

Braving security fears, Chinese seek 'Silk Road' riches in Pakistan

REUTERS, Lahore, Pakistan/Shanghai

ZHANG Yang, a businessman from Chongqing in southwest China, is searching online forums for fellow stout-hearted entrepreneurs willing to cast aside security concerns and join him on a scouting mission to Pakistan.

Zhang, 48, is one of a growing number of Chinese pioneers sensing an opportunity across the Himalayas in Pakistan, where Beijing has pledged to spend \$57 billion on infrastructure projects as part of its "Belt and Road" initiative.

Numbering in the thousands, this second wave of Chinese arrivals are following in the wake of workers on Belt and Road projects.

Some are opening restaurants and language schools, while others are working out what products they could sell to a market of 208 million people, or what goods they could make cheaply in Pakistan to sell around the world.

"A lot of industries are already saturated in China," said Zhang, who has worked in property, electrical appliances and household goods in China and says he wants to explore the potential for setting up factories or importing Chinese goods.

"Pakistan's development is behind China, so it will hold better opportunities compared to home."

But the new arrivals face dangers, creating a headache for Pakistani security officials.

Islamic State's killing of two Chinese nationals in the restive Baluchistan province in June highlighted the risks posed by Islamist militants, who may see them as soft targets in their war with the state.

Beijing has also long fretted about hardened Pakistani Islamist fighters linking up with the East Turkestan Islamic Movement (ETIM), a Uigher militant group Beijing accuses of seeking to split off its western region

of Xinjiang, Pakistani officials say.

Islamabad does not release immigration data but a source in the foreign ministry said about 71,000 Chinese nationals visited in 2016. A senior immigration official added 27,596 visa extensions were granted to Chinese that year, a 41 percent increase on 2015, suggesting more are staying in the country for longer.

For Pakistan, the stakes in keeping all those Chinese nationals safe are high. Beijing's infrastructure splurge has helped revive Pakistan's sputtering economy, and deepening ties between the two nations have turned Pakistan into a key cog in China's grand plan to build a modern-day "Silk Road" of land and sea trade routes linking Asia with Europe and Africa.

While the first phase of the China Pakistan Economic Corridor (CPEC), as the Pakistan leg of this new Silk Road is called, concentrated on infrastructure projects, the second part will focus on setting up special economic zones and integrating Chinese firms into the local economy to help Pakistan develop its industries ranging from mining to agriculture.

China has also surged to become by far the biggest source of foreign direct investment (FDI) for Pakistan, topping \$1 billion in 2016/17, and is betting on its neighbour at a time when many Western companies are still put off by security concerns and corruption.

"Pakistan really needs foreign investment and we are not going to miss out on this because of some idiots with a gun," said Miftah Ismail, a special adviser to Prime Minister Shahid Khaqan Abbasi. "We won't let them mess with the Chinese."

Pakistan receives friendly coverage in Chinese media and regularly features in state broadcaster CCTV's programmes on the Belt and Road initiative, which include promotions of CPEC and interviews with Chinese workers living in the country.

That has not been enough to



A waiter prepares tables at a Chinese restaurant catering to the growing Chinese population in Islamabad, Pakistan.

assuage concerns about security for Zhang and other Chinese businessmen and women who spoke to Reuters.

"It's a big lesson for us," said Derek Wang, referring to the Baluchistan killings.

Wang, deputy chief executive of Infoshare, an Islamabad-based consultancy assisting Chinese entrepreneurs and businesses, said security was the number one concern of Chinese newcomers.

Pakistan is taking the threat seriously. Guards and police with automatic rifles shield Chinese-staffed offices and language schools, while security officials say plainclothes officers form a less visible layer of protection at such sites.

Unlike the engineers and construc-

tion workers who reside in heavily-guarded compounds while building the roads and power plants that make up CPEC, the entrepreneurs seeking riches on the back of it mostly arrive on their own and disperse across the country. Few inform authorities of their plans.

