Major US allies to join China-backed bank

REUTERS, *Seoul/Beijing*

A senior US diplomat said it was up to individual countries whether to join a new China-led international development bank as media reports said a growing number of close US allies were ignoring Washington's pressure to stay out of the institution.

France, Germany and Italy have agreed to follow Britain's lead and join the Asian Infrastructure Investment Bank (AIIB), the Financial Times reported, quoting European officials.

The newspaper said the decision by the four countries to become members of the AIIB was a major diplomatic setback for Washington, which has questioned if the new bank will have high standards of governance and environmental and social safeguards.

The bank is also seen as contributing to the spread of China's "soft power" in the region, possibly at the expense of the United States.

EU parliament president Martin Schulz said he welcomed the four European nations joining the AIIB, but added the bank must conform to internationally accepted standards. "I find it good that they join," he told reporters while on a visit to Beijing. "If more member states would join I would find it even better.

"There is one additional element. Such new organisations must answer to the requirements of international standards. That is quite important."

China's state-owned Xinhua news agency said South Korea, Switzerland and Luxembourg were also considering joining.

However, Chinese foreign ministry spokesman Hong Lei would not comment on which countries had applied to join, and repeated that the bank would be "open, inclusive, transparent and responsible".

On Tuesday, Washington's top diplomat for east Asia signalled that concerns about the AIIB remained, but the decision on whether to join was up to individual nations.

"Our messaging to the Chinese consistently has been to welcome investment in infrastructure but to seek unmistakable evidence that this bank...takes as its starting point the high watermark of what other multilateral development banks have done in terms of governance," US Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel said in Seoul.

"Every government can make its own decision about whether the way to achieve that goal is by joining before the articles of agreement are clarified or by waiting to see what the evidence looks like as the bank starts to operate," he told reporters.

The AIIB was launched in Beijing last year to spur investment in Asia in transportation, energy, telecommunications and other infrastructure. It was seen as a rival to the Western-dominated World Bank and the Asian Development Bank.

China said earlier this year a total of 26 countries had been included as founder members, mostly from Asia and the Middle East. It plans to finalise the articles of agreement by the end of the year.

A finance ministry official in India, one of the countries that has joined, said the members of the AIIB would meet in Almaty, Kazakhstan, on March 29-31 to discuss the articles of agreement.

China has said March 31 is the deadline for accepting founder-members into the organisation.

Japan, Australia and South Korea remain notable regional absentees from the AIIB, although Australian Prime Minister Tony Abbott said at the weekend he would make a final decision on AIIB membership soon.

South Korea has said it is still in discussions with China and other countries about its possible participation. Japan, China's main regional rival, has the biggest shareholding in the Asian Development Bank (ADB) along with the United States and the Manila-based bank is headed by a Japanese, by convention.

Japan is unlikely to join the China-backed bank, but the head of the ADB, Takehiko Nakao, told the Nikkei Asian Review that the two institutions were in discussions and could cooperate.

"We've begun sharing our experience and know-how," Nakao was quoted as saying.

REUTERS/FILES

A general view of the signing ceremony of the Asian Infrastructure Investment Bank at the Great Hall of the People in Beijing on October 24, 2014.

Emerging markets must prepare for US rate hike: IMF's Lagarde

REUTERS, *Mumbai*

Emerging markets must prepare for the impact of a rise in US interest rates which could surprise in both its timing and pace, the head of the International Monetary Fund said in India on Tuesday.

In a speech in Mumbai, Managing Director Christine Lagarde warned the so-called "taper tantrum" that slammed emerging markets in 2013 could be repeated.

At that time, then-Fed Chair Ben Bernanke sent investors running when he talked about conditions that might cause the Fed to reduce its $85 billion-a-month in bond purchases aimed at stimulating the economy.

"The danger is that vulnerabilities that build up during a period of very accommodative monetary policy can unwind suddenly when such policy is reversed, creating substantial market volatility," Lagarde said in prepared remarks. "We already got a taste of it during the taper tantrum ... I am afraid this may not be a one-off episode."

Lagarde said advanced economies could help reduce the risk of market volatility by communicating policy intentions clearly. But she added that emerging markets that had tackled economic vulnerabilities had fared better when shockwaves hit in 2013.

"In particular, higher GDP growth, stronger external current account positions, lower inflation and more liquid financial markets helped dampen market volatility," said Lagarde, adding a more resilient financial services sector would help. India, Lagarde said, is pursuing reforms that are "timely, but will also need to be pursued with the utmost speed". Speaking at the Reserve Bank of India, Lagarde said central banks should also stand ready to act, with both liquidity support and targeted foreign exchange interventions.

