



KAMCO OIL MARKET REPORT



ZHADENY, Belarus: An elderly woman pours milk after milking in the village of Zhadeny, some 300 km southwest of Minsk on June 4, 2017. —AFP

DAIRY DISPUTE SOURS BELARUS-RUSSIA RELATIONS
 HYGIENE OFFICIALS ACCUSED OF SABOTAGING PLANTS, ABATTOIRS

MINSK: A spat between Russia and Belarus seems to have spilt over into the dairy sector, as Moscow has whipped up a conflict that is pushing its neighbor to export its products to China. Ex-Soviet Belarus's dairy producers accuse Russian food hygiene officials of deliberately sabotaging them by issuing multiple bans against various dairy plants and abattoirs. While Moscow insists these measures are all about hygiene, they resemble the commercial embargoes the Kremlin has applied to other countries whenever political relations break down.

Russia and Belarus are close allies and trading partners but ties have become strained as veteran strongman Alexander Lukashenko, increasingly wary of Moscow since its annexation of Crimea from Ukraine, has argued over border controls and energy prices. The stakes are very high for landlocked Belarus with its closed economy and extreme dependence on Russia: last year 95 percent of its food exports worth \$3.7 billion went to Russia. The dairy sector is particularly important because Belarus has a large number of producers and they have a high reputation for quality in

Russia, which does not produce enough milk for its own consumers.

Chinese market

Russian agricultural officials accuse Minsk of taking advantage of Russia's embargo of European food imports imposed in revenge for EU sanctions by sending it products of inferior quality. But for Minsk there is no doubt that "certain structures have an obvious interest in using their influence to keep out Belarusian producers" from the Russian market, said Belarusian agriculture minister Leonid Zayats in an interview with ONT state television.

The restrictions on Belarusian enterprises have fluctuated constantly for months-being introduced, then softened or toughened up. They take all forms, from outright bans to increased monitoring. At the end of May, they affected almost 100 dairy plants and abattoirs. Searching for new markets, agriculture professionals met at a conference in mid-May organised to help them sell to Chinese consumers who increasingly hungry for dairy products.

"Russia has closed its market to us, I've come in order to start exporting to China," Alexander Mikhailovsky, the director of the Lepelskiy dairy plant, told AFP. Alexander Subbotin, the country's chief veterinary inspector, said around 30 dairy producers had already been authorised to sell to China. And certification is underway for future exports of beef.

Subbotin said dairy exports to China in the first quarter of 2017 were worth \$1.3 million, more than in the whole of 2015. "We are going to sell our products to consumers who need them," agriculture minister Zayats told state news agency Belta recently.

Complicated relations

These commercial spats come at a time of complicated diplomatic relations. Minsk has criticised Moscow's role in the Ukrainian crisis and edged closer to the West by convincing the European Union to lift sanctions after Lukashenko freed imprisoned opposition politicians. At a press conference in February, Lukashenko, in power for over two decades and prone to outspoken declarations, spent a long

time berating Russia and accusing it of not respecting international agreements.

The Kremlin responded by reminding Minsk which side its bread is buttered: Moscow gives "major economic, political and other support to Belarus", it said, citing loans and agreements worth tens of billions of dollars. A meeting in early April between Lukashenko and counterpart Vladimir Putin helped smooth over the cracks, as they resolved a raging disagreement on the price of Russian energy supplies. But relations remain volatile.

Vladimir Zharikhin of the CIS Institute argues the crisis between the two is only relative, with Belarus still one of the few members of a Moscow-led economic union. For Zharikhin, Belarus needs the Russian market to sell its products and Moscow has an interest in protecting its alliance with a neighbour bordering the European Union. He links the current problems to the Belarusian president's personality and his "habit of raising purely business matters onto a political level". "These are relations between two close countries. They cannot always be absolutely cloud-free." — AFP

IMF RAISES CHINA
 GROWTH FORECAST

BEIJING: China must quicken the pace of reforms and do more to curb rising debt, the IMF said yesterday as it raised its growth forecast for the world's number two economy. The International Monetary Fund expects China to expand by 6.7 percent this year, faster than its previous estimate of 6.6 percent due to expanding credit and investment.

