Kuwait Times
Established 1961

Biden cancels trip with agenda under threat; debt crisis looming

$1.2tn infrastructure bill and social spending package risk failing in divided legislature

WASHINGTON: President Joe Biden postponed yesterday a trip to Chicago to stay in Washington and fight for his domestic agenda, which hangs from a thread in Congress, the White House said.

Biden had been meant to address his COVID-19 vaccination policy in the Midwestern city, but his two signature legislative policies-a $1.2 trillion infrastructure bill and an even bigger social spending package-risk failing in the divided legislature. "He will now remain at the White House tomorrow to continue working on advancing these two pieces of legislation to create jobs," an administration official said late Tuesday.

Lawmakers were also scrambling to break a deadlock over the prospect of a first-ever US debt default that would plunge the economy into a downwards spiral, alarming investors as the cliff edge draws closer. The government is likely to run out of cash on October 18, Treasury Secretary Janet Yellen warned, unless Congress raises the federal borrowing cap.

After that date, Treasury's funds "would be depleted quickly" and "it is uncertain whether we could continue to meet all the nation's commitments after that date," she said in a letter to congressional leaders. The impasse fueled a selloff on Wall Street, with the benchmark Dow Jones Industrial Average closing 1.6 percent lower after Yellen warned of dire consequences including debt default if lawmakers fail to act quickly.

But Republicans say they won't help raise or suspend the debt limit, despite having pressed for it under Donald Trump, because they want no part in Democrats' spending plans, including a historically large $3.5 trillion package of social reforms. Senate Majority Leader Chuck Schumer, whose Democrats occupy half the 100 seats in the upper chamber, attempted to raise the borrowing cap until December 2022 without any Republican votes. He asked for the unanimous consent of the Senate to bypass the usual 60-vote threshold required for most bills to be debated and instead move straight to a vote.

'Partisan socialism'

"Republicans said they want to get it done with only Democratic votes. Democrats are ready to do it and let's have that vote today," Schumer said. But Senate Republican leader Mitch McConnell refused, insisting there was "no chance the Republican conference will go out of our way to help Democrats conserve their time and energy so they can resume ramming through partisan socialism as fast as possible." The cap was reinstated on August 1 with the country's debt at $28.4 trillion.

McConnell has repeatedly argued that the political burden of raising or suspending it again should fall to Democrats because they control the House, Senate and White House. But Yellen told the Senate Banking Committee the debt limit increase was a "shared responsibility" that both parties should support.

Without an increase, the government would be unable to pay salaries of public workers or service the nation's debt while confidence in the dollar as a reserve currency would be undermined, she said. With no sign of a way out of the impasse, the debt crisis may now be kicked into next week, with lawmakers facing a more immediate deadline on funding the government past today, when the fiscal year ends.

