

## Asians to Set Up \$80b Fund

Finance ministers of 13 Asian nations agreed here on Sunday to set up a foreign exchange pool of at least \$80 billion (52 billion euros) to be used in the event of another regional financial crisis.



China, Japan and South Korea will provide 80 percent of the funds, with the rest coming from the 10 members of ASEAN, they said in a joint statement issued after talks on the sidelines of an Asian Development Bank meeting in Madrid, AFP reported.

The 13 nations agreed after the 1997-98 Asian financial crisis to set up a mainly bilateral currency swap scheme known as the Chiang Mai Initiative (CMI) to protect their currencies from turmoil in the future.

At the ADB's last annual meeting in Japan in May 2007, they decided to set aside part of their foreign reserves for a multi-nation system of reserves for use in emergencies, but did not decide on the size of the pool.

## UK Bosses Warn Against Taxes

The bosses of some of Britain's biggest blue-chip firms have warned that more companies will move offshore if controversial tax proposals go ahead. The Treasury may change the rules on tax paid by UK groups on dividends from their overseas operations, BBC said.

It could see firms paying more tax on foreign income, although the government says other changes would offset this. The warning comes after British drug making giant Shire announced plans to move its tax domicile to Ireland. Shire's move means the company will pay a tax rate of 12.5 percent in future, rather than the 28 percent in the UK.

The Sunday Times reported that a delegation from the Multinational Chairmen's Group, which brings together some of the world's most powerful companies, issued the warning at a Downing Street meeting 10 days ago. It said that delegation included the bosses of HSBC, Vodafone, Astra Zeneca, Glaxo Smith Kline, BAE Systems, British American Tobacco, Shell and BP.

A Treasury spokesperson said the government conducted regular and ongoing discussions with businesses on the shape of these proposals.

## ArcelorMittal Eyeing China Market

ArcelorMittal, the world's biggest steel maker, is eyeing a stake in China's Angang Steel in its latest foray into the enormous Chinese market, AFP wrote.



Lakshmi Mittal, the Indian billionaire and chief executive of ArcelorMittal, proposed buying a near 25-percent stake in Angang in a private meeting with Angang's chairman Zhang Xiaogang two months ago, the Financial Times said Monday.

The deal could be worth at least \$5 billion according to Angang's current market valuation, although financial terms were not discussed, it said. "I had an informal discussion with Zhang about various possibilities. As part of this, I tossed around a number of ideas," the London-based newspaper quoted Mittal as saying.

Zhang turned down Mittal's proposal but told the newspaper that he would be interested in allowing the Luxembourg-based company a one to two percent holding in his company.

## Oil Prices Rise

World oil prices rose in Asian trade on Monday after fresh unrest in Africa's biggest crude producer, Nigeria. New York's main oil futures contract, light sweet crude for June delivery, was 15 cents higher at \$116.47 per barrel.

The benchmark contract rallied \$3.80 to close at 116.32 on Friday at the New York Mercantile Exchange, AFP reported.

Brent North Sea crude for June was 15 cents higher at 114.71. The contract jumped \$4.06 to settle at \$114.56 on Friday in London.

Nigerian militants attacked an oil ship off the coast of the west African country and took two people hostage, a military spokesman said Sunday. The incident came after Niger Delta militants attacked facilities belonging to Anglo-Dutch oil group Shell in southern Nigeria, leading to a cut in output, company and security sources said.

Shell, which accounts for around half of Nigeria's 2.1 million barrels per day output, has been forced to cut production because of an upsurge in militant attacks on its facilities. Oil rallied close to a record \$120 a barrel last week on supply concerns linked to work-stoppages at a Scottish refinery and in Nigeria. With the strikes resolved, crude prices were largely driven by movement in the US dollar, according to analysts.

## News in Brief

### Audi to Offer Electric Cars



Audi, the luxury unit of Volkswagen, sees great opportunities in electric cars and will offer automobiles with no exhaust emissions within ten years, its top executive said, Reuters wrote.

Rupert Stadler told German weekly Welt am Sonntag on Sunday that he expects diesel and battery technology to dominate in the coming five to ten years. "By then we will offer cars without exhaust emissions," Stadler said.

Asked if Audi was not lagging domestic rivals Mercedes and BMW in the development of lithium-ion batteries that are more powerful than batteries used now in hybrids, Stadler said Audi's research capacities were larger than those of its German competitors.

### Asian Stocks Stronger

Asian stocks rose to their strongest in nearly four months on Monday and the dollar held on to most of last week's gains after jobs data suggested the US economic slowdown may not be as severe as investors had expected. Commodities extended Friday's gains, with gold and grains up in early trade, while Treasuries were flat, Reuters said.

