

INTERNATIONAL

Spain

De Guindos warns of left hurting rebound

Economy minister says a government including Podemos will hit reforms

TOBIAS BUCK — MADRID

Spain's economic recovery is strong enough to withstand the current political deadlock, but could ultimately falter if a "radical" leftwing government takes office in Madrid, the economy minister has warned.

Luis de Guindos sought to address rising concern among investors about the state of Spanish politics, arguing that even a repeat election would not throw the economy of course.

His comments came amid continuing

uncertainty over who will lead the next Spanish government, after an inconclusive general election in December provided neither the left nor the right with a clear governing majority.

"Given the cruising speed of the Spanish economy, can we deal with six months where there is only a caretaker government? It is not ideal but we can do it," he told the Financial Times.

"There would be some uncertainty but it would not affect the performance of the economy significantly."

Mr de Guindos, who helped steer Spain through the 2012 banking crisis, was markedly less sanguine about the prospects of a government that included Podemos. The anti-austerity party took a better than expected 21 per

cent of the vote in December, and is widely expected to start talks with the centre-left Socialists this week about forming a leftwing government.

"What would be extremely detrimental to the outlook would be to have a radical leftwing government in office," Mr de Guindos said.

"They would try to roll back the labour market reform. They would deviate from the path of reducing the fiscal deficit. They would very rapidly start increasing expenditure. And what would happen to Bankia? For sure they would try to stop the privatisation of Bankia," he said, referring to the group nationalised during the banking crisis.

Mr de Guindos is not formally a member of the ruling conservative Popular

party, but he echoed its appeal to the Socialists to form a "grand coalition" with Mariano Rajoy, prime minister, at the helm.

"I think the grand coalition would be ideal. It would create a lot of confidence. It would create a lot of credibility. It would boost investment and domestic demand. A grand coalition could complete and improve the labour market reform and would continue with the restructuring of the banking sector."

The Spanish economy grew 3.2 per cent last year, one of the fastest rates of expansion in Europe. The government's official forecast is for growth of 3 per cent in 2016, though Mr de Guindos said the economy could do even better if the right policies were implemented.

"If we do things properly, we can grow even faster than last year. I am totally convinced that we can grow by more than 5.2 per cent [in 2016]."

Spain's recovery has drawn praise from international institutions, including the European Commission. But Brussels has made clear that it remains concerned about Madrid's fiscal deficit. Spain promised to reduce its deficit to 4.2 per cent of gross domestic product in 2015 and to 2.8 per cent this year — targets officials fear will be missed.

"The gap with the European Commission in terms of the fiscal deficit is not the big point," Mr de Guindos said. "The real threat for the eurozone would be a slowdown of Spain's recovery because we apply incorrect economic policies."

Unemployment

Renzi dealt recovery blow as Italian jobless rate fails to budge

JAMES POLITI — ROME

Weak job figures sparked concern yesterday about Italy's economic recovery as economists' expectations of a fall in unemployment were dashed.

The figures, which came on the heels of a worse than expected survey of manufacturing activity, represented a setback for Matteo Renzi, prime minister, who faces several electoral tests in coming months.

While the jobless rate in the eurozone as a whole fell to a four-year low in December, the Italian rate remained at 11.4 per cent — the same level as the month before.

Many economists have expressed hope that the pace of Italy's economic recovery could accelerate this year, with gross domestic product growing at a rate of about 1.3 per cent compared with an estimated 0.8 per cent in 2015.

While Italy emerged from a lengthy recession only last year, its recovery has been sluggish. Some experts worry that a market sell-off that hit Italy's banks last month may further hold back the rebound, restricting the financial sector's willingness to lend.

"The Italian economy is chugging along at a very moderate pace," said Raj Badiani, an economist at HS Global Insight in London. "You can hardly say the recovery is broad-based and gathering momentum."

However, Mr Renzi is counting on a stronger economy ahead of spring municipal elections in several large cities and a referendum on constitutional reforms in the autumn. Italy is not due for parliamentary elections until early 2018, but many political analysts believe the prime minister is trying to set the stage for a poll next year.

The December data showed the number of employed Italians dropping by 21,000 compared with the previous month, while the ranks of the unemployed increased 18,000. Over the course of 2015, however, the number of unemployed Italians fell by 254,000 as the economy produced 109,000 additional jobs. The unemployment rate has fallen by a percentage point over the past year.

