

Greece agrees to bailout reforms compromise



People shop on a main market street in central Athens, Greece, yesterday.

REUTERS

But Greek government spokesman Dimitris Tzanakopoulos insisted that it was "deal reached without any extra austerity", after three bailouts that have brought Greece to its knees.

"The Greek side agrees to legislate the reforms which will take effect from January 1, 2019," a Greek government source said on condition of anonymity.

But the deal will include an "inviolable" clause that there will not be "one single euro more of austerity", the Greek source said.

The measures must still be approved by the Greek parliament, most likely in mid-March, a step that has caused problems in previous deals.

Germany's powerful finance minister Wolfgang Schauble said earlier he was confident the International Monetary fund would continue to participate in the bailout.

"I am working on the principle that the (creditor) institutions now have a common position," Schauble said as he arrived.

German Chancellor Angela Merkel meets IMF chief Christine Lagarde and European Commission head Jean-Claude Juncker in Berlin on Wednesday, in hopes of making further progress.

The Europeans have been at loggerheads with the IMF over the Washington-based lender's demands for easier budget targets and for Athens' mountain of debt to be reduced.

The IMF insists that budget targets demanded of Greece by the Europeans are too ambitious.

But if the eurozone is going to stick with its plans, then the IMF has demanded what it sees as the necessary tax hikes and pension cuts to meet them before it will lend further to Athens.

Greece, led by leftist premier Alexis Tsipras, had refused the further tightening of the screws, calling it an unfair addition to what he has already delivered.

Meanwhile eurozone hardliners led by Schauble refuse to back down on the IMF's call for debt relief, while insisting at the same time that the IMF stay on board with the bailout.

The stakes could hardly be higher as the last such crisis, which followed Tsipras's election, nearly saw Athens expelled from the euro.

The elections in Europe are adding to the pressure, with Dijsselbloem himself at risk of losing his job if the polls are right about his party's position.

Anti-EU candidates are leading polls in those elections and officials worry that Greece's future could get ensnared in the campaigning.

Eurozone growth at highest pace in six years: survey

AFP, Brussels

The eurozone economy grew at its fastest pace in six years in February, as all signs pointed to the recovery maintaining "strong momentum," a closely watched survey showed Tuesday.

Data monitoring company IHS Markit also said job creation in the 19-country eurozone recorded its best level for nearly a decade.

It said its February Composite Purchasing Managers Index came in at 56.0 points, up from 54.4 points in January, with growth accelerating in both manufacturing and services.

"The latest reading was the highest since April 2011," the survey said. "February saw the largest monthly rise in employment since August 2007."

The PMI measures companies' willingness to spend on their business and so gives a good idea of how well the underlying economy is performing.

Any reading above the boom-bust 50 points line indicates the economy is expanding.

It said the rise in job creation, order book growth and business optimism all boded "well for the recovery to maintain strong momentum in coming months."

Chris Williamson, chief business economist at IHS Markit, said eurozone growth could amount to 0.6 percent in the first quarter if the trend continues.

Both France and Germany experienced robust growth where composite PMIs of 56.2 and 56.1 were recorded respectively. The service sector saw the faster growth in France, while manufacturing led the surge in Germany.

"The big surprise was France, where the PMI inched above that of Germany for the first time since August 2012," Williamson said.

"France's revival represents a much-needed broadening out of the region's recovery and bodes well for the eurozone's upturn to become more self-sustaining," he said in a statement.

He said the European Central Bank would be encouraged by both signs of stronger growth and inflationary pressure. But it would be wary of how elections in France and Germany as well as the fallout from Brexit could disrupt business activity.

The ECB was unlikely to alter its current ultra-loose monetary at least until after German elections in September, Williamson added.



Pharmaceutical tablets and capsules are arranged in the shape of a euro currency sign on a table in this picture illustration.

REUTERS/FILE

AFP, Brussels

Greece on Monday agreed to discuss new bailout reforms in a bid to break a deadlock with its EU-IMF creditors that has sparked new fears that the country will crash out of the eurozone.

