \$2.2 billion and taken options on 10 more, the two parties announced Monday, CNN wrote.

Iraq also is "finalizing an agreement" to buy 10 of Boeing's new 787 Dreamliners, the touted long-range aircraft whose deliveries have been delayed until the second half of 2009.

Iraq's order for 30 Boeing 737-800 aircraft marked "the first step in re-establishing that country's scheduled commercial aviation operations," they said in a joint statement.

Iraq has also contracted options for 10 additional 737s, at a list price of 747,500 dollars.

In addition, Iraq and Boeing are finalizing an agreement for 10 of Boeing's new 787 fuel-efficient Dreamliners, the statement said. That deal would be worth \$1.6 billion.

EU Clears S. Korean Bid

European Union regulators on Monday cleared South Korea's STX Corp. to buy a 39 percent stake in Europe's largest ship-builder, Aker Yards ASA.

The EU dismissed initial worries that the deal might cause antitrust problems for cruise ships and a complaint that South Korean government subsidies for the new company might allow it to unfairly damage rivals by undercutting prices and monopolizing the market, AP wrote.

South Korean industrial group STX said in October it would pay 4.3 billion Norwegian kroner (\$796 million) for 39.2 percent of Norway-based Aker. The deal prompted trade union concerns that it would result in a loss of European jobs to Asia.

Merck to Cut 1,200 Jobs

Merck & Co. said Monday it is eliminating 1,200 US sales jobs, a move that comes a week after federal regulators' surprise rejection of an experimental cholesterol drug heavily touted by the pharmaceutical company. The cuts come on top of the elimination of about 8,100 positions under the sweeping restructuring plan announced in December 2005, Merck's so-called Plan to Win, AP wrote.

The new cuts are to be completed by the end of July, with employees of the Whitehouse Station, N.J.-based company being notified by the end of this month.

Merck shares fell 39 cents to \$38.97 in regular trading Monday, then rose 39 cents to \$39.37 in after-hours trading.

UN Bodies Under Fire For Food Crisis

As the Food and Agriculture Organization (FAO) readies for a summit of world leaders next month, Secretary-General Ban Ki-moon Monday defended the Rome-based UN agency, which has come under fire for its failure to help meet the growing challenges of hunger worldwide.

According to Ipsnews.net, the harshest attack came last week from Senegalese President Abdoulaye Wade, who described the FAO as a "bottomless pit of money, largely spent on its own functioning, with very little effective operations on the ground."

Asked to respond, Ban told reporters Tuesday: "In view of the gravity and seriousness of the situation, I can understand and sympathize with the frustrations of many African leaders, including President Wade of Senegal."

"But I would like to underscore that since its founding in 1945, the FAO has been leading the international community's efforts to help promote the production and productivity (of food), and provide necessary humanitarian assistance to many people affected by food shortages," he added.

> Extravagance

Wade said the FAO, headed by Jacques Diouf of Senegal, should be merged with another Rome-based UN agency, the International Fund for Agricultural Development (IFAD), to establish a single mega agriculture body. Currently, some of the functions of the two UN agencies overlap.

If such a body is created, he said, it should be located in Africa, not in a western capital.

Wade was also critical of the extravagance of UN agencies and humanitarian non-governmental organizations (NGOs). He said they "will use (aid money) on all sort of tricks--administration, trips and costs of luxury hotels for so-called experts, instead of on concrete actions on the ground."

Meanwhile, there are several factors responsible for the food crisis, including the shortcomings of international organizations such as the FAO and other UN agencies, all of which failed to anticipate the gravity of the current disaster.

The World Bank, a sister institution of the United Nations, also has to share some of the blame for the current crisis because of declining funds for agricultural research over the years.

Asked about the under-sourcing for research, World Bank President Robert Zoellick admitted his institution's failure but also singled out the shortcomings of governments.



Nearly 34 years after the first FAO conference--and dozens of UN resolutions and voluminous reports later--the developing world is facing another global food shortage, along with skyrocketing prices.

> Idle Seminars

The FAO hosted the first major World Conference on Food in Rome in 1974, which proclaimed that "every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop their physical and mental faculties."

The goals of the conference included the eradication of hunger, the need for food security and the reduction of malnutrition "within a decade". But the goals were never reached.

In November 1996, the FAO hosted another five-day World Food Summit, which adopted a Rome Declaration on World Food Security and a Plan of Action to eradicate or minimize global hunger.

The current crisis, not surprisingly, has triggered a third Food Summit, also in Rome from Jun. 3-5, where another elaborate plan is due to be unveiled by heads of state and governments.

Still, nearly 34 years after the first FAO conference--and dozens of UN resolutions and voluminous reports later--the developing world is facing another global food shortage, along with skyrocketing prices.

The price of rice alone--a staple in many Asian countries--rose to 980 dollars per metric ton last week compared with \$460 in March.