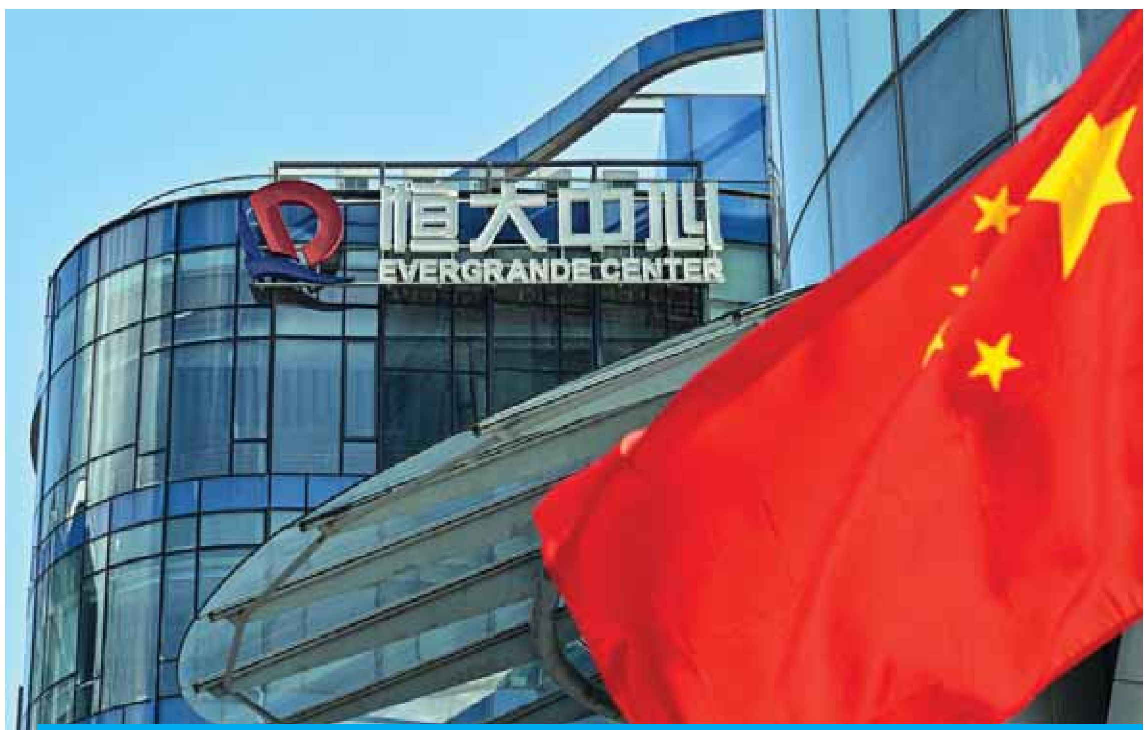
Failure would shut down the government, which typically leads to hundreds of thousands of workers being sent home as public services are closed.

WASHINGTON, US: US Senator John Barrasso, Republican of Wyoming, with Senators Mitch McConnell (right), and John Thune (left, rear), holds a copy of the reconciliation bill as he speaks after the Republican policy luncheon at the US Capitol in Washington, DC Tuesday. — AFP

'Serious harm'

The House has passed a "continuing resolution" to keep the lights on until December 3. But the Senate shot down the plan on Monday, with Republicans objecting to a debt ceiling hike that was included in the wording. Raising the debt limit does not increase spending, but simply allows Treasury to finance projects already approved by Congress, including trillions of dollars in aid rolled out during the pandemic. In her latest letter to lawmakers, Yellen said prompt approval is critical since "waiting until the last minute can cause serious harm to business and consumer confidence, raise borrowing costs for taxpayers and negatively impact the credit rating of the United States for years to come."

Raising the debt ceiling has been a contentious issue in Congress for the past several years, and a 2011 standoff caused S&P Global Ratings to downgrade US sovereign debt from its coveted AAA rating. — AFP



SHANGHAI: A general view of the Evergrande Center building in Shanghai. — AFP

Evergrande to sell $1.5bn stake in Chinese bank

BEIJING: Embattled property developer Evergrande yesterday said it will sell a $1.5 billion stake in a regional Chinese bank to raise much-needed capital, as it struggles to make interest payments while being choked by debts and ratings downgrades.

The stake sale to a state-owned group is Evergrande's first major asset disposal as it attempts to claw its way back from the brink of collapse. Experts fear a chaotic implosion of the company, which is saddled with more than $300 billion in debts, could reverberate through China's banking and property sectors, and possibly into the global economy.

The Shenzhen-based conglomerate agreed to sell 1.7 billion non-public shares in northeastern China's Shengjing Bank to Shenyang Shengjing Finance Investment Group, Evergrande said in a Hong Kong exchange filing. "The Company's liquidity issue has adversely affected Shengjing Bank in a material way," the filing said, adding that the agreement would still need to be approved by the bank's board of directors.

