IMF sidesteps clash with US over funding, puts off voting change

Georgieva says IMF can adequately support members amid slowdown

WASHINGTON: The International Monetary Fund said on Friday its 189 member countries agreed to maintain the IMF's $1 trillion in total lending resources while delaying changes to its shareholding structure to as late as December 2023.

The move ends a deadlock with the United States, which had opposed shareholding changes that would give a bigger voice to China and other large, fast-growing emerging markets in a review process that was due for completion this year. IMF Managing Director Kristalina Georgieva announced the decision at the Fund's and World Bank's annual meetings, saying that the initiative will provide confidence that the IMF can adequately support member countries as they deal with slowing global growth. US Treasury Secretary Steven Mnuchin, who holds an effective veto over major Fund decisions, endorsed the move, which calls for a doubling of the IMF's crisis lending fund to about $500 billion, restoring it to levels during the 2008-09 financial crisis. It would be accompanied by a reduction in bilateral lending arrangement to keep overall IMF resources unchanged.

But it would require the United States to double its commitment by contributing about $38 billion to the fund, known as the New Arrangements to Borrow (NAB), a move that would need approval from the US Congress. "We continue to support efforts to maintain the IMF's current resources so that the IMF is sufficiently equipped to respond to potential crises over the medium term," Mnuchin said in a statement to the IMF's steering committee.

In April, Mnuchin said he was firmly opposed to increasing the IMF's overall funding and altering shareholding quotas. "In our view, the IMF currently has ample resources to achieve its mission," he said at the time. The New Arrangements to Borrow, first launched in 1998 and increased 10-fold during the financial crisis a decade later, were due to expire in 2022.

Bilateral lending arrangements, totaling about $440 billion, were due to expire at the end of 2019. These will be extended for a year to buy governments time to approve the changes.

But the deal puts off for four years a reckoning over how the growing influence in the global economy of China, Brazil and India will be reflected in the governance of the IMF. The IMF's bylaws drafted at the end of World War Two require the Fund to be headquartered in the world's largest economy - which may require a shift in coming decades based on forecasts that China's GDP will eventually exceed that of the United States. The deal preserves the US veto power at the IMF and ends a deadlock over quotas while avoiding a bigger share for China for the time being, said Mark Sobel, a former US Treasury official and US executive director at the IMF.

"This is second-best compared to a quota increase, but it merits support," added Sobel, who is now with the Official Monetary and Financial Institutions Forum think-tank.

It also may be an easier sell to Congress, which balked for years at the last quota increase agreed in 2010 that boosted China's and other emerging markets' voting power and shrunk that of European countries. Those changes were not implemented until 2016 after Congress approved it in a spending bill. — Reuters

WASHINGTON, DC: IMF Managing Director Kristalina Georgieva speaks at the IMF/World Bank Annual Fall Meetings Plenary Session in Washington, DC, on Friday. — AFP

Brexit deal 'good news' but global growth key for BoE rates: Carney

WASHINGTON: Bank of England Governor Mark Carney said Britain's planned Brexit deal would help the country's economy, but "almost existential" worries about global trade wars might prevent the BoE from raising interest rates. Carney said the deal, which still faces a key vote in Britain's parliament yesterday, was "good news" because it means Britain could avoid what the BoE has warned would be a major economic shock: dropping out of the EU with no transition.

Britain is due to leave the EU on Oct. 31, more than three years after voters shocked investors and employers by opting to take the country out of the world's biggest trading area.

In an interview with Bloomberg Television at a meeting of the International Monetary Fund, Carney said clarity on Brexit would help to revive business investment that has fallen sharply since the 2016 referendum. In a separate interview with the BBC, Carney said Prime Minister Boris Johnson's deal might not help the economy to the same extent as his predecessor Theresa May's plan, which proposed closer ties with the EU but was rejected by parliament.


WASHINGTON, DC: Mark Carney, governor of the Bank of England, gives an interview after a G20 finance ministers plenary during IMF-World Bank annual meeting in Washington, DC, on Friday. —AFP

Asked if securing a Brexit transition meant the BoE would resume raising rates, Carney said: "Not necessarily. I'm not going to precommit, there is a lot of contingencies there."

He said the IMF had stressed the precarious nature of the world economy, which has prompted other central banks including the US Federal Reserve and the European Central Bank to provide more stimulus. "We have to take that into account. How much momentum is there in the global economy?" Carney said.

