G20 a success for China, but hard issues kicked down the road

REUTERS, *Beijing*

CHINA is lauding its successful hosting of the G20 summit in scenic Hangzhou, with open confrontation largely avoided and broad consensus reached over the fragile state of the global economy and the need for a wide range of policies to fix it.

There was even a joint announcement by China and United States that they would ratify the Paris climate change agreement, a significant step for the world's two biggest emitters of greenhouse gases.

But scratch beneath the surface, and the gathering of the world's most powerful leaders was not all plain sailing - from the distraction of a North Korean missile test to the failure of the United States and Russia to reach agreement over Syria, and diplomatic faux pas to double speak over protectionism.

Chinese state media, while largely basking in the glory of a summit that happened without being too overshadowed by disputes such as the South China Sea, also let slip Beijing's frustrations at what it sees as Western efforts to stymie its economic ambitions.

"For the world's major developed economies, they should curb rising protectionism and dismantle anti-trade measures as economic isolationism is not a solution to sluggish growth," China's official Xinhua news agency said late on Monday.

"In order to build an inclusive, rule-based and open world economy, protectionism must be prevented from eroding the foundation for a faster and healthier economic recovery."

In the run-up to G20, China has been particularly upset by what it sees as unwarranted suspicion of its overseas investment agenda smacking of protectionism and paranoia.

A few weeks before the summit, Australia blocked the A$10 billion ($7.63 billion) sale of the country's biggest energy grid to Chinese bidders, while Britain delayed a $24 billion Chinese-invested nuclear project.

Behind the scenes, Western countries have been accusing China of not sticking to its own goals.

Before the summit, European G20-sources doubted that the Chinese agenda would mark a real new chapter to create more sustainable growth for the global economy.

China, asking in public for more openness and steps to counter protectionism, is still giving Western investors only very limited access to their market, a European official said.

A big concern for foreign investors in China is what they see as the increasing difficulty of doing business in China, driven by concern that new laws and policies are seeking to effectively shut out foreigners or make life very hard for them.

"President Xi accurately raised the alarm on the need to counter the increase in protectionism around the world," said James Zimmerman, chairman of the American Chamber of Commerce in China.

"But actions speak louder than words and the ball is in China's court to implement its own needed domestic reforms and to provide greater market access for foreign goods, services and technology."

REUTERS

Chinese President Xi Jinping, *right*, shakes hands with German Finance Minister Wolfgang Schauble before their meeting on the sidelines of the G20 Summit, in China on Monday.

And calls to utilize innovation as an economic driver should reflect policies that encourage an environment promoting fair and market-driven innovation that is open to all participants, and not just a few domestic champions, Zimmerman said.

Several diplomats familiar with the summit said China had resisted the idea of putting steel on the final communique, though it did make an appearance in the end with G20 leaders pledging to work together to address excess steel capacity.

For countries like Britain, whose steel industry crisis has been directly blamed on a flood of cheap Chinese imports, the issue is key.

An official from British Prime Minister Theresa May's office said they and the United States had pushed for language in the communique on the importance of working together at G20 to tackle excess production.

"We have, despite resistance from some countries, secured some language on the importance of doing that," the official said.

Asked if China was one of those resisting, she just repeated "in the face of some resistance".

Another shadow over the G20 has been the rise of popular opposition to free trade and globalization, embodied by phenomenon like Britain's summer vote to leave the European Union and Donald Trump becoming the Republican presidential candidate in the United States.

"We agree with the G20's analysis that the benefits of trade and open markets must be communicated to the wider public more effectively," said John Danilovich, Secretary General of the Paris-based International Chamber of Commerce.

"It's vital that business and governments work together to explain how and why trade matters for all."

Singapore, Australia to share financial data to fight tax evasion

REUTERS

Singapore and Australia have agreed to automatically exchange financial data of tax residents of the two countries by September 2018 in an effort to prevent tax evasion.

Offshore wealth centres Singapore, Switzerland and Hong Kong are among 101 jurisdictions committed to start exchanging information to combat tax evasion by 2018.

"Both jurisdictions are satisfied with the confidentiality rules and data safeguards that are in place in the other jurisdiction to ensure the confidentiality of information exchanged and prevent its unauthorised use," Australian Taxation Office and Inland Revenue Authority of Singapore said in a joint statement.