"This is the biggest challenge right now," said Muhammad Faisal Rana, who heads an 8,000-strong Special Protection Unit set up by Punjab province in 2014 to guard foreigners. Ninety percent of those it protects are Chinese, he said.

Rana said growing numbers of Chinese entrepreneurs turn up with tourist visas. Many are conducting market research, while some launch their products and then flit back to China.

"All these elements are sometimes out of our radar, and we have no idea from which flight they are coming in and where they are heading towards," he said.

SPU officials have cultivated ties with guesthouses popular with Chinese and set up liaison desks at airports to register the Chinese entrepreneurs before they vanish, while governments in Sindh and Khyber Pakhtunkhwa provinces are accelerating plans to build up special protection units akin to the one in Punjab.

In Islamabad, where Chinese visitors were seldom seen before 2014, their prominence is growing. They now outnumber other foreigners, and the country's first-ever Chinese-language newspaper, Huashang, has been launched.

Visitors arriving at the capitals airport are handed flyers written in Mandarin advertising a Chinese courier service, and in the city shop signs in the Chinese language are increasingly common.

Chinese restaurants are sprouting to cater for new arrivals who are rarely fond of Pakistani food. Pakistanis, sensing their neighbour's growing power, are flocking to study at new Chinese language schools.

Slideshow (5 Images)
A boom in business has prompted Ami Quin, a Chinese restaurateur and owner of a guesthouse for employees of Chinese telecommunications giant ZTE, to open a spa and a second guesthouse. "More and more people are very interested to come to Pakistan after CPEC," she said. "They are looking for partners all the time."

In one of Quin's restaurants in Islamabad, civil engineer Pan Denghao lamented the oppressive Pakistani heat but conceded the money and jobs on offer exceeded what young people like him could expect back home.

"Every year in China you have so many graduates from colleges and universities, but the opportunities and chances for jobs are limited," said Pan, 25, whose company is building Islamabad's new airport.

Chinese businessmen who arrived before CPEC was unveiled in 2014 are capitalizing on their experience to launch consultancies, advising newcomers how to circumnavigate the country's notorious bureaucracy or match them with Pakistani partners.

Another Chinese businessman who did not wish to give his name, said he and fellow Chinese executives often pay bribes to speed up imports or obtain government permits. That used to be a regular aspect of Chinese life before President Xi Jinping's anti-corruption drive of the past few years. "This is one of the reasons why us Chinese are comfortable here. We know how to deal with this," he said.

New York regulator may fine Habib Bank up to \$630m



The logo of Habib Bank is seen on the head office building in Karachi, Pakistan.

REUTERS, Islamabad

THE New York State Department of Financial Services (DFS) is seeking to fine Habib Bank Ltd nearly \$630 million for deficiencies relating to compliance with state and federal laws at its only US branch, an official of the Pakistan bank said on Monday.

If imposed, the penalty would be the largest ever faced by a Pakistani financial institution.

The DFS could not immediately be reached for comment.

The compliance issues date to 2015 when the DFS told Karachi-listed Habib Bank (HBL) to institute a series of reforms pertaining to the bank's policies for preventing illicit money transfers.

A December 2015 DFS statement said it had "identified significant breakdowns" in the bank's anti-money laundering compliance. Nausheen Ahmad, the bank's company secretary, said in a statement on Monday that despite HBL's "sincere and extensive remediation measures, DFS is still not appreciating or recognizing the significant progress that HBL has made at its branch in New York".

She said HBL has received a notice from DFS, which "seeks to impose an outrageous civil monetary penalty of up to \$629.625 million."

business outside of the United States".

The statement added that HBL has submitted an application to DFS to shut its New York operations.

US federal and state laws require financial institutions to have policies and procedures in place to detect and prevent illicit money transfers. The measures include everything from screening customers and reporting suspicious transactions to regulators. New York State imposed strict anti-money laundering regulations in 2015, which include requiring a bank's chief compliance officer to certify whether it maintains the types of systems outlined in the rule to detect and prevent illicit money transfers.

