

Business

Under IMF watch, ghost workers sap Tunisia's phosphate wealth

Govt needs export revenues to cut deficits, help economy

METLAOUI, Tunisia: Tunisia's state phosphate firm CPG pays Abdel-Basset Klifhi a salary of \$280 a month, even though he spends most days in his favorite cafe in the southern town of Metlaoui.

He is one of 21,000 people taken on by the Compagnie des Phosphates de Gafsa (CPG) since Tunisia's autocrat president Zine El-Abidine Ben Ali was toppled in 2011. Since then, the economy has been in crisis and CPG has lost its spot as the country's top exporter. Unemployment, inflation and deficits have shot up and the value of the dinar currency has plummeted. Loans from the International Monetary Fund have kept the government afloat.

CPG's hiring spree brought its total workforce to about 30,000 and aimed to reduce the number of unemployed to stop protests destabilizing the transition to democracy. Thousands more are still jobless, however, and some block roads to CPG daily to demand work. Others on the payroll want pay rises and frequently go on strike. Phosphate production has halved since 2011 and CPG's losses have accumulated as the wage bill grew. Employees point to other inefficiencies at the company.

CPG's declining fortunes have highlighted the

government's failure to reform the bloated state companies that dominate the economy and have put Tunisia on a collision course with international donors. They have also deprived the government of crucial export revenues needed to turn the economy around and create real jobs to end the daily protests and unrest, which largely target CPG.

"I get 850 dinars (\$279.62) a month without doing any work," said former protestor and CPG employee Abdel-Basset. The company spends about \$70 million a year of its \$180 million annual budget on salaries, Industry and Energy Minister Slim Feriani told Reuters. His ministry oversees CPG. "The hirings that took place after the revolution years were aimed at buying social peace but increased the suffering of the company," he said.

"We are aware that they are not doing anything."

IMF delays

He said the company has lost almost \$1 billion a year since 2011 because of disruption caused by the protests. It has only had 4,500 production days out of a possible 14,000 at its five mines since 2011,

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A general view of the Mdhilla phosphate production plant in Mdhilla, Tunisia. —AFP

according to company documents seen by Reuters.

"This...could have prevented us from borrowing from the IMF," said Feriani. Phosphates accounted for about 10 percent of Tunisia's exports before 2011, when olive oil replaced it as the top export. In 2018 phosphate had shrunk to about 4 percent.

Tunisia agreed a \$2.6 billion loan with the IMF in 2016. So far four instalments worth \$1.4 billion

have been paid but each one was delayed because reforms fell behind the agreed program. Public sector salaries and reform of public companies were among the sticking points with the IMF. Analysts expect a new confrontation with the lender after the government raised salaries at public companies, including CPG, state airline Tunisair, and state energy firm STEG in November. —Reuters

'Nearly a third' of UK billionaires moved to tax havens

LONDON: Nearly a third of Britain's billionaires have either moved or are relocating to tax havens, where some have broken UK law by bankrolling political parties, a major investigation said yesterday. The Times newspaper published a series of reports detailing allegations of Britain's ultra-rich hiding billions of pounds from the UK Treasury in taxes over the past decade. The report came out days after the government drew public fury for delaying a vote on proposed legislation aimed at ending secret company ownership in offshore territories.

"We must stop tax evasion so that the wealthiest pay their fair share," Margaret Hodge, a leading lawmaker from the main opposition Labor Party who co-sponsored the tax haven measure, tweeted in response to The Times reports. "Public registers and more transparency are the next big step for fairer tax." Prime Minister Theresa May's government did not immediately respond to the investigation.

Knights and dames

The Times said that 28 out of the 93 British billionaires it found through public records "have moved to tax havens or are in the process of relocating". It said almost half of the 28 have left in the past decade. The Times said those in the process of moving included Jim Ratcliffe, Britain's richest man and a major Brexit supporter. His chemicals firm is valued at £35 billion (\$46 billion). —AFP

China Feb forex reserves rise to 6-month high, eases outflow worry

BEIJING: China's foreign exchange reserves in February rose to their highest in six months as growing optimism over US-China trade talks buoyed the yuan currency, easing worries about capital outflows from the slowing economy. While China's economy continues to cool, analysts believe the risk of strong capital outflows has greatly diminished in recent months as the yuan regained its footing and foreign investors piled back into the country's battered stock markets.

Chinese foreign exchange reserves, the world's largest rose by \$2.26 billion in February to \$3.090 trillion, central bank data showed yesterday, marking the highest level since August 2018.

Economists polled by Reuters had expected reserves would fall \$920 million to \$3.087 trillion. The yuan gained 0.09 percent against dollar in February, and is up more than 2 percent so far this year. The dollar index against other major currencies rose 0.6 percent in February.

Financial markets' bearish outlook on the yuan has seen a remarkable reversal in the last few months due to a host of factors: growing optimism for a US-Sino trade agreement, a soft US dollar and a sharp rise in foreign investors' inflows into Chinese stocks and bonds. A Reuters poll on Wednesday showed the yuan is expected to trade around current levels of 6.70 to the dollar in a year's time, in sharp contrast to January when most analysts forecast it would drop through the 7-mark to decade lows.

As part of a possible trade deal, Washington is reportedly pressing China for a promise that it will not devalue its currency,

which has further underpinned the yuan.

A source briefed on the trade negotiations said on Sunday that the world's largest economies appear close to an agreement that would roll back US tariffs on Chinese goods, as Washington urges China to make structural economic changes and eliminate retaliatory tariffs on US goods.

China's state planner pledged on Tuesday to increase the flexibility of the yuan's exchange rate, setting off speculation that a tweak to official wording could mean changes to its tightly managed currency regime. China's economic growth cooled to 6.6 percent in 2018, the slowest pace in 28 years, and is widely expected to lose more momentum this year.

Go with the flows?

So far, tighter Chinese capital controls have discouraged heavy outflows like those seen in the last downturn in 2015, but the yuan still fell 5.3 percent versus the dollar last year. Though not a major factor, increasing inflows of foreign capital have helped offset some of the pressure this year. Net flows into the Shanghai and Shenzhen stock markets via the Stock Connect scheme as of end February topped 120 billion yuan (\$17.9 billion), nearly four times that in the first two months of 2018.

Overseas investors are also showing a strong, sustained appetite for Chinese government bonds as the country's debt is added into main global benchmarks this year. For now, analysts are closely watching both trade talks and Chinese economic data for clues on where the yuan goes next.

Even if Washington and Beijing reach a deal to end their trade war, China is expected to implement more measures in coming months to avert the risk of a sharper economic slowdown. More forceful policy easing measures such as interest rate cuts could put the yuan back under the gun.

The value of China's gold reserves rose slightly to \$79.498 billion in February from \$79.319 billion at the end of January, as the central bank increased the total amount of gold reserves to 60.260 million fine troy ounces from 59.940 million troy ounces. The central bank did not explain why it bought more gold. —Reuters