Last year Singapore, a trading hubs of the world's largest commodity companies, came under scrutiny from the governments of some resource-producing countries such as Australia who said they suspect the companies are using units in the Southeast Asian financial centre to avoid tax.

The companies deny any improper transfer pricing and say they are in Singapore to be closer to Asian clients, to local expertise and trade routes, as the region accounts for a growing share of their business.

Oil slips toward $47 as hopes for producer action wane

REUTERS, *London*

Oil slipped toward $47 a barrel on Tuesday, falling further from the previous session's one-week high on receding hopes for imminent action to tackle a supply glut.

Saudi Arabia and Russia agreed on Monday to cooperate in world oil markets, prompting Brent to jump almost 5 percent only to pare gains after Saudi Energy Minister Khalid al-Falih said there was no need to freeze output for now.

Brent crude for November was down 28 cents at $47.35 a barrel by 0946 GMT. US crude for October, which did not settle on Monday due to the Labor Day holiday, was at $44.96, up 52 cents from Friday's close.

While the Saudi minister played down the prospect of imminent action, his Russian counterpart Alexander Novak said he was open to ideas on what cut-off period to use if countries chose to freeze output and even said production cuts may be discussed.

"Differences still remain and will reinforce already heightened levels of scepticism that supply will soon be restrained," said Stephen Brennock of oil broker PVM.

Dubai rolls out property projects despite falling prices

AFP, *Dubai*

Dubai developers are rolling out their scale models for the city's latest grandiose property projects despite continued falls in real estate prices.

Shimmering skyscrapers, golf-course villas and houses in sprawling communities are on show at Cityscape, a fair with a growing a reputation as the venue for launching the emirate's mega projects.

The centrepiece of this week's fair is Jumeirah Central, an entire district with a mixture of residential and office blocks, hotels and a mall, along the city's Sheikh Zayed artery.

The project is being developed by state-owned Dubai Holding -- the maker of the luxurious, sail-shaped Burj al-Arab hotel.

Emaar South is another new development announced on the eve of Cityscape by Emaar Properties, which built Burj Khalifa, the world's tallest tower, among other Dubai landmarks.

It is to be erected in Dubai South, a vast desert that hosts Dubai's second airport Al-Maktoum which is touted to become the world's largest and replace Dubai International as the base for Emirates Airline.

"It is really amazing to get the chance to keep expanding this city," Emaar chairman Mohamed Alabbar said at the launch.

"Keep in mind that we are (only) 40-plus years old... We are really young as a country and as a city and there is a lot to do," he added.

On the first day of the fair, Nakheel -- the developer behind the man-made archipelago of Palm Jumeirah -- announced an apartment complex that it says will "dominate" the skyline.

Dubai became a magnet for property investments when it opened the sector to foreigners in 2002, standing out in a region that mostly confines freehold ownership to citizens.

The value of property surged at breakneck speed until the global financial crisis hit the debt-laden emirate in 2009, sending prices into free-fall.

A recovery led by tourism, trade and transportation pushed prices up again between 2012 and 2014 and stirred fears of yet another bubble, before they headed south again at a slow pace.

Prices had dropped by about 15 percent since peaking in mid-2014, according to a report by property consultancy Jones Lang LaSalle.

Another consultancy, Cluttons, said prices "continued to soften" across the residential market in the second quarter of 2016, losing an average 2.4 percent.

Cluttons said the average price per square foot now stands at 1,375 dirhams ($375), which it said was almost 25 percent below the last "market peak" in the third quarter of 2008.

"We see the residential real estate market bottoming out by the end of this year," said John Stevens, managing director of Asteco real estate services.

"We've seen some slight decline but certainly we expect the market to be stable," he told AFP.

Europe's mobile payment players braced for battle as US rivals move in

REUTERS, *Stockholm*

EUROPEAN mobile payment providers iZettle and SumUp are among a handful of start-ups that have encouraged European small businesses to kick their cash-only habits.

Now, their strategy is to lower fees as they brace for a more formidable challenge: the onslaught of mature North American payment providers onto their home territory. San Francisco-based Square - headed by Twitter chief Jack Dorsey - is among the new entrants.

SumUp Chief Executive Daniel Klein told Reuters that his company, which is funded partly by e-commerce giant Groupon, is prepared to cut the fees it charges merchants in order to take advantage of a growing market and stay competitive.