His comments echoed a statement by the BoE after its policy meeting in September when it said it expected to raise rates gradually, as long as a no-deal Brexit shock to the economy was avoided and global growth picked up. Later on Friday, Carney said that in 16 years of attending meetings at the IMF he had never seen the level of concern among global finance chiefs about barriers to trade.

Asked to sum up the mood at the gathering, Carney described it as "the almost existential uncertainty about the structure of the trading system." The IMF this week warned that the US-China trade war will cut 2019 global growth to its slowest pace since the financial crisis, and things could get a lot worse if the trade tensions remain unresolved. — Reuters

Gulf Bank announces Dari Al-Bader as GM, Corporate Affairs


Dari Al-Bader

KUWAIT: Gulf Bank has announced the appointment of Dari Al-Bader as General Manager - Corporate Affairs. In this role, Al-Bader will be responsible for Gulf Bank's Board Affairs, Compliance and Disclosure, External Communications, and Economic Research. He will report directly to the Board of Directors.

Dari Al-Bader brings with him a wealth of experience and knowledge to Gulf Bank, having spent over 20 years in the business and banking sectors. Prior to joining Gulf Bank, Al-Bader was President of Group Corporate Affairs at Alghanim Industries, where he worked for over 8 years across a variety of Alghanim Industries' businesses. Throughout the course of his experience at Alghanim Industries, Al-Bader played an instrumental role in maintaining synergy and alignment across the different businesses, and driving the effectiveness of the Group CEO Office. During the course of his experience at Alghanim Industries, he led the Corporate Strategy, Business Development, and M&A departments.

Prior to working at Alghanim Industries, Al-Bader worked with a number of international and regional organizations, including JPMorgan, Citi Group, Dubai Capital Group, and the National Bank of Kuwait. Dari Al-Bader has an MBA in Management and Finance from Columbia Business School, and a BS in Management Science and Mechanical Engineering from MIT. He is also a CFA charter holder.

Document suggests Boeing pilots saw MAX system problems in 2016

NEW YORK: A Boeing pilot behind the 737 MAX certification in 2016 told a colleague a key flight handling system was "running rampant" during simulator tests, according to documents reviewed Friday by AFP. The Boeing employees quipped about problems during simulations of the Maneuvering Characteristics Augmentation System, a flight-handling mechanism that is believed to be at the center of two MAX crashes that killed 346 people.

Boeing's chief technical pilot of the 737, Mark Forkner, said the MCAS system's performance during the simulator tests was "egregious" and that "I basically lied to the regulators (unknowingly)," according to the instant messages. The messages-which Boeing knew about for months before sharing with the Federal Aviation Administration-raised fresh questions about the company's knowledge of problems with the MAX long before the crashes and about whether it has been transparent with regulators during investigations.

Shares tumbled Friday as aviation experts said the revelations could further delay the plane's return to service. The crashes and the FAA's certification of the MAX are under investigation from a number of authorities, including the Department of Justice and congressional committees that have scheduled hearings with Boeing Chief Executive Dennis Muilenburg later this month.

In both the Lion Air and Ethiopian Airlines crashes, the MCAS pointed the plane sharply downward based on a faulty sensor reading, hindering the pilots' ability to control the aircraft after takeoff, according to preliminary crash investigations. The FAA, based on its interactions with Forkner and others at Boeing, believed during certification that the MCAS system would activate only in rare cases and did not pose a threat to plane safety.

The FAA criticized Boeing for learning of the messages "some months ago," but not disclosing them to safety regulators until Thursday. "Last night, I reviewed a concerning document that Boeing provided late yesterday to the Department of Transportation," FAA Administrator Steve Dickson said in a letter to Muilenburg. "I understand that Boeing discovered the document in its files months ago. I expect your explanation immediately regarding the content of this document and Boeing's delay in disclosing the document to its safety regulator."

In this file photo, Southwest Airlines Boeing 737 MAX aircraft are parked on the tarmac after being grounded, at the Southern California Logistics Airport in Victorville, California. — AFP

Further delays?

The FAA said it flagged its concerns to lawmakers on Capitol Hill and the Department of Transportation's inspector general. A Boeing spokesman said Muilenburg called Dickson to respond to "the concerns raised in his letter" and to assure the agency that the company is "taking every step possible to safely return the MAX to service."