India has cut rates twice in out-of-cycle moves this year. In a statement published alongside its last cut, the RBI said the possible spillover of volatility from international financial markets was "a significant risk".

REUTERS

IMF Chief Christine Lagarde, *left*, shakes hands with India's Prime Minister Narendra Modi in New Delhi on Monday.

Snapdeal drums up custom in Slumdog's Dharavi

REUTERS, *Mumbai*

For viewers of Oscar-winning film "Slumdog Millionaire", Mumbai's vast Dharavi slum is a byword for poverty, but to online retailer Snapdeal.com it is a battleground for new customers and, it hopes, a source of better margins. The company's aspirations are backed up by serious investment from the likes of Japan's Softbank Corp, which ploughed $627 million into Snapdeal last October, and could soon get a boost from Chinese e-commerce giant Alibaba Group, which is in talks for another cash investment, a source told Reuters.

Snapdeal trails Flipkart in India's $12 billion online shopping market, with Amazon.com Inc's India unit close behind in third place, as measured by gross merchandise volume.

The three are already fighting over India's 300 million-strong urban middle class, who have come to expect price wars and great deals on everything from mattresses to motors, but as competition intensifies, Snapdeal has begun chasing a different demographic.

It tied up with remittance provider FINO PayTech in November to set up online shopping services in semi-urban, rural and low-income residential areas across India.

In Dharavi, India's largest slum and home to as many as a million people packed into a dense collection of shacks, Snapdeal's storefront is in an 8 foot by 10 foot concrete room it shares with FINO.

On most days it draws only a couple of visitors, a FINO worker said, while the store next door selling subsidised cooking gas did a brisker trade.

Among slum dwellers, who can place orders on shared computers, popular items include low-end mobile phones and accessories, dishes and shoes.

Because residents have no official address, Snapdeal delivers to the Dharavi centre, where buyers pick up their orders and typically pay cash on delivery, said FINO vice president Ashish Ahuja.

BEYOND THE MEGACITIES

Snapdeal is planning to set up such outlets across 65 cities and over 70,000 rural areas by the end of this year as it tries to steal a march on rivals with this poor but vast market segment. Research firm Etailing India estimates the online market will be worth $100 billion by 2021, with 60 percent of that business coming from India's small towns and cities.

"The metro cities are not the majority sales contributors for us anymore; it is the non-metro cities that bring more sales," said Sandeep Komaravelly, senior vice president of marketing at Snapdeal. Komaravelly said partnerships like the one in Dharavi contributed only a tiny share of current revenue, but the company was drawn to the untapped potential.

Amazon India and Flipkart are also looking beyond the big cities of Delhi and Mumbai for the next round of growth.