Klein did not specify how much lower SumUp could go. But there is room for maneuver, because, for the first time in August, the five-year-old SumUp made a profit and expects to be profitable for the full year, he said.

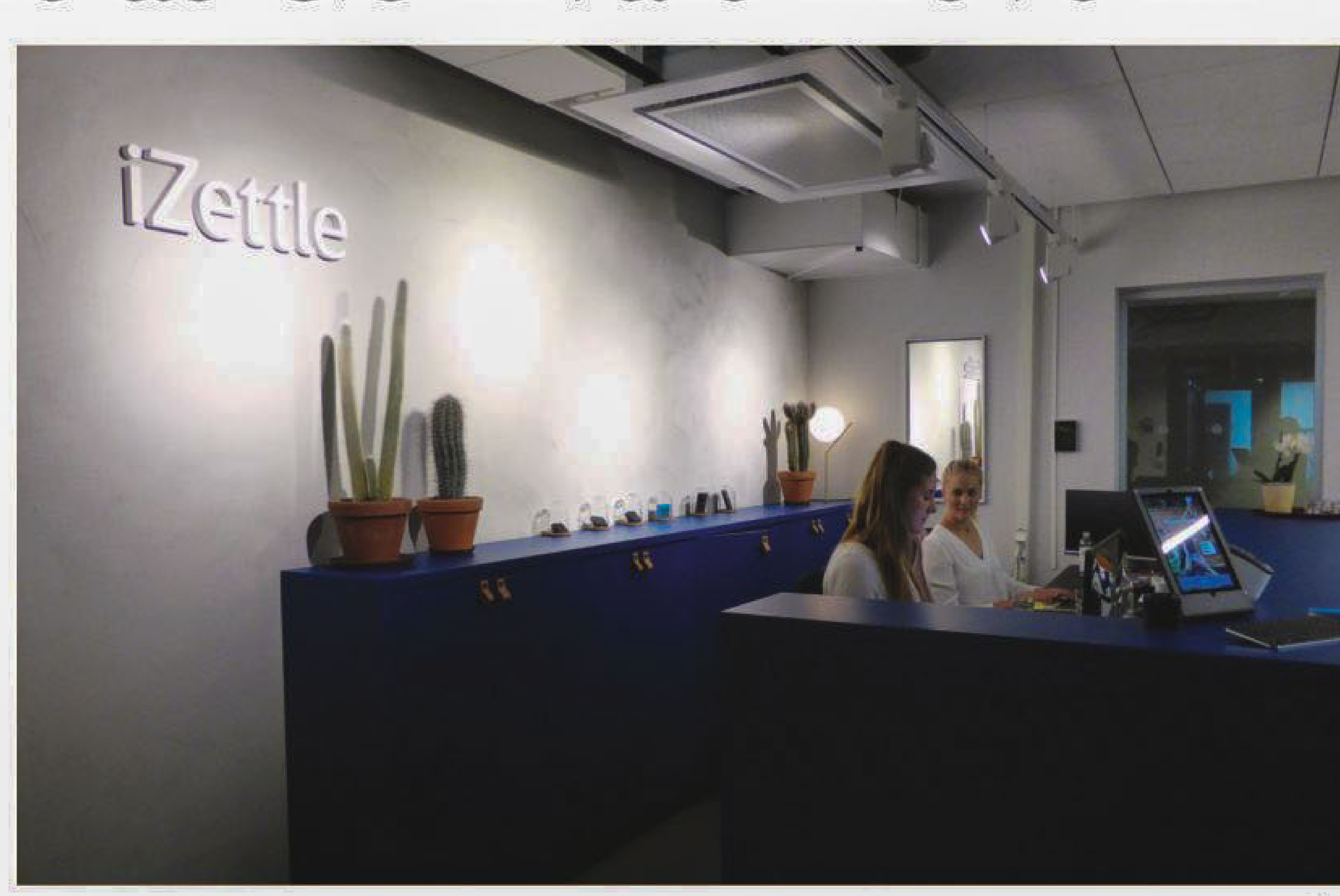
SumUp, which in Europe operates in 14 countries, currently charges 1.95 percent, 1.75 and 1.45 percent in Britain and France and Poland, respectively. That compares to a 2.4 percent average that Juniper Research estimates such global mobile payment providers charge merchants.