Officials will return to Athens shortly for talks aimed at reaching a deal to free up fresh funds, Eurogroup chief Jeroen Dijsselbloem said after talks in Brussels.

"I'm very happy with that outcome today," Dijsselbloem, the Dutchman who heads the Eurogroup of 19 eurozone finance ministers, told a press conference.

But the IMF, which is staying out of Greece's huge 86-billion-euro (\$91 billion) bailout agreed in 2015 until it gets more guarantees, said more work was needed.

Austerity-hit Greece's eurozone and International Monetary Fund lenders have been locked for months in a standoff over debt relief and budget targets.

The deadlock has spooked markets with fears

of a return to the crisis two years ago when Greece nearly crashed out of the euro, the European single currency.

Athens needs the latest tranche of bailout cash to meet seven billion euros of new debt payments in July or risk defaulting on its loans.

Concerns are that a long series of elections, starting with the Netherlands in March and France in April, could delay matters dangerously.

But the talks have been on hold since December when creditor officials left Athens after failing to sign off on the second review of Greece's bailout.

Dijsselbloem said the officials would now go back to Greece "in the very short term".

"They will work with the Greek authorities on an additional package of structural reforms of the tax system, pension system and labour market regulation," he told reporters.

At the talks in Brussels, Greek Finance Minister Euclid Tsakalotos approved reforms that will be automatically triggered if Athens fails to meet budget targets, European sources told AFP.

Little hope for textile industry revival in struggling Nigeria



Cotton-sorting machines are seen at a closed-down textile factory in Kaduna, Nigeria.

REUTERS, Nigeria

Talba Goni has been trying without luck to get government funds or loans to restart a textile plant in Kaduna, the former industrial heartland in northern Nigeria, that he was running until it closed almost 15 years ago.

"We were not able to meet up with those conditions to access the funding ... the bureaucracy, you have to give this, you have to give that," he said. "There should be concessions, like the company income tax, a waiver for about 3-4 years."

Most importantly, Goni is unable to get enough petrol to power the plant's generators as the major oil producing country grapples with fuel shortages due to its derelict refineries.

"We can't operate without black oil (petrol), it's very expensive and also very scarce," he said.

President Muhammadu Buhari hopes to revive the once flourishing textile and leather industries in northern Nigeria to end the country's dependence on oil exports and diversify Africa's biggest economy.

But a collapse in vital oil revenues has pushed the West African nation into its first recession in 25 years, making it difficult to provide state loans or improve the erratic power supply that has led to closure of most plants.

Adding further woes, a central bank decision to keep the naira currency at a high rate versus the dollar has deterred foreign investors fearing to get caught eventually in yet another devaluation.

Chinese investors find their cash is losing its cachet

REUTERS, Shanghai/London

For years, cash-rich Chinese investors have been highly sought after the world over. Now, their cash is losing its cachet.

China's increasing efforts to prevent capital from leaving the country are eroding the confidence of domestic and foreign investors about getting deals done inside and outside of the world's second-biggest economy.

Chinese bidders had become ubiquitous in deals in the past two years and were welcomed, said Severin Brizay, head of Europe, the Middle East and Africa mergers and acquisitions for the investment bank UBS.

"Clients were asking if it would be possible to make sure they are involved. Now, we are seeing the reverse: some clients are asking if we can do it without Chinese bidders because of the domestic challenges they face," he said.

Deal makers said many Chinese firms are unable to close deals because they can not secure official permission to transfer yuan into foreign exchange.

This follows a series of measures by authorities since late last year to tighten restrictions on capital outflows and rein in what officials have called "irrational" outbound investment. The Institute of International Finance estimated capital outflows surged to a record \$725 billion last year and it expects even higher outflows this year.

The yuan fell more than 6.5 percent last year against the dollar, its steepest decline since 1994, prompting the central bank to spend hundreds of billions of dollars in reserves to prevent the slide from turning into a slump.

China's foreign exchange regulator, the State Administration of Foreign Exchange, said there were no restrictions on "genuine and compliant" international payments or transfers, and that it supported "healthy and orderly" overseas investment.

"We have all along supported foreign investment by companies with the ability and the conditions to do so," it said in response to Reuters' questions.

