US to offer China's ZTE temporary relief on export curbs

REUTERS

THE US government plans to temporarily lift export curbs it imposed on Chinese telecom equipment and smartphone maker ZTE Corp for alleged Iran sanctions violations, a senior Department of Commerce official said.

The Commerce Department restrictions imposed earlier this month made it difficult for ZTE to acquire US components by requiring its suppliers to apply for an export license before shipping any American-made equipment or parts to ZTE.

The department had said the license applications generally would be denied.

Shenzhen-based ZTE has been "in active, constructive discussions" with the Commerce Department for the past week, according to a senior official at the agency.

"As part of the effort to resolve the matter, and based upon binding commitments that ZTE has made to the US government, Commerce expects this week to be able to provide temporary relief from some licensing requirements," the official said.

"The relief would be temporary in nature and would be maintained only if ZTE is abiding by its commitments to the US Government," the official added.

The details of the commitments are expected to be published this week in the US Federal Register.

ZTE said on Monday it aims to ensure all of its operational activities adhere to international standards of its host countries and it will continue to communicate with relevant parties to resolve the issue as soon as possible.

ZTE is among the largest companies that the Commerce Department has hit with a near-total export ban, according to public records.

It is the No. 4 smartphone vendor in the United States, with a 7 percent market share, behind Apple Inc, Samsung Electronics Co and LG Electronics Inc, according to research firm IDC. It sells handset devices to three of the four largest US mobile carriers: AT&T, T-Mobile US and Sprint Corp.

The export restrictions have drawn protests from the Chinese government and rocked ZTE's business.

Its shares have not traded on the Hong Kong stock exchange for the past two weeks. The company also said last week it was delaying the publication of its annual results while it assesses the impact of Washington's action.

REUTERS/FILE

A man walks past installations by ZTE outside the venue of its 15th anniversary celebration in Beijing.

ZTE also said it would postpone its board meeting. Its shares last closed at HK$14.16, prior to a trading suspension on March 7.

Goldman Sachs suspended its coverage on ZTE, saying there was not enough information to determine an investment rating, price target and earnings estimates for the company.

Since coming under fire in 2012 for alleged deals with sanctions-hit Iran and possible links to the Chinese government and military, ZTE has ramped up its spending on Washington lobbyists.

It spent $5.1 million in the last four years, up from $212,000 in 2011, as it sought to assuage national security concerns, according to publicly available lobbying records maintained by Congress.

The Commerce Department investigated ZTE for alleged export-control violations following Reuters reports that the company had signed contracts to ship millions of dollars worth of American-made hardware and software to Iran's largest telecoms carrier.

Saudi comes up with $1.5b to fund Egypt's Sinai projects

AFP, *Cairo*

Egypt said on Sunday that Saudi Arabia has offered $1.5 billion to help finance economic projects in the Sinai Peninsula, as Riyadh continues to bolster its ties with Cairo.

Saudi Arabia, a staunch supporter of President Abdel Fattah al-Sisi's regime, has previously offered billions of dollars in aid to Egypt since the 2013 ouster of Islamist leader Mohamed Morsi.

In December, Riyadh pledged eight billion dollars in investment and aid to Egypt over five years, but it was unclear whether the Sinai offer was part of this.

Egypt's International Cooperation Minister Sahar Nasr signed a "$1.5 billion agreement with the Saudi Development Fund for developing projects in the Sinai Peninsula", a ministry statement said.

The funds will be used "for development projects" in agriculture and to build 26 residential complexes that would also include hospitals and schools.

The peninsula's northern part is a bastion of the Egyptian affiliate of the jihadist Islamic State group, which has carried out deadly attacks on Egyptian security forces since Morsi's ouster.

On Saturday, 15 policemen were killed in an attack on a police checkpoint in the area. The attack was claimed by IS. On Sunday, Saudi Arabia also signed a separate five-year agreement to help Egypt finance its petrol needs, the ministry said.

The fuel agreement comes despite a sharp fall in Saudi Arabia's own oil earnings amid the global decline in crude prices. Sunday's agreements come ahead of an official visit by Saudi King Salman to Cairo on April 4.