There were also some bright spots in the December data. One was the continued decline of youth unemployment, which hit a three-year low of 36.3 per cent. Another was the fact that the decline in employment was mainly driven by job losses among self-employed workers, while there was an increase in jobs on permanent contracts. Last year Mr Renzi pushed through a sweeping reform of the Italian labour market, shifting more employees on to longer-term contracts.

"There is still a lot to do but it is obvious that the turn for the better that occurred in 2015 is surprisingly resilient," said Filippo Taddei, an economic adviser to the ruling Democratic party.

Istat, Italy's statistics agency, had initially estimated the Italian unemployment rate for November to be 11.3 per cent, but revised the figure up to 11.4 per cent yesterday.

Mr Renzi, who is on a three-day trip to Africa, including stops in Nigeria, Ghana and Senegal, has recently been touting a flood of big deals by top US companies in Italy, ranging from Apple to Cisco to General Electric, as a sign of the country's renewed attractiveness as an investment destination.

P2P lender

Chinese investors seek protection of rights over Ponzi claims

TOM MITCHELL — BEIJING

The allegation that one of China's most popular online investment platforms was a Ponzi scheme has sparked a nationwide "rights protection" movement, with jittered investors calling for three days of protests.

Ezubao raised more than Rmb50bn (\$7.6bn) from almost a million investors in little over a year before Ding Ning, the site's 34-year-old founder, was accused by the official Xinhua news agency this week of running an elaborate fraud.

Police first swooped on Ezubao's offices in December, but the accusation has energised the company's panicked investors, many of whom have turned over their savings to the peer-to-peer lender because of an advertising campaign that they said implied the company had government backing. The company promised to connect savers with investment projects willing to pay high rates of interest, but according to Xinhua many of the projects were fake.

"If we don't [take] drastic action within three days, we will recover little," said one online notice circulated among Ezubao investors. "We need to rise up across the country and let the government know that the people's bottom line is the return of their capital. If it is not returned, our movement will not stop!"

Established in 2014, Ezubao expanded rapidly across the country by advertising extensively on Chinese Central Television to become one of China's

"[Without] drastic action within three days, we will recover little. We need to rise up across the country"

most popular peer-to-peer lending platforms. It sponsored a forum about the country's parliament on Xinhua's website, backed popular events such as the China Open tennis tournament and emblazoned high-speed trains with its logo. For investors who stumped up Rmb150,000 each it offered five-gramme gold bars stamped with images of the Great Hall of the People.

"I gave Ezubao Rmb250,000 because of their association with government activities and news outlets," said one investor who asked not to be identified, adding that his investment amounted to five years of savings.

"Of course we invested because of the advertising on CCTV and the high-speed trains," added another.

But in December suspicions about the lender came to a head when at least four provincial police bureaux announced they had frozen Ezubao assets. Xinhua also alleged this week that Mr Ding spent vast amounts on lavish gifts for Zhang Min, the company's president and chief spokesperson. Interpol said in a detention centre, Ms Zhang reportedly told Xinhua that the company was "a complete Ponzi scheme".

Ezubao investors are flocking to the QQ and WeChat social media platforms run by Tencent, one of China's "big three" internet companies, to exchange information and organise protests. State media has given extensive coverage to the allegations against the company but not to investors' compensation efforts.

QQ searches for "Ezubao" turned up no results, but searches for the terms "Ezu" and "wei quan", or "rights protection", provided links to hundreds of chat groups across the country, many with up to 2,000 members.

Additional reporting by Wan Li, Ma Fanjing and Christian Shepherd
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Space commodity Luxembourg to mine asteroids

Galactic goals

What are asteroids?

Asteroids are rocky or icy objects in space, too small to be defined as a planet. They vary in size from hundreds of kilometres to a few metres across.

Most are concentrated in the asteroid belt between the orbits of Mars and Jupiter, with over 200 large asteroids (100km+) and millions of smaller ones.

Mining interests, however, are focused on the near-Earth asteroids, over 12,000 of which are between the orbits of Earth and Mars.

Jupiter

Mars

Near-Earth asteroids

Earth

Venus

Mercury

FT graphic



The asteroid Lutetia, photographed by the European Space Agency's Rosetta spacecraft in 2010

Why mine asteroids?

