Business
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Iran engineers rial recovery as it defies US crippling sanctions

Authorities boost dollar supplies, intimidate speculators

TEHRAN: Iran is intervening in the foreign exchange market and threatening speculators to engineer a dramatic recovery of its rial currency, easing pressure on the oil-exporting economy as Tehran defies renewed US sanctions. The rial jumped to 105,500 against the US dollar on Wednesday from 117,000 at the end of last week - and 152,500 at the end of October, according to foreign exchange website Bonbast.com (https://www.bonbast.com/). The Financial Tribune and some other Iranian media reported on Tuesday that the rial had risen beyond 100,000 to the dollar. The foreign exchange market, however, has no single, official set of prices and traders often quote slightly different levels.

The rial's rebound, from record lows around 190,000 hit in late September, is good news for a government that is struggling to prevent US sanctions on Iran's oil, banking and other industries from pushing the economy deep into recession. President Donald Trump reimposed US sanctions on Iran earlier this year after pulling out of world powers' 2015 nuclear deal with Tehran. Washington has vowed "maximum pressure" on Iran's economy to force it to accept tougher limits on its nuclear and missile programs. Iran has ruled this out.

Rial weakness earlier this year disrupted Iran's foreign trade and helped boost annual inflation fourfold to nearly 40 percent in November. The weak currency has been a complaint of sporadic street protests since late last year. If the government can support the value of the rial in coming months, it may be able to bring down inflation, improving living standards, and reduce capital flight from Iran. "Because of the stronger rial, initial fears among many about the sanctions have eased somewhat, and fewer people are trying to buy dollars," a Tehran-based economist told Reuters, declining to be named because of political sensitivities.

Supplying market with dollars

Iranian businessmen and economists contacted by Reuters said Iran's central bank was now supplying large amounts of dollars to the market - not only inside Iran but in foreign locations where the currency is traded, particularly Iraq and Dubai. At the end of last week, state news agency IRNA quoted central bank governor Abdolnaser Hemmati as saying the bank would do everything in its power to obey an order from Supreme Leader Ayatollah Ali Khamenei to strengthen the rial.

Meanwhile, two men charged with economic crimes were executed last month, including Vahid Mazloumin, dubbed the "sultan of coins" by local media. He was accused of manipulating the currency market, according to Mizan, the news site of the Iranian judiciary. Thirty men were jailed this month for up to 20 years for economic crimes, the judiciary said. Iranian economists said the campaign against economic crimes, combined with Khamenei's order to strengthen the rial, had made many traders more wary of bidding the currency lower.

Mehrdad Emadi, an Iranian economist who heads energy risk analysis at London's Betamatrix consultancy, said Tehran had deliberately allowed at least part of the rial's depreciation to occur earlier this year in order to meet its financial needs. Authorities were able to sell dollars earned from oil exports at ultra-expensive rial rates near 190,000, raising cash to recapitalize state-linked banks and pension funds, he said. Now that the exercise has been completed, they are moving the rial back to levels they consider more comfortable, he added.

Nevertheless, the rial remains 59 percent below its value of 42,890 at the end of last year, and Emadi said the currency could come under fresh pressure to fall in 2019, depending on the impact of the sanctions and oil price levels. In March, the International Monetary Fund estimated Iran was running a current account surplus and had over $100 billion of gross official reserves. Those numbers suggested Tehran might have enough reserves to defend the rial comfortably. However, the IMF also said Tehran was having difficulty accessing some of its reserves as its relations with foreign banks were constrained by the threat of sanctions. Meanwhile, sanctions could cut the current account surplus sharply. —Reuters

Chinese fishing deal makes waves ahead of Madagascar polls

ANAKAO: The sun glistens on waves lapping against wooden fishing boats as their sails ripple in the breeze coming off the Indian Ocean. Nearby a young man with a diving mask bobs below the water's surface armed with a stick to lure his catch into a net while also trying to snare fish on a nylon line. In Anakao, a traditional fishing community in southwest Madagascar, the community known as Vezo - which means "rowing strength" - has fished for generations.

But the arrival last year of six fishing trawlers off the coast, and a subsequent deal between a local private body that promotes Madagascan businesses and Chinese investors, have stirred anger in recent months, at a time when the country is going to the polls in presidential elections. "If this carries on, we'll be eating sand," warned Fulgence, a fisherman in Anakao. He does not dare venture out when the six Chinese vessels are at sea, claiming that a number of his nets have been cut.

