

# Modi wins \$20b pledge from Xi as China ties deepen

BLOOMBERG, New Delhi

Indian Prime Minister Narendra Modi won a pledge from Chinese President Xi Jinping to invest \$20 billion as the leaders sought to adjust a lopsided trade relationship and resolve a decades-long border dispute.

Leaders of the world's two most populous countries yesterday announced a five-year plan in which China would invest \$20 billion to help reduce India's largest trade deficit with any single country. China will also help set up industrial parks in the Indian states of Maharashtra and Gujarat, which Modi ran before taking power in May.

"We agreed that our economic relations do not do justice to our potential," Modi said at a joint briefing with Xi in New Delhi. Modi said he received assurances that China would take steps to address a worsening trade balance between the nations and improve market access for Indian companies.

Modi has secured more than \$50 billion in financial assistance this month from China and Japan as he seeks help from Asia's biggest economies to revive India's growth. At the same time, he's sought to deter China from asserting control over disputed land along their mountainous border, where competing claims risk leading to a clash that hinders closer economic ties.

"Whatever the trade or commercial progress, there is always a glass ceiling between India and China because of strategic and security dissidence derived from territorial disputes," said C Uday Bhaskar, a fellow at the Society for Policy Studies in New Delhi. "Even as Xi is here, there's troop movement on the border. If there's a silver lining, it's that Xi is reiterating a point that no shot will be fired in anger, otherwise you're piercing the ozone layer of security."

About 100 Indian troops are engaged in a standoff with a similar number of Chinese soldiers in the border region of Ladakh, according to two Indian army officers who asked not to be named



REUTERS

India's Prime Minister Narendra Modi, right, and China's President Xi Jinping, second from right, shake hands as Xi's wife Peng Liyuan and India's President Pranab Mukherjee, second from left, look on during Xi's ceremonial reception at the Rashtrapati Bhavan presidential palace yesterday.

because the information is sensitive. Meetings between military officials yesterday and Sept 15 to discuss the situation remained inconclusive, they said.

Colonel Rohan Anand, an Indian army spokesman in Delhi, confirmed by phone that a situation was ongoing in the area. He didn't provide details.

Modi called on Xi to clarify the border in the area while pushing for an "early settlement" of the issue. Xi said that border issues could be solved through "friendly consultations" and don't affect the overall relationship.

"When China and India speak with one voice, the whole world will take notice," Xi said today. "I am convinced as long as India and China draw wisdom from our time honored civilization and demonstrate foresight, courage and vision, then we shall

continue to make fresh progress in our strategic and cooperative partnership."

China is India's largest commercial partner, and also accounts for its biggest trade deficit. While bilateral commerce exceeded \$68.5 billion last year, India posted a trade shortfall of \$34.4 billion on imports of Chinese-made heavy machinery, telecom equipment and home appliances, according to data compiled by Bloomberg.

The agreements today included deals for development of railways, pharmaceuticals, peaceful use of outer space and eased restrictions on crossing a border point for pilgrimages to Hindu religious sites.

Indian and Chinese companies signed 24 agreements valued at \$3.43 billion in sectors including aircraft leasing and financing, telecom, chemicals, wind power components, textiles and seafood, the

Federation of Indian Chambers of Commerce and Industry said in a statement.

"This visit signifies a milestone for India-China trade relations," Suzlon Energy Ltd. Chairman Tulsii R Tanti said in an e-mailed statement.

Industrial & Commercial Bank of China signed a deal to provide \$2.6 billion in financing for IndiGo to buy and leaseback more than 30 Airbus A320 planes, Aditya Ghosh, the Indian carrier's president, said in a statement. CSR Corp won a 300 million yuan (\$49 million) contract to provide cars and maintenance for a metro line in Mumbai, according to a statement on the website of the National Railway Administration.

In the 14 years through June, China was India's 28th largest source of foreign direct investment with inflows worth \$411 million, or 0.18 percent of the total, government data show. Japan was fourth and the US was fifth.

Tensions have simmered in the past few years over claims to disputed territory on the border. In campaign speeches earlier this year, Modi warned China to drop its "mindset of expansion."

Xi's visit follows Modi's trip to Japan, which has its own territorial dispute with China. Japanese Prime Minister Shinzo Abe pledged about 4 trillion yen (\$32.68 billion) in economic investment in Indian infrastructure during Modi's trip while also expanding security ties.