Ties between Cairo and Riyadh have strengthened since then army chief Sisi ousted Morsi in July 2013, with Egypt joining a Saudi-led coalition that has battled Iran-backed rebels in Yemen since March last year.

Egypt's Gulf allies Saudi Arabia, Kuwait and the United Arab Emirates each offered $4 billion in investment and aid to Cairo in March 2015.

Cairo, fighting the deadly IS-led insurgency in North Sinai, has been criticised by rights groups for its blistering crackdown on Morsi's Muslim Brotherhood since 2013.

DBS seen as frontrunner for Barclays' HK, Singapore wealth units

REUTERS/FILE

The logo of the Development Bank of Singapore is seen on its office building in Singapore.

REUTERS, *Singapore*

Singapore's DBS Group Holdings is seen leading the race to buy British bank Barclays' Hong Kong and Singapore private wealth units, valued at as much as $300 million, sources with knowledge of the situation said on Monday.

The other bidder left in the race is rival Singaporean lender Oversea-Chinese Banking Corp, the sources added. However, they cautioned that no final deal has been agreed and there could be last minute changes.

"This is a race between DBS and OCBC," said one of the sources.

Singapore's banks have been expanding in wealth management, picking up assets sold by some Western banks as they retreat to focus on their own markets.

A win for DBS would help strengthen its lead in wealth management among Singapore's three listed banks, while a victory for OCBC would enable it to overtake DBS.

The sale is part of a restructuring by Barclays' new chief executive, Jes Staley, and comes as several European banks rethink their Asian strategy due to pressure at home to cut costs.

DBS, OCBC and Barclays declined to comment.

Buyers of Barclays' Singapore and Hong Kong subsidiaries would gain access to $20 billion worth of private client assets, sources have said previously.

Julius Baer and United Overseas Bank also took part in the initial stages of the sale process, they said. Spokespeople for Julius Baer and UOB declined to comment.

OCBC's private banking arm, Bank of Singapore, had $68 billion worth of assets under management at the end of 2015, whereas DBS private bank had S$97 billion ($70 billion) of assets belonging to high net worth clients.

Brexit could cost British economy £100b: study

AFP, *London*

Leaving the European Union could cause a "serious shock" to Britain's economy, with the risk of losing almost one million jobs, according to a CBI business group study released Sunday.

A so-called Brexit could cost about £100 billion (128 billion euros, $145 billion) of economic output by 2020 -- equivalent to five percent of annual GDP -- the research found.

"This analysis shows very clearly why leaving the European Union would be a real blow for living standards, jobs and growth," said Carolyn Fairbairn, director general of the CBI.

"Even in the best case this would cause a serious shock to the UK economy."

An exit could cost as many as 950,000 jobs, according to the study, meaning unemployment would be 2-3 percent higher by 2020 than if Britain remained in the EU. The research was undertaken by services firm PwC on behalf of business group the Confederation of British Industry.

Vote Leave, which campaigns in favour of an exit, dismissed the results, with chief executive Matthew Elliott telling the BBC the CBI's scenarios were "skewed" and leaving the EU was the "only safe option".

Britain is due to vote in a referendum on whether to remain a member of the 28-country bloc on June 23.

Opinion polls indicate the race is neck and neck with as many as 20 percent of voters still undecided, meaning the result is very much in the balance.

China central bank to Fed: A little help, please?

REUTERS, *Washington*

CONFRONTED with a plunge in its stock markets last year, China's central bank swiftly reached out to the US Federal Reserve, asking it to share its play book for dealing with Wall Street's "Black Monday" crash of 1987.

The request came in a July 27 email from a People's Bank of China official with a subject line: "Your urgent assistance is greatly appreciated!"

In a message to a senior Fed staffer, the PBOC's New York-based chief representative for the Americas, Song Xiangyan, pointed to the day's 8.5 percent drop in Chinese stocks and said "my Governor would like to draw from your good experience."

