

FRIDAY, MAY 20, 2022

Business

G7 finance ministers meet to thrash out Ukraine aid plan

Italy impounds Russian-controlled jets, assets

KONIGSWINTER, Germany: G7 partners met in Germany on Thursday hoping to find a solution for Kyiv's budget troubles as the fallout from Russia's invasion of Ukraine continues to roil the global economy. "I'm quite optimistic that we will be able at this G7 meeting to raise funding which allows Ukraine to defend itself over the next months," German Finance Minister Christian Lindner said at the opening of the meeting in Koenigswinter, near Bonn.

The outbreak of the war has blown a hole in Kyiv's finances, with tax incomes having fallen sharply. A "double-digit billion euro" figure was needed to assure Ukraine's "liquidity", Lindner said.

The war in Ukraine has triggered a sharp rise in energy prices, raw materials and agricultural goods, heaping pressure on the global economy. In Europe, the continent's heavy reliance on Russian energy imports also leaves it exposed to further fuel price rises or potential disruptions to supply.

Financial support

"The bilateral and multilateral support announced so far will not be sufficient to address Ukraine's needs, even in the short term," US Treasury Secretary Janet Yellen said in a speech in Brussels on Tuesday. Yellen, who is attending the Koenigswinter gathering of the Group of Seven industrialized nations, called on US partners to "join us in increasing their financial support" for war-scarred Ukraine.

The United States has forged ahead with a \$40 billion (38 billion euros) aid package to fill Kyiv's coffers and military stores. Ahead of the G7 meeting, the European Union also proposed to boost its

aid to Ukraine by up to nine billion euros.

The war has left the Ukraine with a current budget shortfall of around \$5 billion a month, the government estimates. Around \$7.5 billion of the US aid package is earmarked to help plug the hole in Ukraine's government budget caused by the war, a source close to the G7 organisers indicated.

Ukrainian Prime Minister Denys Shmygal is set to address the G7 finance ministers' meeting by video link. Besides Germany, other members of the group are Canada, France, Italy, Japan, Britain and the United States.

'Turbulence'

The outbreak of the Ukraine war has diminished growth prospects globally and pushed already elevated inflation rates even higher. The US Federal Reserve's decision to raise interest rates aggressively in response to high inflation rates has created concerns that the central bank could step on the brakes too hard, hurting growth.

Yellen said Wednesday she did not "expect" a recession in the United States, but warned of the risks for Europe. The continent, which has also been battling decades-high inflation, was "more vulnerable and of course more exposed on the energy front" as prices rise following the Russian invasion of Ukraine, she said. Europe's reliance on Russian energy imports for much of its needs means further disruptions to supply could come at a heavy cost for industry.

Shortages of raw materials and agricultural products caused by the conflict also threatened to heap extra pressure on consumers. The rise in energy and food prices was being felt particularly hard



KONIGSWINTER, Germany: Ukrainian Prime Minister Denys Shmygal is displayed on a screen during a meeting of finance ministers and central bankers from the Group of Seven industrialized nations (G7) on May 19, 2022 at the Petersberg in Koenigswinter near Bonn. —AFP

in developing nations. Lindner said, just as rising dollar interest rates made their debts harder to finance. The combined pressures could quickly lead to a "critical situation", the G7 host added, calling on China, one of the world's biggest creditors, to be more transparent about its lending.

Meanwhile, Italy said Thursday it had impounded aircraft and frozen monetary assets linked to Russia's state-controlled United Aircraft Corp as part of EU sanctions against Kremlin-linked entities. The Italian government put the value of the frozen assets of the Russian aerospace and defense company at more than 146 million euros (\$154 million). Financial police froze 90 percent of the capital of

Superjet International, based in Venice, and impounded four of its aircraft, the government said in a brief statement. Superjet is a joint venture between Russia's Sukhoi Holding Company and Italy's aerospace multinational Leonardo, according to the company website.

Leonardo holds 10 percent in the company. A Leonardo spokesman said its 10 percent stake was not affected. Police also impounded an aircraft belonging to the Irkut Corp, a Russian company similarly controlled by United Aircraft, Italy said.

Sukhoi and Irkut were merged in 2006 along with Russia's other top military and civilian aircraft makers into United Aircraft. —AFP

Sri Lanka to repay debts after six months: Governor

COLOMBO: Sri Lanka will take at least six more months to start repaying its debts, the central bank said Thursday as the government shut schools because of fuel shortages. Central Bank of Sri Lanka Governor Nandalal Weerasinghe said there will be no debt servicing until the country was able to restructure its \$51-billion external debt. "We hope to be able to reach an agreement with our creditors in about six months," Weerasinghe said.

"Our position is very clear. Until they come to (a) restructure (agreement), we will not be able to pay."

He said the mob violence that claimed nine lives last week and the government's failure to finalize a finance minister under a new cabinet could delay negotiations with creditors and the IMF. The governor said bailout talks with the International Monetary Fund were under way, but a final agreement required approval by a finance minister the country is yet to appoint.

Prime minister Mahinda Rajapaksa resigned last week following pressure over the acute economic hardships faced by the 22 million population. His successor Ranil Wickremesinghe has attempted to cobble together a "unity cabinet", but has inducted only four ministers, all from President Rajapaksa's SLPP party, and none from the opposition. Wickremesinghe Thursday asked state sector employees to stay at home on Friday and take a



COLOMBO: University students take part in a demonstration demanding the resignation of Sri Lanka's President Gotabaya Rajapaksa over the country's crippling economic crisis, in Colombo on May 19, 2022. —AFP

long weekend as the country faced an acute shortage of petrol.