Evergrande shares jumped more than 14 percent in Hong Kong yesterday. A $47.5 million interest payment on a US dollar bond was also due yesterday, less than a week after it was meant to pay up for another note. It is not known if the firm has met its obligations, though it has a 30-day grace period before it is considered to be in default. I did reach a deal to pay interest on a yuan-denominated note last week.

Fitch Ratings downgraded China Evergrande Group's credit score to C from CC, just above the equivalent default level, as the latest payment loomed. "The downgrades reflect that Evergrande is likely to have missed interest payment on senior unsecured notes" and entered the grace period, Fitch analysts wrote in a report.

Some creditors claim that Evergrande is responsible for a further $260 million bond payment due Sunday and will press their claims if the firm defaults, Bloomberg News reported Tuesday. Beijing has stayed silent on the travails of the property empire, but state media has trailed various responses in a nod to the mood towards a private company that grew on a debt binge in the boom years of Chinese real estate.

State newspaper Economic Daily said rules around China's property sector could be loosened purely because of Evergrande's woes. "We cannot simply relax regulations just because of the emergence of some new situations in individual housing companies," it said in a commentary yesterday. "We cannot return to the old path of using real estate as a short-term economic stimulus tool." The group's high-flying EV unit scrapped a planned Shanghai listing over the weekend, warning of the parent company's "serious shortage of funds", which forced it to suspend payments to staff and suppliers. — AFP

China's foreign projects trap poor nations with 'hidden debt': Study

BEIJING: China's ambitious foreign infrastructure push has saddled poor nations with "hidden debt" worth $385 billion, and more than a third of the projects have been hit by alleged corruption scandals and protests, a study said yesterday.

Research from international development research lab AidData said that opaque deals with state banks and companies under President Xi Jinping's flagship investment drive-the Belt and Road Initiative-has left dozens of lower income governments strapped with debt that isn't on their balance sheets. China has invested more than $843 billion to build roads, bridges, ports and hospitals in some 163 nations since the program was announced in 2013, including many countries across Africa and Central Asia.

Nearly 70 percent of this money has been lent to state banks or joint ventures between Chinese businesses and local partners in countries that were already deeply indebted to Beijing, AidData executive director Brad Parks said. "Many poor governments could not take on any more loans," Parks said. "So (China) got creative." He said loans were given to a "constellation of actors other than central governments" but often backed by a government guarantee to pay up if the other party couldn't.

"The contracts are murky, and governments themselves don't know the exact monetary values they owe to China," he said. These under-reported debts are worth about $385 billion, the study found.

AidData, which is based at the College of William and Mary in Virginia, listed 45 lower and middle income countries which now have levels of debt exposure to China higher than 10 percent of their national gross domestic product. Resentment has been fuelled about high levels of Chinese money flowing into places such as Balochistan in southwest Pakistan, where locals say they get little benefit and militants have launched a string of attacks aimed at undermining Chinese investment. "What we're seeing right now with the Belt and Road Initiative is buyers' remorse," Parks said.

"Many foreign leaders who were initially eager to jump on the BRI bandwagon are now suspending or cancelling Chinese infrastructure projects because of debt sustainability concerns." Beijing's lending spree has slowed over the past two years due to push-back from borrowers, the study said. The Group of Seven wealthy nations also announced a rival scheme to counter Beijing's dominance in global lending this year. Beijing's loans demanded higher interest rates with shorter repayment periods, AidData found. — AFP

Zimbabwe freezes 30 bank accounts over forex peddling

HARARE: Zimbabwe's central bank has frozen the bank accounts of 30 individuals accused of illicitly exchanging foreign currency through mobile phones and social media, it said Tuesday.

The government has been struggling to promote local currency since it was temporarily ditched in 2009 favor of the US dollar and others due to hyperinflation. But greenbacks fell short, prompting the central bank to introduce new bank notes in 2016.