That would match last year's growth rate, which was the slowest in a quarter of a century. The economy is then expected to slow to an average of 6.4 percent expansion between 2018 and 2020. After years of blistering growth, China's economy has been slowing as it moves from an investment and export-driven model to one more reliant on consumer spending. However Beijing's Belt and Road infrastructure project, for which the government has earmarked hundreds of billions of dollars, has raised concerns it may be retreating from the difficult transition.

David Lipton, the IMF's first deputy managing director, said it was "critical" that China capitalizes on its still-strong pace of expansion to speed up reforms. "While some near-term risks have receded, reform progress needs to accelerate to secure medium-term stability and address the risk that the current trajectory of the economy could eventually lead to a sharp adjustment," Lipton told reporters at the end of a two-week visit to China.

The IMF also called on Beijing to do more to rein in soaring credit, warning that runaway lending could lead to a bad debt problem if borrowers default on their loans. China's overall debt liabilities, which include corporate and household borrowing, are above 260 percent of gross domestic product compared to about 140 percent before the 2008 financial crisis. — AFP



EVERETT: In this Nov 4, 2015 file photo, a Boeing 787 airplane purchased by Qatar Airways is shown during a delivery ceremony. — AP

QATAR AIRWAYS SAYS SERVICE
 'UNAFFECTED' BY GULF BAN

DOHA: Qatar Airways said yesterday that it was largely unaffected by the decision of several Arab countries to ban the Doha-based carrier from using their airspace. "Qatar Airways' global operations continue to run smoothly, with the vast majority of our network unaffected by the current circumstances," said chief executive Akbar Al-Baker.

The Qatari carrier released a statement saying it had operated some 1,200 flights in the past week, 90 percent of which took off within 15 minutes of their scheduled departure times. Saudi Arabia, the United Arab Emirates, Bahrain and Egypt are among several countries that suspended ties with Qatar last week, including the suspension of all flights to and from Doha

and an airspace ban on Qatar Airways. On Tuesday, the four Arab countries said the air embargo only applies to airlines from Qatar or registered there. Saudi Arabia and its allies accuse gas-rich Doha of supporting Islamist extremists in what is the worst crisis to grip the Gulf in years. Qatar denies the allegations. Earlier this week, Qatar Airways announced profits of \$540 million in the fiscal year which ended in March. But analysts warn the profitable carrier could take a hit should the diplomatic crisis drag out. Qatar Airways on June 7 announced the cancellation of all flights into Saudi Arabia, Egypt, the UAE and Bahrain, just weeks after having been hit by a new US travel ban on laptops and tablets in passenger cabins. — AFP

MALLYA CHARGED WITH MONEY
 LAUNDERING IN INDIA: AGENCY

MUMBAI: India's financial crimes agency filed charges of money-laundering yesterday against Vijay Mallya, accusing the flamboyant tycoon of siphoning off money from a loan to his now-defunct airline. The charges brought by the Enforcement Directorate against Mallya—once dubbed the "King of Good Times" for his lavish lifestyle—relate to a loan extended to his grounded carrier Kingfisher Airlines.

The agency is investigating whether India's IDBI bank gave the airline a loan despite knowing of its financial troubles, and whether cash was spirited away. In a 57-page report the directorate alleged that four billion rupees (\$62 million) from the loan deal had been illegally whisked abroad, the Press Trust of India reported. Officials from the bank and airline were also under scrutiny, PTI said.

A court issued an arrest warrant for Mallya after he fled India in March 2016 owing more than \$1.3 billion to state-owned banks. Indian investigators want the liquor baron brought home to face a series of charges related to his financial dealings, which are being investigated by several agencies. Mallya, who co-owns Formula One team Force India, was arrested in London in April following an extradition request from India and granted bail.



Indian tycoon Vijay Mallya

The 61-year-old appeared before court in London again Tuesday where he maintained his innocence. "I deny all allegations that have been made and I will continue to deny them," Mallya said outside the court. Mallya made Kingfisher beer a global brand, and was a director of Indian Premier League cricket team Royal Challengers Bangalore until stepping down last year. He caused a stir last week when he attended India's cricket match against South Africa in London, where Indian fans met him with shouts of "Chor, chor!" (Thief, thief!). Mallya dropped off India's most wealthy list in 2014, engulfed by the massive debts of his grounded carrier. He now lives in a sprawling \$15 million mansion in England's county of Hertfordshire. —AFP