"There is still a lot of pent up demand that needs to be satisfied," Klein said in an interview. "The opportunity is massive."

SumUp has not given revenue figures but says it now processing an annualized 1 billion euros in transactions.

Sweden's iZettle, a six-year-old company which is Europe's market leader with an annual run rate of 3 billion euros, announced in June that it was cutting its fees for merchants with high sales volumes.

The fee cuts are among the strategies European companies are using to counter the emergence in Europe of players including US payments giant PayPal and Square .



REUTERS/FILE

A view of the iZettle company headquarters in Stockholm, Sweden.

The rush into Europe is partly driven by upcoming European Union regulation making it easier for non-banking players to compete in the payments arena.

PayPal rolled out its PayPal Here device in Britain in 2013 and Square has started recruiting in Europe and field testing in London as it too prepares a European launch. The price-cut strategy has risks. Though lower fees are a way to battle larger US competition, they could put pressure on profits on these players for years to come, analysts say.

"It's almost becoming a race to the bottom in terms of transaction take," said James Moar, an analyst at Juniper Research.

While volumes are massive, Moar said the payments firms serving smaller merchants are struggling with profitability.

"You really need to scale in order to succeed in these markets," he said.

Mobile payment firms, whose devices plug into smartphones or tablets to turn them into instant tills, allow merchants to take payments via card or mobile phone – often at a lower cost than the traditional and bulky point-of-sale terminals which can come with inflexible contracts and monthly fees.

Juniper Research has forecast global mobile point-of-sale revenues to rise to nearly $50 billion in 2021, from over $6.6 billion this year, with such devices expected to account for 1 in 3 point-of-sale terminals by then.

US firms are keen to break into Europe as the US mobile payments market for medium enterprises is getting saturated. Canada's Shopify - which already has a sizeable presence among British online merchants – also just launched its card reader in Britain.

The European payment landscape is about to become more open, and also more competitive: New European regulations that aim to level the playing field for banks and payments firms will give third parties direct access to bank accounts by 2018. That means customers can pay bills or shop using their payment service of choice.

There is clear evidence that Europe – where small and medium companies make up most of the corporate landscape – is a rich market for the taking. The region makes up almost one-fifth of total global revenues in the space and is seen increasing over time.

"Customers would much rather pay with a card," says Vasilie Kim, owner of food vendor Smakhuset in downtown Stockholm, who uses iZettle software to track which items sell best and how many customers return. Only one in five pays with cash, he says.

Peter Gutniak, who runs several vaccination clinics and buses in Stockholm and has 9 iZettle devices, said he used to have to deal with connected terminals, cords and paper receipts.

"Now I just sms or email receipts to customers," he said. "It's a modern system, it's cheaper and it is incredibly simple."

US tech firms are generally seen to have the upper hand. They started earlier than their European peers and have better access to the vast US venture capital resources.

PayPal, which can be spotted on London black cabs but has yet to push into other parts of Europe, says it is banking on its brand awareness around the globe.

"Consumers know they can trust and use," a device with the PayPal logo, said Rob Harper, head of Mobile Commerce at PayPal UK. "And from a retailer's perspective, they know that they are going to get paid."

Square has declined to comment about its expansion plans although Chief Financial Officer, Sarah Friar, has highlighted Britain as an interesting market.

To counter the competition, European companies say they have a home-court advantage: several years of dealing in a region that is highly fragmented with local rules and payment habits.

Jacob de Geer, chief executive of iZettle, says the company is "purposefully not profitable" so that it can invest in growth. The firm, backed by MasterCard and American Express, is present in 10 markets in Europe and has "ambitious plans for the next couple of years."

iZettle, which has a 2.75 percent fixed rate for the majority of its users, announced in June it was cutting rates for merchants with high sales volumes even further - to one percent.

SumUp's Klein said demand from existing users and new ones who are accepting card payments for the first time would drive the business in the years to come. It expects to install 20 to 30 million terminals over the next five to 10 years, compared to 8 million today.

"There is an entire industry that hasn't really adopted card payments," he said.

Darrin Peller, an analyst covering both Square and PayPal for Barclays, said that iZettle has the geographic reach and brand awareness in Europe that makes it better placed than US rivals.

But Peller added that the battle lines were drawn.