S&P downgrades Japan's sovereign credit rating

TOKYO: Ratings agency Standard & Poor's yesterday downgraded its sovereign credit rating on Japan by one notch, saying the government had little chance of turning round the economy or weak inflation in the coming years.

The move comes the day after the Bank of Japan held fire on expanding its already vast monetary easing programme, although economists warned more stimulus could be needed to boost the sagging economy. The central bank's 80 trillion yen ($665 billion) annual asset-buying scheme was a key pillar of a policy blitz launched by Prime Minister Shinzo Abe to kick-start Japan's moribund economy and conquer deflation. But more than two years later, the premier is struggling to make good on his pledges to cut red tape and open up the economy, while inflation remains near zero and growth actually contracted in the second quarter. "We believe that the government's economic revival strategy-dubbed 'Abenomics'- will not be able to reverse this deterioration in the next two to three years," the agency said.

"Economic support for Japan's sovereign creditworthiness has continued to weaken in the past three to four years," S&P said, adding that "slow decision-making among policy institutions (are) somewhat impairing policy implementation".

Japan is the developed world's most indebted country, with debt more than two times the size of its economic output, and S&P forecast that would reach 135 percent of GDP by the 2018 fiscal year, from 128 percent this year. The agency cut its rating on Japan's debt to A+ from AA-, placing it below regional rivals China and South Korea.

S&P is the last of the big three ratings agencies to cut its grading for Japan since Abe came to power, after Fitch downgraded in April and Moody's in December, both citing concerns about towering debt and sluggish growth. Masaki Kuwahara, an economist at Nomura Securities Co. in Tokyo said Wednesday's cut was not a surprise given Tokyo's deteriorating credibility at managing the world's third-largest economy.

"The government's fiscal reform plan released in June lacked details and specifics, making it look unreliable on how to ensure fiscal sustainability," he told Bloomberg News.

"Today's downgrade is a message that the government will need to have a more credible fiscal reform plan." S&P's said that while Japan remains a high-income country with a stable financial system, its ageing population and persistent deflation were exacerbating its already "very weak fiscal position". "We believe the likelihood of an economic recovery in Japan strong enough to restore economic support for sovereign creditworthiness commensurate with our previous assessment has diminished," S&P said.

Lowering credit ratings generally makes it more expensive for governments to borrow, but S&P said the central bank's huge asset purchases have kept costs down. The BoJ now holds around 30 percent of national debt. — AFP

Low-cost airlines confront national carriers in Africa

JOHANNESBURG: Before Fastjet launched low-cost flights between Harare and Dar es Salaam last year, Zimbabwean businessman Jonathan Jabangwe had to brave a hair-raising, three day bus journey to meet his clients in Tanzania.

Fastjet is among a wave of low-cost airlines launching or expanding operations in Africa as they seek to capture middle-income travellers who are tired of dangerous road journeys but cannot afford major international carriers.

The new airlines hope to undercut larger carriers by offering "no frills" services, replicating a model pioneered by European airlines like Easyjet and Ryanair. Where low-cost routes have opened in Africa, prices have dropped by around 40 percent and passenger numbers have risen by almost half, a study by consultants Intervistas showed.

"It makes a big difference to me. The roads are very slow and you take your life into your own hands," Jabangwe told Reuters as he queued to catch a flight from Johannesburg. "Why aren't these flights all over Africa? With the global economic situation, every dollar counts."

Africa's aviation industry is growing at 4.7 percent, faster than any other region and passenger numbers are expected to double to 300 million in the next two decades, according to the International Air Transport Association (IATA).

Growth is, however, off a very low base and widespread expansion of low-cost aviation is hampered by government protectionism, high taxes and stringent regulation. An "open skies" agreement, similar to the EU pact agreed in the 1990s that led to a boom in low-cost air travel, was signed 28 years ago but has never been properly implemented.

Low-cost airlines say governments block competitors from flying international routes to protect state-owned airlines like Kenya Airways, South African Airways (SAA) and Ethiopian Airlines. African countries continue to champion national airlines, despite nearly all ventures resulting in losses or bankruptcy. SAA has been subject to several government rescues in recent years. Kenya Airways posted record losses this year and may need a $500-$600 million bailout, its government said this month.