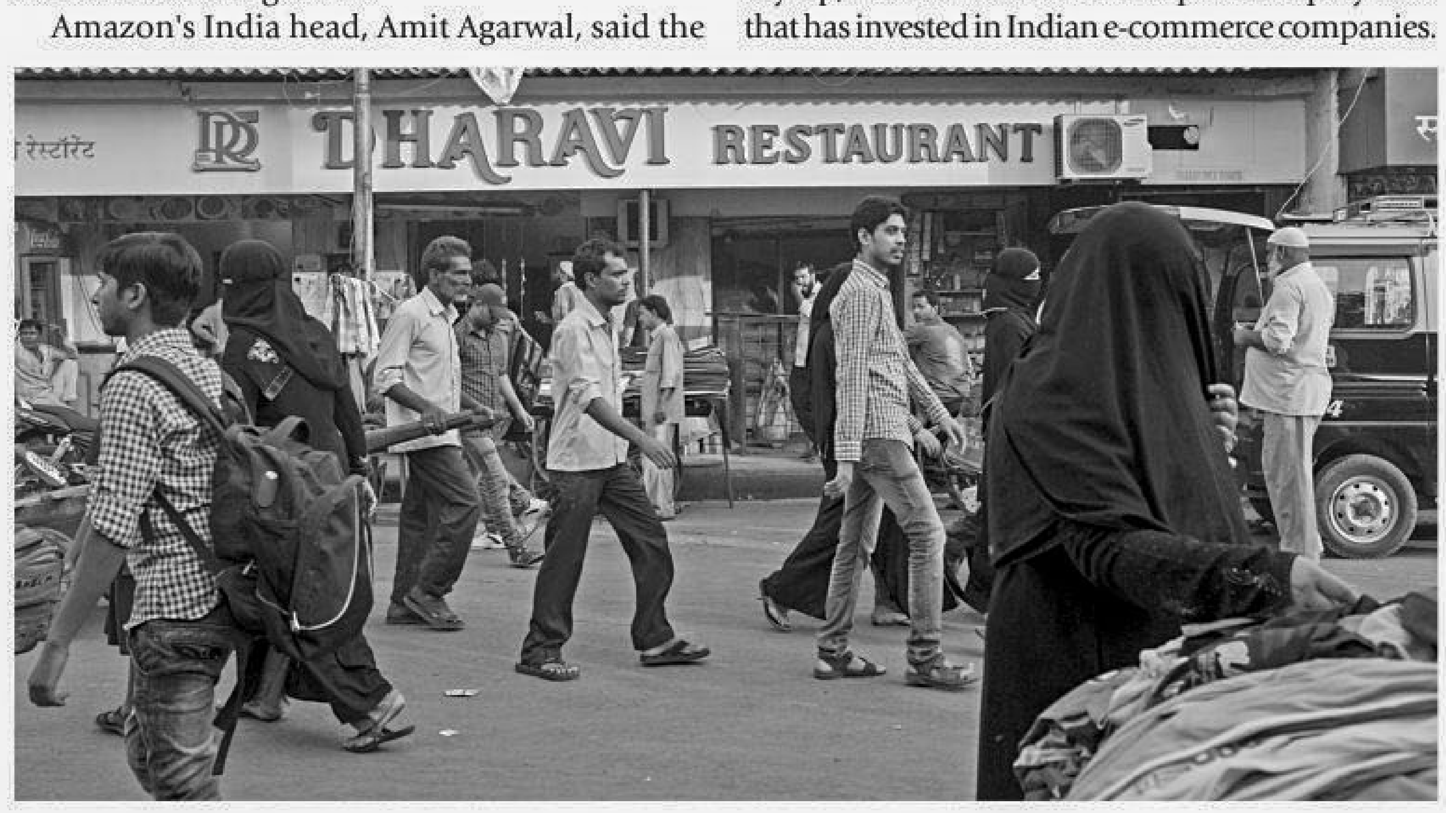
Amazon's India head, Amit Agarwal, said the company was expanding its next-day and two-day delivery services to hundreds of new neighbourhoods, and tying up with corner stores and kiosks to act as pick-up points.

Flipkart, which has expanded delivery to remote areas and partnered with the Indian postal system for reach in remote towns and cities, was not available to comment.

The company, backed by Accel Partners and Tiger Global, is valued at $11 billion currently, according to investors. Snapdeal is looking for a valuation of around $7 billion.

Conversations with investors are increasingly revolving around how to increase margins, which would eventually mean e-commerce sellers would have to do away with the deep discounts that have fuelled their growth, private equity sources said.

"There is enough money now, but it will soon dry up," said an executive at a private equity firm that has invested in Indian e-commerce companies.



REUTERS

People walk past a restaurant in Dharavi, one of Asia's largest slums, in Mumbai, India.

Apple in talks to launch online TV service

REUTERS

Apple Inc's much-hinted-at TV service may soon become a reality as the iPhone maker is in talks with programmers to offer a slimmed-down bundle of TV networks this fall, the Wall Street Journal reported, citing people familiar with the matter. The service would have about 25 channels, anchored by broadcasters such as ABC, CBS and Fox, and be available across all devices powered by Apple's iOS operating system, including iPhones, iPads and Apple TV set-top boxes, the newspaper said.

Apple has been talking to Walt Disney Co, CBS Corp, and Twenty-First Century Fox Inc and other media companies to offer a "skinny" bundle with well-known channels like CBS, ESPN and FX, leaving out the many smaller networks in the standard cable TV package, the Journal said.

Apple, which is aiming to price the new service at about $30 to $40 a month, plans to announce the service in June and launch it in September, the newspaper said.

Apple spokesman Tom Neumayr said the company does not comment on rumor and speculation. Fox and CBS declined to comment.

RAK Ceramics sees profit boost as it sells non-core assets

BLOOMBERG

Ras Al Khaimah Ceramics, the world's biggest maker of ceramics, expects profit to increase this year after it closed its manufacturing operations in China and completes the sale of its loss-making business in Sudan this month.

The company based in Ras Al Khaimah, the northernmost sheikhdom in the United Arab Emirates, has reduced production at its Iran plant to a minimum as it contributes less than 5 percent to revenue, Chief Executive Officer Abdallah Massaad said in a phone interview. It also shut production at its China facility, which posted a 46 million-dirham ($12.5 million) loss last year. "We are concentrating on the UAE, India and Bangladesh as the main industrial hubs," Massaad said yesterday.