Stock markets in Australia and Singapore both gained 0.6 percent, while Hong Kong was steady, but volumes were thin as Japan and Korea were closed for national holidays. UK markets are also shut on Monday.

By 0215 GMT, MSCI's measure of Asian stocks outside Japan was up 0.3 percent at 499.4 after rising 1.7 percent on Friday.

The benchmark jumped 8 percent last month, led by battered financials on expectations the global credit crisis may have reached a turning point. The index is still down 6 percent this year.

### A380 Delays Extended

Franco-German aircraft maker Airbus has written to clients warning them of more possible delays in deliveries of its A380 superjumbo, a German magazine report said on Sunday.

The company will "nearly" manage to deliver 13 of the aircraft this year as planned, the weekly Wirtschaftswoche cited unnamed insiders as saying, but it will definitely not be able to deliver the promised 25 in 2009.

It is also highly questionable "whether we will be able to manage to produce four (A380) aircraft a month as planned in the foreseeable future," the magazine cited its source as saying.

### Australia Keeping Rates



Australia's central bank probably will keep interest rates unchanged for a second month to gauge whether the highest borrowing costs in 12 years are slowing the nation's economy enough to cool the fastest inflation since 1991. Governor Glenn Stevens will leave the overnight cash rate target at 7.25 percent tomorrow in Sydney, according to 24 of 25 economists surveyed by Bloomberg News.

The central bank raised interest rates in March for the fourth time in seven months after inflation surged above the 3 percent limit of its target range.

Reports in the past month show consumer and business confidence have slumped, while retail sales and home building have slowed.

# Multinationals Making Profit From Food Crisis

Giant agribusinesses are enjoying soaring earnings and profits out of the world food crisis which is driving millions of people towards starvation. The Independent on Sunday reported.

And speculation is helping to drive the prices of basic foodstuffs out of the reach of the hungry. The prices of wheat, corn and rice have soared over the past year driving the world's poor—who already spend about 80 percent of their income on food—into hunger and destitution.

### > 100m Face Severe Hunger

The World Bank says that 100 million more people are facing severe hunger. Yet some of the world's richest food companies are making record profits. Monsanto last month reported that its net income for the three months up to the end of February this year had more than doubled over the same period in 2007, from \$543 million (£275 million) to \$1.12 billion. Its profits increased from \$1.44 billion to \$2.22 billion.

Cargill's net earnings soared by 86 percent from \$553 million to \$1.030 billion over the same three months. Archer Daniels Midland, one of the world's largest agricultural processors of soy, corn and wheat, increased its net earnings by 42 percent in the first three months of this year from \$363 million to \$517 million. The operating profit of its grains merchandizing and handling operations jumped 16-fold from \$21 million to \$341 million.

Similarly, the Mosaic Company, one of the world's largest fertilizer companies, saw its income for the three months ending 29 February rise more than 12-fold, from \$42.2 million to \$520.8 million, on the back of a shortage of fertilizer. The prices of some kinds of fertilizer have more than tripled over the past year as demand has outstripped supply. As a result, plans to increase harvests in developing countries have been hit hard.

The Food and Agriculture Organization reports that 37 developing countries are in urgent need of food. And food riots are breaking out across the globe from Bangladesh to Burkina Faso, from China to Cameroon, and from Uzbekistan to the United Arab Emirates.

### > Speculations Trigger Prices

Benedict Southworth, director of the World Development Movement, called the escalating earnings and profits "immoral" late last week. He said that the benefits of the food price increases were being kept by the big companies, and were not finding their



File photo shows a farmer harvesting his stunted wheat crop, normally thigh high, and which have only managed only a few inches growth in the parched earth of the Australian wheat belt area of Wimmera, northwest of Melbourne.

way down to farmers in the developing world.

The soaring prices of food and fertilizers mainly come from increased demand. This has partly been caused by the boom in biofuels, which require vast amounts of grain, but even more by increasing appetites for meat, especially in India and China; producing 1lb of beef in a feedlot, for example, takes 7lbs of grain.

World food stocks at record lows, export bans and a drought in Australia have contributed to the crisis, but experts are also fingering food speculation. Professor Bob Watson—chief scientist at the Department for Environment, Food and Rural Affairs, who led the giant International Assessment of Agricultural Science and Technology for Development—last week identified it as a factor.

Index-fund investment in grain and meat has increased almost fivefold to over \$47 billion in the past year, concludes AgResource Co, a Chicago-based research firm. And the official US Commodity Futures Trading Commission held special hearings in Washington two weeks ago to examine how much speculators were helping to push up food prices.

The revelations are bound to increase outrage over multinational companies following last week's disclosure that Shell and BP between them recorded profits of £14 billion in the first three months of the year—or £3 million an hour—on the back of rising oil prices.