Some resources have been depleted on Earth's surface by human over-exploitation. In any case heavier metals sank towards the core as the young planet cooled, leaving less in the crust.

Accessing materials on the surface of an asteroid may be easier than extracting them from deep within the Earth, despite the technical difficulties of space travel. Materials mined from asteroids can then be processed in orbit to make new structures for space exploration.

A possible mining system

As proposed by Deep Space Industries

1 Prospecting

Armies of small (30cm long) cubesats will be launched to investigate potential for mining on specific asteroids.

2 Harvesting

Larger, unmanned spaceships will collect material from asteroids and return it to Earth orbit.

3 Processing

Spacecraft in Earth orbit will process the raw materials and store them.

4 Manufacturing

In-orbit facilities exploit the lack of atmosphere and gravity to manufacture particularly pure materials. 3D printing will probably be an important part of the process.

Malaysia. Corruption allegations

Najib stifles dissent as public unrest grows

Sacking of political opponents denounced as part of a 'lurch towards authoritarian rule'

JEEVAN VASAGAR — SINGAPORE
MICHAEL PEEL — BANGKOK

Malaysia's government has been battered by international allegations of corruption on a grand scale — yet at home Najib Razak, the prime minister, appears as secure as ever.

While Kuala Lumpur is under pressure from global regulators, with Switzerland and Singapore highlighting alleged misconduct, the prime minister's tightened grip on power has raised concern about authoritarianism.

Over the past six months, as controversy raged over \$680m transfers into his bank account, Mr Najib has replaced the country's attorney-general and sacked a critical deputy prime minister. Meanwhile, his administration has

imposed travel bans on opponents and rushed through legislation Malaysia's bar council describes as a "lurch towards an authoritarian government".

The new attorney-general ruled last week that Mr Najib had no case to answer over the funds transferred into his bank account. The country's anti-corruption commission says it will appeal against the decision.

But for the prime minister's most famous predecessor, the latest events are part of the same pattern.

"I think the attorney-general is under the control of the subject of the investigation, the prime minister," Mahathir Mohamad, Mr Najib's patron-turned-enemy, told the Financial Times.

Mr Mahathir dismissed the attorney-general's explanation that the funds transferred came from Saudi royals as "a lot of nonsense" and vowed to "continue to expose the wrong things that he [the prime minister] has done".

Mr Najib's supporters and some independent observers, however, question

Mr Mahathir's credentials as an anti-corruption campaigner, saying the patronage networks now being exposed flourished under his rule.

Mr Najib appointed Mohamed Apandi Ali attorney-general in July, soon after reports of the transfers

Najib Razak, the prime minister, is embroiled in a controversy over \$680m transfers to his bank account



allegedly inaccurate or incomplete disclosures relating to more than \$1.8bn in assets held in the Cayman Islands. IMDB denied wrongdoing.

But there are further links between the IMDB dispute and what critics see as Mr Najib's quest for ever more power.

Mr Najib replaced Muhyiddin Yassin, the deputy prime minister who had been one of his most prominent critics over the IMDB affair, at the same time as he removed Mr Gani.

The government has also slapped travel bans on opposition MPs who investigated IMDB, and temporarily shut The Edge, a news organisation that has led domestic reporting of IMDB.

Khairuddin Abu Hassan, a former official in Mr Najib's ruling United Malays National Organisation, was banned from travel and then detained in September as he was about to leave for the US to brief the Federal Bureau of Investigation on the IMDB affair and its alleged US links. He had already reported his concerns to authorities in

the UK, Switzerland and Hong Kong.

Matthews Chang, Mr Khairuddin's lawyer and a former political secretary to Mr Mahathir, was also detained. Both lawyers are being prosecuted.

Mr Najib's allies deny he is seeking to stifle investigations into IMDB, and say the ousting of critics is a response to politically motivated attempts to topple him. The government faces public pressure both over the IMDB allegations and over economic troubles that have sent oil revenues and the value of the Malaysian ringgit plunging.

Legislation rushed through parliament in December gives Mr Najib authority to declare a state of emergency without the consent of Malaysia's king, removing what critics describe as a "basic check" on government power.

The government insists the act was a response to growing security and terrorist threats, but many critics see it as part of a crackdown on dissent after anti-government street protests in Kuala Lumpur last year.