

China hints at trade war strategy in S Korea standoff

REUTERS, Shanghai

SOUTH Korean firms are being squeezed in China, in suspected retaliation for Seoul's deployment of a US missile defence system, highlighting the tools China can deploy to hit back at the corporate interests of trade partners it disagrees with.

The chill facing Korea Inc, from cosmetics and supermarket chains to autos and tourism, points to a potential risk for American companies, amid a more confrontational stance taken by new US President Donald Trump.

In China, state media and grassroots political groups have led angry calls to boycott popular Korean products. Photos on social media and local news websites showed crowds vandalising a Hyundai Motor Co car, and some Chinese tourism firms moved to cancel Korean tours.

Beijing is furious over a joint plan by South Korea and the United States to set up the Terminal High Altitude Area Defence (THAAD) missile system in South Korea. Seoul and Washington say it will defend against nuclear-armed North Korean missiles. But Beijing says its far-reaching radar is targeted at China.

The furor echoes protests in 2012 against Japanese firms during a row with Tokyo over disputed islands in the East China Sea. The dispute flared on Monday when Lotte approved a land-swap deal that moved the THAAD system closer to deployment.

On Thursday, Lotte Duty Free, an affiliate of Korean conglomerate Lotte Group, said it had been the target of a suspected Chinese cyber attack.

"What's happening to Korean companies now is a pretty good playbook for what might happen to US firms over the next year," said Andrew Gilholm, director of analysis



A barbed-wire fence is set up around a golf course owned by Lotte, where the US Terminal High Altitude Area Defense system will be deployed, in South Korea.

for China and North Asia at risk consultancy Control Risks.

"Rather than the big dramatic trade war, everything goes to hell scenario under Trump, it's probably more likely to be manifested as regulatory harassment of companies - one of the lower intensity tools for China."

Korean stocks plunged on Friday, hitting cosmetics giant Amorepacific Corp, carmaker Hyundai, and airlines Jeju Air Co Ltd, Korean Air Lines Co Ltd and Asiana Airlines Inc.

Some companies hinted at feeling political pressure to loosen or cut ties with South Korea. Korean media reported China had ordered tour operators in Beijing to stop

selling trips to the country.

Three major Chinese tour operators Reuters spoke to, including China Youth Travel Service, said they were still offering Korean tours. A customer service worker at Tuniu Corp, however, said the firm had stopped providing tours to Korea, citing the THAAD controversy. Tuniu did not respond to requests for comment.

Lotte also said searches for its products had been disrupted on major e-commerce platform JD.com Inc, though it did not directly say this was due to diplomatic tensions. JD.com declined to comment.

The CEO of Chinese retailer Jumei.com posted on his official microblog that his firm would no

longer sell Lotte products. The firm did not respond to Reuters requests for comment.

"Some retailers have removed Lotte sales channels over the last week as a result of political pressure," said a senior China-based retail industry executive, asking not to be named because of the sensitivity of the issues.

The Communist Party Youth League at central and local levels also fanned the flames online, calling for consumers not to buy products including cars, cosmetics and electronics.

"We say 'no' to Lotte!" the national-level Communist Youth League wrote in a post on its official microblog page.

The consumer backlash followed. The number of posts mentioning Lotte's Chinese name spiked to nearly 300,000 on Thursday from a normal level of a few thousand.

Photos posted on Chinese social media showed a large group of people surrounding a smashed up Hyundai car covered with black graffiti, prompting alarm over a repeat of issues that have hit faced Japanese carmakers. Other posts circulated online called for a blanket ban on all Korean tours.

China's tourism administration posted a statement about South Korean "travel tips" on Friday, reminding Chinese holiday-makers "to soberly understand the risks of travelling abroad and carefully choose their travel destinations."

The administration did not comment on any travel ban.

The normally hawkish state-run tabloid Global Times even struck a note of caution on Friday, warning vandalism of Korean products "won't win the support of mainstream public opinion".

However, Gilholm added the wide spectrum of measures taken against South Korea was unusually aggressive and authorities - though staying officially on the sidelines - played a role.

"For it to happen nationwide in such a short space of time it's clearly being coordinated. You don't see that being announced or admitted, but it's being coordinated," he said.

The Global Times warned last November the United States could face such a coordinated campaign. If Donald Trump triggered a trade war with China, Beijing would then target firms from Boeing to Apple in a "tit-for-tat" approach.