Nigeria is considering re-launching a state airline and tiny Djibouti said this month it would revamp its previously bankrupt national carrier. The new Air Djibouti will be managed by Iron Maiden rock singer Bruce Dickinson. If governments were more pro-competition and reforms were imposed it could add $1.3 billion a year in revenue to African economies and create 155,000 jobs, the IATA says.

'Protectionism'

"Government protectionism is top of the list in terms of what's inhibiting low-cost aviation moving forward and why Africa is so far behind the rest of the world," Fastjet boss Ed Winter told Reuters. Winter says African air fares are on average four times higher than in Europe. Kenya's transport minister James Macharia said it had one of the "most open skies in Africa". South African and Ethiopian regulators did not respond to request for comment. The lack of government cooperation means most low-cost airlines remain focused on domestic operations in South Africa, home to the continent's most developed economy.

Comair's Kulula and South African Airways-owned Mango are well established in South Africa, while FlySafair and Skywise launched their first flights there in the last year.

Comair posted lower profits this week and warned that South Africa was no longer a growth market.

Airlines seeking faster growth in less developed markets are starting to branch out. Fastjet, started by Easyjet founder Stelios Haji-Ioannou, is based out of Tanzania.

FlyAfrica.com, launched last year, is run from Zimbabwe and announced plans on Aug. 30 to expand routes to destinations in West Africa, the most populated region on the continent but with the least developed flight links. The biggest missed opportunity is Nigeria, home to Africa's biggest economy and largest population.—Reuters

EU proposes special disputes court for US trade deal

Huge public distrust on TTIP accord

BRUSSELS: The EU yesterday proposed a special court to resolve disputes arising from a huge trade deal with the United States, instead of the widely criticised tribunals Washington wants. Many EU member states and the European Parliament fear the US-backed system allows big companies to force governments to change laws, effectively undermining democratic oversight of public policy. EU Trade Commissioner Cecilia Malmstroem said there was huge public distrust on an issue which has dogged progress in negotiations on the massive Transatlantic Trade and Investment Partnership (TTIP) accord. "There is a fundamental lack of public trust in the old model," Sweden's Malmstroem told a press conference in Brussels. "What we are we are proposing for the TTIP is a court-like system (which) ... would be subject to democratic principles and public scrutiny." Malmstroem first outlined the proposals in May as opposition grew to TTIP but they were not enough for suspicious MEPs who in July condemned the Investor-State Dispute Settlement system which are routinely included in free trade pacts.

The EU carried out a major survey last year which found widespread public scepticism about TTIP, and ISDS in particular, with the strongest opposition in key state Germany.

ISDS is supposed to protect investors who fear that local laws such as health and safety regulations can violate a trade deal and threaten their investments.

Opponents instead say it allows commercial interests to force governments to change laws at the behest of private interests.

'Public justice, not private'

Malmstroem insisted the proposed new system was designed expressly to avoid this. "The right to regulate will be fully protected, in black and white," she said. "What we are setting out here is a public justice system; it is not private justice."

Under the proposals there will be a central tribunal of 15 judges-five from the EU, five from the United States and five others from third countries. They would hear only TTIP cases and unlike the ISDS system in which the parties select the panel, they would constitute a permanent bench. Malmstroem's proposals got a mixed response, reflecting the sharp differences over ISDS and the wider TTIP negotiations. Corporate lobby BUSINESSEUROPE said it preferred the simpler ISDS system and warned that the Commission's plan could prove too complicated for most companies.

"We understand that the intention ... is to make the system more transparent ... but we have to be careful as introducing too many conditions can limit the scope of protection and make the system unworkable in practice," it said in a statement.

Environmental group Greenpeace attacked the plan as a "two-speed justice system-privileged justice for multinational corporations to protect their private interests, and a basic justice for citizens and small- and medium- enterprises."

"Greenpeace calls on the Commission to permanently end negotiations on any form of ISDS," it added. The US and the 28-nation EU began talks on what would be the world's biggest free trade deal in 2013 with hopes for a quick agreement. Hopes to conclude this year now seem in doubt, with Malmstroem's announcement only a first step in potentially lengthy consultations with member states and the European Parliament.