"Happy Birthday, Modi-san!" Abe wrote in a post on Twitter yesterday, which was Modi's 64th birthday. "We had a great time together in Kyoto and Tokyo. See you next time!"

The meeting between Modi and Xi is "unlikely to result in meaningful progress towards any bilateral strategic partnership," Arvind Ramakrishnan, head of India at UK-based risk adviser Maplecroft, said in an e-mail. "Modi is far more inclined to cultivate strategic ties with Japan and the US in order to make India a counter-balance against Chinese influence in the Asian region."

## European airlines can charge extra for check-in luggage: top court

AFP, Luxembourg

Airlines are within their rights to charge passengers extra for checked-in luggage, Europe's top court ruled on Thursday in a decision that will be welcomed by low-cost carriers.

The European Court of Justice upheld a challenge by Spanish budget carrier Vueling Airlines against a Spanish law that prohibits airlines from making people pay for putting their suitcases in the aircraft's hold.

The case concerned a charge of 40 euros (\$51) that Vueling added to the tickets of a Spanish woman but which also applies to airlines across the continent, the EU's most senior court said.

"EU law precludes legislation, such as the Spanish law, that requires air carriers to carry, in all circumstances, not only the passenger but also baggage checked in by him for the price of the plane ticket, without any price supplement," the ECJ said.

The Luxembourg-based court said check-in baggage charges were "not an unavoidable and foreseeable item of the price of the air service" but could be an "optional price supplement in respect of a complementary service" under EU law.

There was no immediate reaction from Vueling, which was acquired in 2013 by International Airlines Group, the parent company which controls British Airways and Spain's Iberia.

The case was brought by a Spanish woman, Arias Villegas, who paid 241.48 euros for four return tickets between La Coruna, Spain and Amsterdam in 2010, but was then charged a further 40 euros when she checked in two bags online, the court said.

A Spanish consumer watchdog fined Vueling 3,000 euros but a Spanish court then referred the case to Luxembourg to see if it complied with EU law on pricing freedom.

The ECJ said it had noted that airlines were increasingly charging passengers for checked-in bags and that some passengers preferred to save money by travelling with only hand luggage.

"Having regard to those considerations, the service of carriage of checked-in baggage cannot be considered to be compulsory or necessary for the carriage of passengers," it said.



AFP

Apple gadget fans queue outside of an Apple store for the iPhone 6's release in Tokyo yesterday, as the smartphone will be launched today. Apple is also set to launch two new iPads and release the next version of its Mac operating system at its next event on October 21, a Daily Dot report said, citing sources familiar with the matter.

## S Korea proposes 513pc tariff on foreign rice

AFP, Seoul

After announcing it would scrap rice import caps from next year, the South Korean government proposed Thursday an initial 513-percent tariff to soften the impact on a crucial domestic market.

For the past two decades, Seoul has maintained quotas on foreign rice imports under a deal it secured with the World Trade Organisation (WTO).

But with the deal set to expire at the end of this year, the government announced in July that it would open the market, while promising angry farmers that it would set the highest permissible tariffs.

"We will propose (to the WTO) a tariff of 513 percent ... to protect the local rice market," Agriculture Minister Lee Dong-Phil told a parliamentary agriculture committee

meeting on Thursday.

The rate will have to be verified and confirmed by the WTO -- a process that could take months.

Rice imports are an extremely sensitive political issue among rural voters who fear they would eventually be pushed out of the market by cheap foreign imports.

Rice farmers warn the tariffs will swiftly be cut back as the result of free-trade deals with rice-exporting nations.

The current agreement with the WTO provides for mandatory rice imports, which this year will amount to nearly 410,000 tonnes -- or around 10 percent of consumption.

Farmers' organisations have always met any slight policy change with angry protests, and a small group of activists picketed Thursday's meeting.

## China launches gold market to bolster fortunes of FTZ

AFP, Shanghai

China, one of the world's biggest gold consumers, on Thursday launched a new market for trading the precious metal, state media said, as it seeks to attract foreign investors to a year-old free trade zone (FTZ).

The Shanghai Gold Exchange launched an international board in the city's FTZ in hopes that it might eventually challenge global gold markets like New York and London, the official Xinhua news agency reported.