"If Trump wrecks Sino-US trade, a number of US industries will be impaired," it said in an editorial.

Iran 'understands' Total's caution on gas contract

AFP, Tehran

Iran's government "understands" French energy giant Total's caution over investing in the Islamic republic before Washington clarifies its position on trade with Tehran, the country's deputy oil minister said Saturday.

"Total has announced that it is awaiting America's final decision with regards to Iran. We understand Total," said Amir Hossein Zamani Nia, quoted by state news agency IRNA.

"They want to invest five billion dollars. We are not upset with Total," he said. "Since a month and a half ago... they have spent more than 20 million dollars" on preparing projects in the Islamic republic.

Nia said that Iran was in negotiations with foreign companies on more than 25 projects in the oil and gas sector but it would not be held "hostage" to political demands.

In November, Total was awarded a \$4.8 billion contract to develop an offshore gas field at South Pars -- the first deal of its kind since international sanctions on Iran were lifted in January under a nuclear deal with world powers.

The International Monetary Fund (IMF) said on Monday that uncertainty surrounding the sanctions because of Washington posed a risk to the oil-producing nation's economy.

US President Donald Trump's administration last month imposed new sanctions on individuals and companies supporting Iran's ballistic missile programme and its elite Revolutionary Guards.

An annual IMF report on Iran's economy said "renewed uncertainty regarding sanctions is dampening sentiment".

The lack of clarity "could deter investment and trade with Iran and short-circuit the anticipated recovery", the report cautioned.

Samsung chief's 'trial of the century' to start next week

REUTERS

SAMSUNG Group leader Jay Y Lee will go on trial for bribery and embezzlement on Thursday, a court said, amid a corruption scandal that has rocked South Korea and led to the impeachment of the president.

Lee, the 48-year-old third-generation leader of the country's top conglomerate, was indicted on Tuesday on charges including pledging 43 billion won (\$37.24 million) in payments to a confidant of President Park Geun-hye.

"We are preparing hard, thinking that the upcoming Samsung trial ... could be the trial of the century that the entire world will be watching," special prosecutor Park Young-soo told reporters.

The Samsung scion's hearing will be held in a court that can accommodate more than 150 people, according to the Seoul Central District Court's court database.

Lee, who was arrested on Feb. 17, was charged with bribery and embezzlement in a case that has dealt a blow to the standard bearer for Asia's fourth-largest economy. Samsung Group declined to com-

ment but has denied wrongdoing.

Among the charges against Lee are pledging bribes to a company and organizations tied to Park's confidant, Choi Soon-sil, the woman at the center of the scandal, to cement his control of the smartphones-to-biopharmaceuticals business empire.

The funding also included Samsung's sponsorship of the equestrian career of Choi's daughter, prosecutors say. Legislation appointing the

special prosecutor states that the trial should be finished in three months.

President Park, 65, daughter of a former military strongman, has had her powers suspended since her impeachment by parliament in December. Should the Constitutional Court uphold the impeachment, she would become the country's first democratically elected president to be thrown out of office. A decision is expected this month.



Samsung Group chief, Jay Y Lee, arrives at the office of the independent counsel team in Seoul.

Tata-DoCoMo truce may leave Japanese firm with \$790m to invest in India

REUTERS, New Delhi

TATA Sons will split a dispute settlement payment of \$1.18 billion owed to NTT DoCoMo over the Japanese firm's exit from a telecoms joint venture, leaving it with about two-thirds of the amount to invest in India, a source said.

Both companies are likely to approach India's central bank within 15 days with a plan that will offer to split the payment into two parts, the source, who has direct knowledge of the matter, said.

While Tata Sons will pay the fair value of DoCoMo's 26 percent stake outside India, or roughly \$390 million according to Reuters calculations, DoCoMo would need to invest

the balance of \$790 million in India, either for expansion or other joint ventures, the source added.

It was not immediately clear how DoCoMo would use the money if the plan were formalised.

"DoCoMo at least gets control of the money and can use it for investment in India," said the source, who requested anonymity, as the decision is not final.

Another possible alternative could be that DoCoMo receives the entire payment in India and retains it for future investment instead of repatriating it, a second source close to Tata Sons said. Any deal is subject to the Reserve Bank of India's approval.

Tata Sons declined to comment. DoCoMo did not immediately reply

to an email seeking comment.