Examinations of HBL's New York branch at the time "identified significant breakdowns" in the bank's anti-money laundering compliance efforts but the nature of the breakdowns was unclear.

In 2016, DFS "identified significant breakdowns" in risk management protocols at the New York branch of another bank, the National Bank of Pakistan, which was given 60 days to draw up an improved monitoring and oversight proposal. That bank continues to have a New York branch.

On Sunday, Pakistan postponed a visit by a US acting assistant secretary of state, officials said, as small protests broke out against President Donald Trump's accusations that Islamabad was prolonging the war in Afghanistan.

Oil markets roiled as Harvey hits US petroleum industry

REUTERS, London

OIL markets were roiled on Monday after Tropical Storm Harvey wreaked havoc along the US Gulf Coast over the weekend, crippling Houston and its port, and knocking out several refineries as well as some crude production.

US gasoline prices hit two-year highs as massive floods caused by the storm forced refineries in the area to close. In turn, US crude futures fell as the refinery shutdowns could reduce demand for American crude.

Brent futures LCOc1 gained as pipeline blockades in Libya slashed the Opec state's output by nearly 400,000 barrels per day.

Harvey is the most powerful hurricane to hit Texas in more than 50 years, killing at least two people, causing large-scale flooding, and forcing the closure of Houston port as well as several refineries.

The US National Hurricane Center said Harvey was moving away from the coast but was expected to linger close to the shore through Tuesday. It said floods would spread from Texas eastward to Louisiana.

Texas is home to 5.6 million barrels per day (bpd) of refining capacity, and Louisiana has 3.3 million bpd. Over 2 million bpd of refining capacity was estimated to be offline as a result of the storm. Spot prices for US gasoline futures RBC1 surged 7 percent to a peak of \$1.7799 per gallon, the highest level since late July 2015, before easing to \$1.7529 by 1130 GMT.

US traders were seeking oil product cargoes from North Asia, several refining and shipping sources told Reuters, with transat-



An oil tank damaged by Hurricane Harvey is seen near Seadrift, Texas, on August 26.

lantic exports of motor fuel out of Europe expected to surge.

"Global refining margins are going to stay very strong," said Olivier Jakob, managing director of Petromatrix.

"If (US) refineries shut down for more than a week, Asia will need to run at a higher level, because there's no spare capacity in Europe."

About 22 percent, or 379,000 bpd, of Gulf production was idled due to the storm as of Sunday afternoon, the U.S. Bureau of Safety

and Environmental Enforcement said.

There might also be around 300,000 bpd of onshore US production shut in, trading sources said.

Brent crude futures LCOc1 were up 20 cents at \$52.61 per barrel. US West Texas Intermediate (WTI) crude futures CLC1 were down 44 cents at \$47.43 a barrel.

The price moves pushed the WTI discount versus Brent to as much as \$5.21 per barrel, the widest in two years.

German firms moving investments away from UK due to Brexit: trade body

REUTERS, Berlin

MANY German businesses are beginning to shift investments away from Britain in anticipation of increased trade barriers after Brexit, the chief of the DIHK Chambers of Industry and Commerce said on Monday.

In a joint statement, the DIHK and the British Chambers of Commerce (BCC) called for British and European Union negotiators to deliver clarity and certainty for trading busi-

nesses across Europe in their negotiations on Britain's exit from the bloc.

"Businesses are very concerned that Brexit will have a major negative impact," Martin Wansleben, chief executive of the DIHK said in the statement, adding that Brexit could lead to additional bureaucracy, increased waiting times and stricter border controls resulting in higher costs.

"The terms of exit are still completely unclear. Many of our members are reporting that they are already shifting investments away

from the UK in anticipation of these barriers," he added.

British officials arrive in Brussels on Monday to push the EU towards talks about their post-Brexit ties, which the bloc refuses to do without an agreement first on London's exit bill and other divorce issues.

Prime Minister Theresa May has been under pressure to back away from her stance that "no (Brexit) deal is better than a bad deal" since losing her governing Conservative Party's parliamentary majority in an election in June.