The move came just ahead of the one year anniversary of the founding of the zone and days after authorities removed a top official running it amid media reports he was under investigation for corruption.

When China launched the FTZ last September, officials promised widespread reform including free convertibility of the yuan currency, but the slow pace of change has frustrated businesses, especially foreign companies.

Chinese Premier Li Keqiang toured the FTZ on Thursday, Shanghai authorities said, a visit viewed as a central government show of support for the pilot project.

The international board will trade spot gold among members, including foreign financial institutions, Xinhua and industry officials said.

The existing Shanghai Gold Exchange, opened in 2002, includes only a handful of foreign members, making it largely closed to overseas investors.

China's opening up of the gold market a reality," exchange chairman Xu Luode was quoted by Xinhua as saying.

An exchange spokesman, Gu Wenshuo, declined to give details.

Industry officials said contracts on the international board will be denominated in China's yuan, but overseas investors will be able to settle with offshore yuan funds as the government seeks to make the currency more widely used.

The market will also allow gold from overseas to be warehoused in the FTZ and used for physical delivery of the metal, they said.

"Opening up this international board allows more international participants, who would like to participate in the China market," said Albert Cheng, Far East managing director for the World Gold Council.

"This is the ambition of the Shanghai Gold Exchange, to further open up the market to global players -- either suppliers or investors," he told AFP.

Mainland China's consumer demand for gold was the second biggest in the world in the second quarter of this year at 192.5 tonnes, behind only India, and accounting for around a quarter of global demand, according to the World Gold Council.

The exchange set the price for a new benchmark contract, iAu99.5, at 245.28 yuan (\$40) per gram before the start of trade, according to a statement.

The international gold price was at \$1,223.00 an ounce (31.1 grams) Thursday morning in London.

## World tourism numbers up 4.6pc in first half: UN

AFP, Madrid

International tourist numbers grew 4.6 percent in the first half of 2014, boosted by strong growth in the Americas, Asia and parts of Europe, the World Tourism Organisation said Wednesday.

The number of international tourists surged to around 517 million between January and June, 22 million more than during the same time last year, the Madrid-based United Nations body said in a statement.

"These results show that tourism is consolidating the positive performance of recent years, providing development and economic opportunities worldwide", said UNWTO Secretary-General Taleb Rifai.

"Despite geopolitical and economic challenges, the number of international tourist arrivals has grown by five percent a year on average since 2010, a trend that has translated into more economic growth, more exports and more jobs," he added.

## Alibaba set to price shares as investors gear up for flotation

BBC NEWS

Chinese online giant Alibaba is expected to set the price of its shares later in what could be a record-breaking initial public offering (IPO).

Alibaba could raise between \$22 billion (£13.5 billion) and \$25 billion when it lists its shares in New York.

The previous record IPO was set by Agricultural Bank of China's \$22.1 billion listing in 2010.

Alibaba said in an official filing on Monday that it expected to price its shares at between \$66 and \$68 a share.

The increase suggested demand for the firm's shares is high.

The shares are due to be priced after US markets close on Thursday, and start trading on the New York Stock Exchange on Friday.

Company executives and advisors have been meeting with potential institutional investors during the past week to gauge the likely demand for the shares so that they can set a price.

Trading in the 368 million shares being sold is expected to be frenetic in the early hours after the market opens.

According to financial information company Dealogic, Alibaba is expected to have a market capitalisation of about \$165 billion.

The online retailer, which accounts for 80 percent of all online retail sales



AFP

A woman walks past the Alibaba booth during an exhibition in Hangzhou, east China's Zhejiang province.

in China, handles more transactions than Amazon and eBay combined.

Alibaba acts as an online marketplace for wholesalers, retailers, and small businesses, and handles e-payments and financial transactions. The company has also branched out into cloud computing and instant messaging.

The firm made a profit of almost \$2 billion in the three months to the end of June, with sales up by 46 percent year-on-year to \$2.54 billion.

Alibaba plans to use the proceeds from the listing to expand in the US

and Europe, founder Jack Ma said on Monday.

Control over Alibaba will stay in the hands of Ma and other company veterans. A group of 27 managers dubbed the "Alibaba Partnership" will have the power to nominate a majority of board members.

Regulators at the Hong Kong stock market objected to this structure, which resulted in Alibaba deciding to list in New York.

Alibaba says the arrangement will help it to preserve its innovative culture.