Boeing furnished the messages earlier in the year to "the appropriate investigating authority," the company's spokesman said. "Boeing has also been voluntarily cooperating with the House Transportation & Infrastructure Committee's investigation into the 737 MAX. As part of that cooperation, today we brought that document to the Committee's attention as well. We will continue to cooperate with the Committee, and all other authorities, as they move forward with their investigations." Maria Cantwell, the senior Democrat on the Senate Commerce Committee, said regulators "must receive full cooperation and all relevant documents so a full and thorough investigation can take place," adding that the reports about the messages and the lack of timely disclosure are "deeply troubling."

News of the messages comes as the FAA has taken the lead among international regulators in overseeing the recertification of the MAX in a process that has dragged on much longer than originally expected. The messages add to the pressure on Muilenburg ahead of an October 30 congressional hearing. Boeing last week stripped Muilenburg of his title as chairman, a move that analysts said could be a precursor to his removal as chief executive.

In recent days, American Airlines, United Airlines and Southwest Airlines have pushed back their target dates for returning the MAX to service, with the three carriers pulling all flights for the aircraft through January or February 2020. Michel Merluzeau at AirInsight Research said the latest disclosures could lead to further delays. "Today's disclosure is potentially going to impact return to service again and likely to lead to prolonged uncertainty for the program and lead to consequences at the enterprise level," Merluzeau said. "This is frankly sobering news." Shares of Boeing tumbled 6.8 percent to finish at $344. — AFP

Venezuelans fear catastrophe if Trump forces Chevron to leave

LA CANADA DE URDANETA, Venezuela: With the $2 he earns in wages each week working as a cargo driver for Venezuelan state oil company PDVSA, 56-year-old Freddy Brito cannot even afford to buy one kilogram (2.2 lb) of cheese.

To feed himself and his wife as the once-prosperous OPEC nation suffers a hyperinflationary economic collapse, Brito depends on a monthly basket of rice, canned tuna, beans and other products valued at $200 given to him by California-based Chevron Corp, PDVSA's minority partner at the Petroboscan field in western Zulia state where he works. But Chevron's future in Venezuela now depends on US President Donald Trump, who must decide whether or not to renew a waiver allowing Chevron to keep operating in Venezuela despite US sanctions on PDVSA, part of Washington's campaign to oust socialist President Nicolas Maduro.

The benefits enjoyed by Brito and some 1,200 other Petroboscan employees and contractors are not available for most of cash-strapped PDVSA's 100,000-odd workers, who have seen their wages eroded due to inflation, prompting thousands to resign. "If Chevron leaves, we would be left without a helping hand, because what little we have comes from them," Brito said.

Chevron has been present in Venezuela for nearly 100 years: it opened its Caracas office in 1923, and first struck oil at the Boscan field in 1946, making it among the private companies with the longest presence in the country. But in January, the US Treasury Department slapped sanctions on PDVSA as part of Washington's effort to cut off cash flow to Maduro. Chevron was only able to remain in Venezuela thanks to a six-month exemption granted to it and major oilfield service companies like Halliburton Co and Schlumberger NV. The companies are keen to retain a presence in Venezuela, which has the world's largest crude reserves. The campaign to oust Maduro has since stalled, despite Venezuela's deteriorating economy and accusations of human rights violations. After internal debate within the administration, Trump in late July renewed the waiver for three months.

Some in the administration, like Secretary of State Mike Pompeo, argued that, were Chevron to leave, Maduro might deliver its assets to Russian or Chinese companies, depriving a potential new government of a chance to rebuild the economy in partnership with the US firm. But others, such as former National Security Advisor John Bolton, argued that forcing Chevron out could prompt a further decline in crude output, adding to the economic pressure on Maduro.

With the new deadline looming, residents of La CaÕada de Urdaneta, where Petroboscan's operations are located, fear the company's exit would add further misery to a drastic deterioration in their quality of life during the last seven years of recession. "Chevron has supported everything," said Yennifer Gonzalez, a parent of three students at the San Agustin school in La CaÕada, where the company funds meals for students and staff, and is also paying for a construction project. "If Chevron leaves, here in the field things will not be the same.

By law, PDVSA's joint ventures are required to invest 1% of their profits in social programs in the areas where they extract crude. In La Canada, Chevron's logo adorns schoolyard basketball hoops it donated and police stations it helped build. Chevron spokesman Ray Fohr said in a statement the company's social investment contributions totaled nearly $100 million between 2007-2018, and that the firm was a "positive presence" in the country. Neither PDVSA nor Venezuela's oil ministry responded to requests for comment. Maduro blames an "economic war" led by the United States for the country's problems. —Reuters