The company announced plans last year to sell non-core businesses such as construction, property development and pharmaceuticals as it focuses on ceramics production. The company signed preliminary agreements to exit RAK Sudan and adhesives company RAK Laticrete, while the sale of RAK Pharmaceuticals in Bangladesh was concluded in 2014, it said in a statement this week.

RAK Ceramics booked a loss of 56.5 million dirhams last year due to hyperinflation and currency fluctuations in Sudan and Iran, which probably won't be repeated this year, he said.

Still, the company reported a 3.5 percent rise in 2014 profit to 282 million dirhams and said it's aiming for a dividend payout of at least 60 percent of net income in the future, subject to funding needs.

Dividend Policy

The dividend policy is "sustainable" and the sale of non-core assets expected over the next two years will support payouts, Massaad said.

RAK Ceramics plans to sell its construction business, hotel, land and properties in the UAE over the next two years as part of the plan to exit non-core assets, Massaad said. It will raise its sanitaryware capacity by almost 25 percent next year, helping to boost its profit margin, he said.

The company may consider acquisitions in the six-nation Gulf Cooperation Council, which includes Saudi Arabia, the UAE and Qatar, as well as India, Massaad said. Capital expenditure this year may be similar to last year's 282 million dirhams, he said.

Britain raises minimum wage by 3pc

AFP, *London*

Britain on Tuesday announced a three percent rise in the minimum wage, the largest real terms increase since 2008, although critics said it was still not enough.

More than 1.4 million people will benefit when the change comes into effect in October, raising the hourly minimum for workers over 21 by 20 pence to £6.70 (9.30 euros, $9.90).

The announcement, which comes on the eve of the government's final budget before May's general election, is in line with recommendations made by the independent Low Pay Commission last month.

The government also raised the minimum wage for apprentices by 20 percent to £3.30 an hour, significantly higher than the £2.80 recommended by the commission.

"At the heart of our long-term economic plan for Britain is a simple idea -- that those who put in, should get out; that hard work is really rewarded; that the benefits of recovery are truly national," Prime Minister David Cameron said.

But the opposition Labour party, which has warned that the recovery has not resulted in a rise in living standards, said the increase fell short of the £7 minimum wage promised by the government more than a year ago.

"Ministers have misled working families who have been left worse off... we need a recovery for working people," said Labour business spokesman Chuka Umunna.

The International Labour Organisation warned in December that real wages in Britain in 2013 fell below levels seen in 2007, at the start of the global financial crisis.

HSBC closing Britons' Jersey accounts amid ID checks

BBC NEWS

HSBC is closing all accounts on Jersey belonging to customers living in the UK.

It is part of a move by UK banks carrying out checks on the identity and addresses of thousands of their customers on the Channel Islands.

HSBC is among those carrying out the move, according to documents seen by BBC News.

The London-based bank said it had taken measures to prevent its services being misused.

The so-called "remediation exercise" comes amid pressure on banks to ensure that off-shore accounts cannot be used to hide money from UK tax authorities.

Many of the bank's account holders in Jersey have been told to attend local branches with their passport and address details or their accounts may be closed.

Asked about the move, Jersey's Chief Minister Ian Gorst told BBC News that banks "have to comply with the legislation that we have in place".

"They strongly have to know who their customer is, where the funds have come from, (and) what they are doing with the funds," he said.

"If they are not able to able to satisfy themselves around those regulatory issues then they have to take decisions to close those accounts."

The move is understood to be part of a wider process known as "de-risking" whereby banks are attempting to comply with a series of global anti-fraud and transparency rules.

It also follows a series of high-profile cases in which banks have been investigated over allegations that off-shore or foreign accounts have been used to aggressively avoid or evade tax.

In 2012 the UK tax authority HMRC began an investigation into a data leak at HSBC in Jersey which led to allegations that British residents may have used accounts to launder money or evade taxes.

The Daily Telegraph reported at the time that more than 4,000 British residents with accounts at HSBC Jersey included a well-known drug dealer and bankers facing fraud allegations.

HMRC said its inquiry is currently looking into 170 of the cases and expects to raise £10m-£20m in unpaid taxes and penalties.

However, BBC News understands that no criminal prosecutions are likely to take place.

'Up to standard'

Jersey's financial regulator JFSC also carried out an investigation into HSBC which found that there were "isolated examples of criminality".

"We were satisfied the controls (the bank) were operating were generally good and up to standard," said JFSC's Director General John Harris.

HSBC said it conducted a full review and cooperated fully with the separate JFSC investigation and has implemented "numerous standards" to prevent services being used to evade taxes or launder money.