Asked when a final proposal might be submitted to the US side, a Commission source said: "It is too early to say whether it will be for the October round or for the next round." — AFP

HAVANA: Cuban Foreign Affair Minister Bruno Rodriguez gives a press conference to present Cuba's report about the trade embargo imposed by the United States yesterday in Havana. — AFP

Brazil austerity plan gets frosty reception

BRASOLIA: President Dilma Rousseff's latest austerity plan to rescue Brazil's sinking economy faced a frosty reception Tuesday, with Congress raising questions over whether the measures will win approval. The speaker of the lower house of Congress and one of Rousseff's chief foes, Eduardo Cunha, dismissed the measures as "pseudo cuts" and predicted they would not easily pass.

On the other side, the leaders of Rousseff's Workers' Party-led governing coalition, whom she met with Tuesday, "all, without exception, told her that there will be great difficulties in voting for the plan," said Rogerio Rosso, head of the PSD party.

With the economy officially in recession, the government presented the country's initial deficit-budget plan two weeks ago. But, following the downgrading the world's seventh-biggest economy to junk status last week by rating agency Standard & Poor's, the finance minister unveiled plans on Monday for tax hikes and billions of dollars in spending cuts. Those cuts would slash public housing and health, freeze public sector salaries and eliminate 10 of 39 ministries.

Regardless of whether they make sense on a balance sheet, the austerity measures risk disappointing Rousseff's Workers' Party base, after her popularity has already reached single digits.

Leftist activist groups like the MTST, which had protested against previous austerity measures, said the latest cuts "harm the rights of workers by cutting social investment." Centrist and right-wing opposition parties are also upset, citing the package's reinstatement of an unpopular tax on banking transactions.

All against the plan

The lack of cohesion illustrates one of the main problems that investors see in Brazil: not just economic difficulties but Rousseff's sheer inability to govern.

Andre Cesar, an independent political analyst in Brasilia, said "there's a real risk of failure, and if that happens it will be a terrible signal to the markets."

Adding to the economic crisis and political gridlock is the spillover of the giant Petrobras corruption scandal, in which top executives, sitting politicians and other powerful figures from both sides of the political aisle have been indicted. To top off the sense of growing dysfunction, some in Congress are pushing for impeachment proceedings against Rousseff, which she has likened to "coup plotting."

"The government is paying attention to all attempts to stir up a sort of profound instability in the country," Rousseff said Tuesday. "We will do everything to prevent these non-democratic procedures from multiplying." The markets, waiting to find out whether other rating agencies will follow Standard & Poor's lead, are jittery.

On Monday, the stock market reacted positively to the austerity plan, but by Tuesday pessimism was back. "After an initially positive reaction to the announcement, the market saw that many of the proposals would depend on passing in Congress, where there is no guarantee they will be approved," said analyst Ignacio Crespo at Guide Investimentos.

"There are many doubts. Why were these measures only announced now? We don't understand why these things haven't already been done long ago." — AFP

EXCHANGE RATES

Al-Muzaini Exchange Co.

ASIAN COUNTRIES	
Japanese Yen	2.520
Indian Rupees	4.557
Pakistani Rupees	2.900
Srilankan Rupees	2.169
Nepali Rupees	2.853
Singapore Dollar	217.060
Hongkong Dollar	39.076
Bangladesh Taka	3.892
Philippine Peso	6.477
Thai Baht	8.428
GCC COUNTRIES	
Saudi Riyal	80.790
Qatari Riyal	83.221
Omani Riyal	786.900
Bahraini Dinar	804.570
UAE Dirham	82.484
ARAB COUNTRIES	
Egyptian Pound - Cash	39.900
Egyptian Pound - Transfer	38.697
Yemen Riyal/for 1000	1.414
Tunisian Dinar	155.880
Jordanian Dinar	427.170
Lebanese Lira/for 1000	2.098
Syrian Lira	2.159
Morocco Dirham	31.807
EUROPEAN & AMERICAN COUNTRIES	
US Dollar Transfer	302.800
Euro	343.070
Sterling Pound	466.010
Canadian dollar	229.650
Turkish lira	100.020
Swiss Franc	313.300
Australian dollar	217.710
US Dollar Buying	301.600