Still, the measures have had a dramatic impact, lawyers, bankers and analysts said.

Overseas direct investment (ODI) by Chinese in December fell almost 40 percent from a year earlier to \$8.41 billion, the lowest monthly level in 2016. In January, overseas property purchases by Chinese corporations plunged.

Global stock index provider MSCI expressed concern about the capital outflow measures and China shelved plans for a new crude futures contract because potential foreign participants were worried they would not be able to take yuan profits out of the country.



Chinese 100 yuan banknotes are seen on a counter of a branch of a commercial bank in Beijing.

REUTERS/FILE

Chinese conglomerate and cinema chain operator Dalian Wanda's proposed \$1 billion purchase of US entertainment group Dick Clark Productions Inc collapsed over problems getting currency out of China and regulatory approval, online website The Wrap said on Monday.

In another case, a Chinese investor was unable to get permission from authorities to exchange yuan into \$30 million to close a US deal, a consultant involved in the project said. The planned \$100 million investment in a US residential property portfolio fell through.

"Sellers nowadays will request certain proof," said Jeffrey Sun, a Shanghai-based partner at the legal practice of Orrick, Herrington and Sutcliffe. "From the sellers' side, the worry is justified."

Still, while Chinese regulators are putting proposed deals under greater scrutiny, it does not mean they are shutting the door on outbound investment, lawyers said.

Regulators will approve deals if they make economic sense, Sun said. For example, a steel manufacturer buying a soccer club "is unlikely" to be approved, he said.

Fund managers that help Chinese invest abroad, such as China Orient Summit Capital, are changing tack. The firm had been raising money in China for funds to target US and European real estate. It is now looking to raise money in offshore markets, an executive at the company said.

China Orient Summit Capital declined a request for a formal interview.

Companies are also looking to avoid the approval process for buying foreign exchange if they have access to funds outside of China, law-

yers and bankers said.

"Every deal at this point is looking for some way to identify offshore funds rather than deal with the capital controls," said an M&A lawyer in Shanghai, who declined to be identified.

Chinese companies raised a record \$111 billion in offshore dollar bonds in 2016, according to data from Dealogic, up from \$88 billion in 2015. Some of those funds would have been earmarked for overseas investments, said Ivan Chung, associate managing director at Moody's ratings service.

Chinese conglomerate HNA Group announced about \$20 billion in outbound deals last year. Thomson Reuters data shows it raised at least \$17.05 billion in loans abroad in 2016.

Overall, China's outbound investment hit a record last year but could have been much higher, said the Rhodium Group, a consultancy that tracks direct investment from China. It said a record 30 deals worth \$74 billion and involving Chinese companies were cancelled in the United States and Europe in 2016.

"Right now everybody is thoroughly freaked out by capital controls," Daniel Rosen, a Rhodium partner and adjunct professor at Columbia University, said.

Still, on Vancouver's upscale West Side, a neighborhood popular with foreign buyers where the price of homes runs in the millions of dollars, realtor Tom Gradecak was less worried about Chinese demand.

In the past, Chinese investors have tended to find ways around capital controls, he said.

"It won't take them long," he said. "The people that really want to come here, I don't think it's going to stop them."

Tata Sons' new chairman to focus on shareholder returns, capital allocation

REUTERS

Tata Sons, the holding company of the \$100-billion Tata group, will focus on boosting shareholder returns and tightening capital allocation rules, newly-appointed chairman Natarajan Chandrasekaran said in a statement on Tuesday.

Chandrasekaran, widely known as Chandra, took over as chairman on Tuesday, months after the firm ousted predecessor Cyrus Mistry in a bitter board room coup with family patriarch Ratan Tata returning to the helm temporarily.

A public spat between Tata Sons and Mistry followed his removal in October and the two are now involved in a legal tussle.

In a statement, Chandra said he plans to bring the group closer together to leverage its collective strength and "bring greater rigour to our capital allocation policies and deliver superior returns to our shareholders."

Chandra, the former chief executive of IT outsourcing giant Tata Consultancy Services, takes the helm at a time when several companies in the conglomerate have seen profits come under pressure.