'The Chinese take everything'

"The Chinese take everything and chuck the little dead fish back into the sea," complained Marco Randrianjaka, echoing the grievances of many of his fellow seafarers. "Without the small ones, they won't be able to reproduce down the line." But China's Mapro South, the company responsible for the six new vessels, denies the claims. Their nets' mesh is large enough to allow the smaller fish to escape, said Lifujun Li, a company manager in Toliara, a port town one hour away from Anakao by boat. Against the backdrop of an already tense situation both locally and nationally due to the presidential poll, a new fisheries deal with Chinese investors has provoked an outcry on the island where malnutrition is widespread.

The deal, which was not publicized, is understood to go much further than the six Chinese-funded trawlers already in operation. The $2.7-billion (2.4-billion-euro) agreement includes, among other things, 330 modern, refrigerated vessels of up to 14 meters long (up to 46 feet) being delivered to Madagascan fishermen. They will "replace the traditional wooden boats", according to Madagascar's Development and Business Promotion Agency (AMDP), which negotiated the deal with China's Taihe consortium. The ships, supplied to local fishermen free of charge, will help them "increase their production capacity", according to an AMDP official, who declined to be named.

ANAKAO: Women rest on a beach in Anakao - a traditional fishing community in southwest Madagascar. —AFP

'Pre-judging'?

A proportion of fish caught by those participating in the scheme will be sold locally. The Chinese will buy the "surplus" at a favourable but undisclosed price, said the AMDP official. According to him, the deal will promote "local development" in Madagascar - one of the world's poorest countries, which is also blighted by corruption. The official blamed the outcry on the fishing community "pre-judging" the project - something they deny. The 330 new boats will eventually produce 130,000 tons of fish annually, according to the AMDP - roughly the equivalent of the country's entire production in 2016. "But we already face over-fishing in some regions," said Rijasoa Fanazava, a fisheries expert at the World Wildlife Fund in Madagascar. Fanazava believes that tens of thousands of fishermen risk losing their livelihoods if stocks are diminished.

"How will they live?" he said. A recent round table that brought together the AMDP and 30 affected organizations failed to allay their fears. "The only impact assessments given by the AMDP have been economic in nature, we haven't had anything on the environmental and social impacts of the project," said not-for-profit groups in a joint statement. The AMDP stresses that the deal provides for an environmental initiative to protect the sustainability of marine life off Madagascar's coasts. —AFP

Berlin treads softly-softly on Macron over deficit

BERLIN: Germany is taking a softly-softly approach to French President Emmanuel Macron's use of government largesse to calm violent "yellow vest" protests, government sources say, as Berlin puts European stability above fiscal discipline. A reluctance to criticize publicly contrasts with complaints about France from Italy whose populist coalition government is in a stand-off with Brussels over its own big-spending budget which includes a sharp spike in the deficit. "It's good news that things are calming down. France is Germany's most important partner and we have no interest in seeing it destabilized for the long term," a senior German government source said.

Ministers have been urged not to stoke confrontation with Paris as Macron attempts to end mass demonstrations against his pro-business reforms, promising tax and spending measures for the lowest earners worth billions of euros (dollars). "We don't yet know all the details of the measures and how they'll be paid for, but in principle it's not up to other (EU) member states to judge them," Chancellor Angela Merkel's spokesman Steffen Seibert said Wednesday.

Damping down fires

Especially since the financial crisis of 2008, Germany under Merkel has prioritized tight budgets, with deficits held to well under the EU three percent of GDP limit. Her governments have also slashed accumulated total debt, bringing it down towards the EU ceiling of 60 percent of GDP. They have not been shy of passing judgment on less stringent fellow EU members-such as Italy-and have opposed reforms to the 19-nation euro single currency that could mean more risk sharing between capitals.

But for now Berlin's larger concern is a political crisis across Europe that has been fired by populist victories, including Britons' 2016 vote to quit the European Union. Italy, too, has been largely spared a wagging Teutonic finger this year despite its deficit-busting budget which the EU, in a first, rejected outright, insisting that Rome try again. "We see it in France, we see it in other countries, we have an urgent responsibility to halt these populist movements in the European elections" next May, another government source said. —AFP