Tata Teleservices, a unit of salt-to-software conglomerate Tata Sons, and DoCoMo formed a telecoms partnership in 2009. In the event of an exit, that deal guaranteed DoCoMo the higher of either half its original investment, or its fair value.

When DoCoMo decided to get out in 2014, Tata Sons was unable to find a buyer for the Japanese firm's stake and offered to buy the stake itself, for half DoCoMo's investment of \$2.2 billion.

India's central bank blocked Tata Sons' offer, saying a rule change the previous year prevented foreign investors from selling stakes in Indian firms at a pre-determined price.

Investors see Snap's IPO as 'too big to fail'

REUTERS, New York/San Francisco

INSTITUTIONAL investors anxious not to be left out of this year's marquee initial public offering helped Snap Inc pull off the biggest US-listed technology share sale this week since Chinese e-commerce juggernaut Alibaba Group Holding Inc smashed records in 2014.

Keen to boost returns and with a dearth of new stocks to buy, the IPO of a buzzy social media group was a "must-have" for money managers despite concerns about the company's strategy, slowing user growth and lack of voting rights for new investors, sources familiar with the offer said.

"Taking a piece of the company is almost a foregone conclusion," said Evan Ponder, president of investor relations firm PonderWilkinson Inc.

Investors' ardor for Snap shares - which rose almost 50 percent in its market debut on Thursday, giving it a market value of nearly \$30 billion - bodes well for future tech IPOs.

Although blockbuster names such as Uber Technologies Inc [UBER.U] and Airbnb Inc are not expected to go public this year, there is a lineup of smaller technology companies preparing to list in the coming months that could benefit from residual investor enthusiasm, technology investors said.

To ensure a successful market launch, Snap's bankers deployed a common tactic on big tech IPOs: they limited supply. Snap offered only 15 percent of the company to investors, including retail investors and short-term hedge funds, sources familiar with the IPO strategy told Reuters, speaking on condition of anonymity as the process is private.

"All this concern about the number of users slowing down - a tech IPO of this sort has nothing to do with the business, nothing," said Philippe Collard, founding partner at Yabusame Partners, which advises technology startups. "It has everything to do with a financial transaction where you create artificial demand."

Hedge funds are famous for buying into an IPO only to sell shortly after, but institutional investors are not above quickly "flipping" a stock if they see an opportunity.

However, a quarter of the new offer was subject to a one-year lockup, an unusual stipulation, limiting the amount of churn.

Large actively managed mutual funds are among the most sought-after IPO investors because of their size and their tendency to hold stocks for longer. They develop strong ties to IPO underwriters by virtue of being prolific IPO investors and providing

zapped investors in public technology companies of places to park their cash. Technology mergers and acquisitions and buybacks outpaced technology IPOs last year by a ratio of 38 to 1, according to Thomson Reuters data.

In its IPO roadshow in New York, San Francisco, London and elsewhere, Snap Chief Executive Evan Spiegel brushed aside concerns of



A banner for Snap Inc hangs on the facade of the New York Stock Exchange on the morning of the company's IPO in US.

the banks' brokerage business with trading fees. These funds are also under pressure to boost performance as investors redirect tens of billions of dollars each month into index-tracking funds, which cost less and over time have performed better.

Fidelity Investments, BlackRock, T. Rowe Price and Wellington Management began piling into pre-IPO tech companies in 2014, and both Fidelity and T. Rowe Price invested in Snap during a private funding round last year, positioning them to benefit from Thursday's pop.

Fidelity and T. Rowe Price declined to comment on whether they had bought into the IPO this week.

There was significant pent-up demand for a new internet stock. Snap, the parent group of popular disappearing-messaging app Snapchat, went public after a long dry patch in the technology IPO market, with 2016 the slowest year for such launches since 2008.

slowing user growth and stressed Snap's potential to change "the way people live and communicate," according to sources who attended.

Even though many funds felt compelled to invest in Snap, they still had questions for the company. But they asked the toughest ones - about the company's corporate governance and slowing user growth - behind closed doors, in small meetings between management and the underwriters' preferred clients, sources close to the situation said, asking not to be named because the process is confidential. Such a dynamic is typical of such a high-profile IPO, when a full order book is all but guaranteed.

Those investors invited only to the roadshow lunches and keen for a decent allocation are more interested in impressing the IPO bankers - who take notes on who attends - with how closely they have read up on the company, and do not want to jeopardize their chances by rattling the company management, said investor relations experts, bankers and lawyers.