Local money has continued to devalue, however, and highly-demanded foreign currency is traded more on the black market at better rates than the official. The Reserve Bank of Zimbabwe on Tuesday said its intelligence unit (FIU) had identified 30 individuals "abusing mobile telecommunications services and other social media platforms" for "illegal foreign exchange transactions and money laundering". "The FIU has instructed banks... and other financial service providers to identify and freeze accounts operated by these individuals," it said in a statement.

The accused have also been barred from accessing financial services for two years, and risk being blocked by mobile operators.

Zimbabwe is still reeling from decades of financial mismanagement under its late former president Robert Mugabe. The southern African country has been in severe economic crisis for years, during which many have helplessly watched their savings evaporate and prices soar. anufacturing and exports have shrunk, and foreign currency is continuously in short supply. —AFP

Malawi fines India's Airtel unit for duping customers

LILONGWE: Malawian regulators yesterday fined the local unit of India's Bharti Airtel the equivalent of around $2.6 million for skimping on airtime owed to consumers in one of the world's poorest countries. The Competition and Fair Trade Commission imposed a 2.1-billion-kwacha ($2.6 million) fine on mobile operator Airtel Malawi for engaging in "unconscionable conduct" in withholding airtime owed as part of a loyalty program.

Airtel Malawi is part of Bharti Airtel Limited, an Indian multinational that operates in 18 countries across Asia and Africa. The company describes itself as the largest mobile operator in Africa. The commission's acting executive director Apoche Itimu told a news briefing that the commission launched an investigation into Airtel Malawi on September 16, following several complaints from consumers.

"It was alleged that the Airtel Malawi stopped automatically crediting customer accounts with monthly bonuses" of airtime, she said.

Instead, consumers had to request their free airtime on the 14th of every month. Those who failed to do so lost their bonus. Itimu said the company made a financial gain of about 2.1 billion kwacha by "engaging in unconscionable conduct in the trade of goods and services". The commission fined Airtel Malawi the same amount. Bharti Airtel's annual revenue of $14 billion is almost double the size Malawi's entire economy. Airtel Malawi did not immediately respond to AFP requests for comment. —AFP

Sri Lanka stops 'tainted' fertilizer import from China

COLOMBO: Sri Lanka halted a 96,000-tonne shipment of fertilizer from China yesterday citing quality issues, undermining the island's plans for the world's first fully organic farming sector. Agriculture minister Mahindananda Aluthgamage stopped the cargo of organic fertilizer as samples showed harmful bacteria, his office said in a statement.

In May, the government banned the import of chemical fertilizer, part of an ambitious drive to go fully organic. The organic plant nutrients from China were meant to replace the phased-out chemicals during the main rice cultivation season, starting early October.

"The minister decided not to import the organic nitrogen fertilizer from China to be used in the 'Maha' (big) cultivation season," the statement said. "When we tested the fertilizer samples sent by the Chinese supplier, we found in them bacteria that is harmful to the soil," it quoted the minister as saying.

The ministry said it would "focus on somehow providing fertilizer requirements of farmers". Officials said the cargo was ready to be shipped to Sri Lanka when the government decided to cancel the order, worth an estimated $42 million. The government had offered subsidies to local farmers to produce their own compost, but they failed to meet demand-hence the Chinese imports, officials said.

President Gotabaya Rajapaksa came to power in 2019 promising subsidized foreign fertilizer, but did a U-turn arguing that agro chemicals were poisoning people. His administration has denied that the ban on chemical fertilizer, herbicides and pesticides is because of a foreign exchange shortage, maintaining that it is committed to healthier agriculture. As it battles the acute shortage, it has halted other imports, including vehicles and spare parts.

Farmers of rice-the main foreign exchange-earning export commodity, along with tea-have warned crops could be halved without chemicals. Former central bank deputy governor and economic analyst W A Wijewardena called the organic project "a dream with unimaginable social, political and economic costs". He said Sri Lanka's food security had been "compromised" and that without foreign currency it was "worsening day by day". — AFP

COLOMBO: A worker tends to a tea plantation in Sri Lanka's southern district of Ratnapura. — AFP