GOLD

20 gram	226.690
10 gram	116.040
5 gram	58.700

UAE Exchange Centre WLL

CURRENCIES	TELEX TRANSFER PER 1000
Australian Dollar	195.69
Canadian Dollar	231.84
Swiss Franc	317.29
Euro	345.54
US Dollar	302.85
Sterling Pound	469.68
Japanese Yen	2.56
Bangladesh Taka	3.888
Indian Rupee	4.560
Sri Lankan Rupee	2.182
Nepali Rupee	2.850
Pakistani Rupee	2.898
UAE Dirhams	0.08240
Bahraini Dinar	0.8048
Egyptian Pound	0.03857
Jordanian Dinar	0.4307
Omani Riyal	0.7864
Qatari Riyal	0.08350
Saudi Riyal	0.08078

Dollarco Exchange Co. Ltd

Rate for Transfer	Selling Rate
US Dollar	302.900
Canadian Dollar	230.445
Sterling Pound	467.985
Euro	343.905
Swiss Frank	294.310
Bahrain Dinar	803.930
UAE Dirhams	82.765
Qatari Riyals	90.745

Saudi Riyals	81.500
Jordanian Dinar	426.815
Egyptian Pound	38.572
Sri Lankan Rupees	2.174
Indian Rupees	4.555
Pakistani Rupees	2.902
Bangladesh Taka	3.885
Philippines Pesso	6.470
Cyprus pound	576.925
Japanese Yen	3.515
Syrian Pound	2.600
Nepalese Rupees	3.840
Malaysian Ringgit	71.050
Chinese Yuan Renminbi	47.895
Thai Bhat	9.395
Turkish Lira	99.160

Bahrain Exchange Company

CURRENCY	BUY	SELL
Europe		
British Pound	0.457663	0.466663
Czech Korune	0.004588	0.016588
Danish Krone	0.041715	0.046715
Euro	0.336131	0.344131
Norwegian Krone	0.032900	0.038100
Romanian Leu	0.077214	0.077214
Slovakia	0.009025	0.019025
Swedish Krona	0.032403	0.037403
Swiss Franc	0.304707	0.314907
Turkish Lira	0.096607	0.106907
Australasia		
Australian Dollar	0.207760	0.219260
New Zealand Dollar	0.185924	0.195424
America		
Canadian Dollar	0.223138	0.231638
US Dollars	0.298700	0.303200
US Dollars Mint	0.299200	0.303200
Asia		
Bangladesh Taka	0.003397	0.003997
Chinese Yuan	0.046075	0.049575
Hong Kong Dollar	0.036980	0.039730
Indian upee	0.004352	0.004742
Indonesian Rupiah	0.000017	0.000023
Japanese Yen	0.002434	0.002614
Kenyan Shilling	0.002857	0.002857
Korean Won	0.000246	0.000261
Malaysian Ringgit	0.067758	0.073758
Nepalese Rupee	0.002961	0.003131
Pakistan Rupee	0.002806	0.003086
Philippine Peso	0.006348	0.006628
Sierra Leone	0.000062	0.000068
Singapore Dollar	0.212601	0.218601
South African Rand	0.016419	0.024919
Sri Lankan Rupee	0.001917	0.002497
Taiwan	0.009168	0.009348
Thai Baht	0.008104	0.008654
Arab		
Bahraini Dinar	0.795553	0.803553
Egyptian Pound	0.037829	0.040659
Iranian Riyal	0.000084	0.000085
Iraqi Dinar	0.000198	0.000258
Jordanian Dinar	0.423076	0.430576
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000150	0.000250
Moroccan Dirhams	0.020484	0.044484
Nigerian Naira	0.001249	0.001884
Omani Riyal	0.780073	0.785753
Qatar Riyal	0.082460	0.083673
Saudi Riyal	0.080110	0.080810
Syrian Pound	0.001283	0.001503
Tunisian Dinar	0.151529	0.159529