The government also closed public schools from Friday because of the fuel crisis which has led to miles-long queues for the scarce fuel stocks at a few pumping stations. Only a few taxis were operating while most were in queues at the few pumping stations which still dispensed rationed petrol. In a bid to improve dollar liquidity in commercial banks, the central bank Thursday criminalized the holding of dollar notes by Sri Lankan citizens for longer than two weeks.

Vueling, said the order was subject to approval by shareholders. "The addition of new Boeing 737s is an important part of IAG's short-haul fleet renewal," IAG chief executive Luis Gallego said in the statement. "These latest-generation aircraft are more fuel-efficient than those they will replace and in line with our commitment to achieving net zero carbon emissions by 2050." While Boeing has resumed deliveries of the 737 MAX after a lengthy grounding following the fatal crashes, the company has halted deliveries of the 787 since May 2021 while it works through production problems.

'No vote of confidence'

CMC Markets analyst Michael Hewson told AFP that the order was "more about the (aviation) industry's woes than anything else". IAG "gets a discount for replacing its older less fuel-efficient aircraft and Boeing gets to offload its 737-MAX planes which it is struggling to offload in the wake of the two crashes which trashed its reputation", he said.

"It's certainly not a vote of confidence in the conventional sense." The European airlines conglomerate had initially announced its intent to buy 200 MAX jets three years ago at the Paris Air Show, despite deadly crashes involving the aircraft in 2018 and 2019. The 737 MAX was temporarily grounded worldwide following two crashes in Indonesia and Ethiopia that killed a combined 346 people.

"The order of fifty Boeing 737 MAX jets by IAG provides a much-needed booster-shot of confidence for the US aircraft manufacturer," Hargreaves Lansdown analyst Susannah Streeter told AFP. "This

Existing laws allowed Sri Lankans to up to \$15,000 for three months before depositing in a bank or encashing at the official exchange rate. In two weeks, the limit will be reduced to \$10,000 and the time period the currency could be held will be reduced to two weeks, Weerasinghe said.

Sri Lanka's foreign currency shortage has been at the heart of the current crisis, forcing the government to halt many imports of essential goods. This has led to galloping inflation, severe shortages and power blackouts in Sri Lanka's worst economic crisis since independence in 1948. —AFP

HEISCO wins \$6.4m tender from MEW

KUWAIT: Heavy Engineering Industries and Shipbuilding Company (HEISCO) announced Thursday it has won a tender valued at KD 1.8 million (\$6.4 million) for the benefit of the Ministry of Electricity and Renewable Energy. In a disclosure published on Kuwait Stock Exchange website, HEISCO said that the tender project is related to the supply, installation, examination, and testing of four high voltage transformers at the Doha East Power Generation and Water Distillation Station.

The company was established in 1974 and listed on the Kuwait Stock Exchange in 1984. Its authorized capital is KD 22 million (\$79.2 million) and it works in building and repairing ships and security systems used in electricity, water and oil. —KUNA

US to fly in baby formula on military contracted planes

WASHINGTON: The US government will fly in baby formula on commercial planes contracted by the military in an airlift aimed at easing the major shortage plaguing the country, the White House said on Wednesday. The lack of formula—the result of a perfect storm of supply chain issues and a massive recall—is leaving parents increasingly desperate, and has become a political headache for President Joe Biden as midterm elections loom.

The Department of Defense "will use its contracts with commercial air cargo lines, as it did to move materials during the early months of the COVID pandemic, to transport products from manufacturing facilities abroad that have met Food and Drug Administration (FDA) safety standards," the White House said. "Bypassing regular air freight routes will speed up the importation and distribution of formula and serve as an immediate support as manufacturers continue to ramp up production," it said, dubbing the effort "Operation Fly Formula."

Biden has also invoked the Defense Production Act to give baby formula manufacturers first priority in supplies. "Directing firms to prioritize and allocate the production of key infant formula inputs will help increase production and speed up in supply chains," the White House said. Initially caused by supply chain blockages and a lack of production workers due to the pandemic, the shortage was exacerbated in February when, after the death of two infants, manufacturer Abbott announced a "voluntary recall" for formula made at its factory in Michigan and shut down that location. —AFP

Boost for Boeing as BA-owner orders MAX jets

LONDON: British Airways owner IAG on Thursday ordered 50 Boeing 737 MAX aircraft worth \$6.25 billion at list prices, in a boost for the crisis-hit jet after two deadly crashes.

The deal comes also amid signs of recovery in the global aviation sector, which was ravaged by the deadly COVID pandemic. Analysts however expressed doubt over whether it was a vote of confidence for both Boeing and the aviation industry as a whole. The US titan last month logged a \$1.2-billion first-quarter loss, weighed down by costs of its Russia business, the Air Force One presidential jet, and its delay-hit 777X plane in a growing litany of problems.

'Latest generation'

International Airlines Group has reached agreement for 25 Boeing 737-8200 jets, also called the 737 MAX, and 25 of its 737-10 aircraft at a "substantial" discount. IAG added in a statement that it also has an option to purchase 100 more MAX planes. The fuel-efficient MAX jets will be delivered between 2023 and 2027 to replace ageing aircraft in IAG's fleet.

IAG, which owns also Spanish carriers Iberia and



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deal has been a long time coming and has been significantly scaled down from hopes of 200 aircraft, but it still represents a lift for the company which has been buffeted by winds of turbulence over its order book, production delays, supply chain worries and inflation." The news also dealt a heavy blow to Boeing's fierce European rival manufacturer Airbus. "This is a surprising and very big kick in the teeth for Airbus," noted independent aviation analyst Howard Wheelton. "The discount must have been pretty massive and we live in hope that there are no implications of Airbus' failure to secure more single aisle business from IAG in the UK." —AFP