It is not known whether the PBOC had contacted the Fed to deal with previous incidents of market turmoil. The Chinese central bank and the Fed had no comment when reached by Reuters. In a Reuters analysis last year, Fed insiders, former Fed employees and economists said that there was no official hotline between the PBOC and the Fed and that the Chinese were often reluctant to engage at international meetings.

The Chinese market crash triggered steep declines across global financial markets and within a few hours the Fed sent China's central bank a trove of publicly-available documents detailing the US central bank's actions in 1987.

Fed policymakers started a two-day policy meeting the next day and took note of China's stock sell-off, according the meeting's minutes. Several said a Chinese economic slowdown could weigh on America.

Financial market contagion from China was one of the reasons cited by the Fed in September when it put off a rate hike that many analysts had expected, a sign of how important China has become both as an industrial powerhouse and as a financial market.

NO SECRETS

The messages, which Reuters obtained through an Freedom of Information Act request, show how alarmed Beijing has become over the deepening financial turmoil and offer a rare insight into one of the least understood major central banks.

The exchanges also show that while the two central banks have a collegial relationship, they might not share secrets even during a crisis.

REUTERS/FILE

A man walks past the Federal Reserve building in Washington.

"Could you please inform us ASAP about the major measures you took at the time," Song asked the director of the Fed's International Finance Division, Steven Kamin in the July 27 email.

The message registered in Kamin's account just after 11 a.m. in Washington. Kamin quickly replied from his Blackberry: "We'll try to get you something soon."

What followed five hours later was a 259-word summary of how the Fed worked to calm markets and prevent a recession after the S&P 500 stock index tumbled 20 percent on Oct. 19, 1987.

Kamin also sent notes to guide PBOC officials through the many dozens of pages of Fed transcripts, statements and reports that were attached to the email.

All of the attached documents had long been available on the Fed's website and it is unclear if they played a role in shaping Beijing's actions.

Kamin's documents detail how the Fed began issuing statements the day after the market crash, known as Black Monday, pledging to supply markets with plenty of cash so they could function.

By the time Song wrote to Kamin, China had spent a month fighting a stock market slide and many of the actions taken by the PBOC and other Chinese authorities shared the contours of the Fed's 1987 game plan.

DESPERATE MEASURES

The July 27 plunge in the Shanghai Composite Index was the biggest one-day fall since 2007 and by then the market had lost nearly a third of its value over six weeks. China's central bank had already cut interest rates on June 27 in similar fashion to the Fed's swift move to ease short-term rates in 1987.

Song told Kamin the PBOC was particularly interested in the details of the Fed's use of repurchase agreements to temporarily inject cash into the US banking system in 1987.

The PBOC had increased cash injections in June and ramped up repurchase agreements in August as stocks continued to slide. The PBOC also eased policy on Aug. 11 by allowing a 2 percent devaluation in the yuan currency.

As Song and Kamin exchanged messages on July 27 and 28, other Chinese authorities were busy trying to contain the crash.

China's securities regulator said on July 27 it was prepared to buy shares to stabilize the stock market and that authorities would deal severely with anyone making "malicious" bets that stocks would fall.

In 1987, the Fed contacted banks directly and encouraged them to meet "legitimate funding needs" of their customers, according to Kamin's email to Song.

In addition to its pledges and cajoling, the US central bank in 1987 eased collateral restrictions on Wall Street and tried to calm markets by intervening in trading earlier than normal. The US economy continued to grow, eventually entering recession in 1990.

The central bank in Beijing does not have as free a hand to conduct policy as does the Fed, which answers to the US Congress but operates independently from the administration.

The PBOC governor Zhou Xiaochuan implements policies ultimately decided by political leaders in Beijing and lack the authority to lead debate or shed light on decision-making.

China's vice finance minister told Reuters last year Chinese supervisors needed to learn from countries like the United States.

Premier Li Keqiang said last month China's regulators did not respond sufficiently but China had fended off systemic risks.

US central bankers say their relative transparency helps their effectiveness and legitimacy, but open records laws also make Fed officials cautious about their communications, much of which must be made public when requested. Fed Vice Chairman Stanley Fischer has said transparency makes it harder for policymakers to have informal discussions.