Trump open to deal with Xi but with conditions

REUTERS, *Washington*

US President Donald Trump is open to reaching a deal on US-China trade irritants over dinner on Saturday with Chinese leader Xi Jinping but is ready to hike tariffs on Chinese imports if there is no breakthrough, White House economic adviser Larry Kudlow said on Tuesday.

Days before the high-stakes dinner, it was unclear whether the two sides had agreed on a formal agenda for the leaders' conversation after the G20 summit in Buenos Aires. Kudlow said there were no scheduled talks on the ground for their advisers.

Kudlow said Trump had told advisers that "in his view, there is a good possibility that a deal can be made, and that he is open to that."

But he said "certain conditions have to be met," listing intellectual property theft, forced technology transfer, ownership of American companies in China, high tariffs and non-tariff barriers on commodities, and commercial hacking as examples of issues that "must be solved."

Kudlow declined to comment on whether China had made offers of concessions.

The White House sees the dinner, which Kudlow hinted would involve Argentine beef, as an opportunity to "turn the page" on a trade war with China. But he said the White House has been disappointed so far in the Chinese response to trade issues.

"Their responses have disappointed because ... we can't find much change in their approach," he said, declining to comment on specifics. "President Xi has an opportunity to change the tone and the substance of these talks," Kudlow told reporters at the White House. "President Trump has indicated he is open - now we need to know if President Xi is open."

If there is no progress, Trump is prepared to raise tariffs on $200 billion of imports to 25 percent from current levels of 10 percent, and could add tariffs on another $267 billion of imports, Kudlow said.

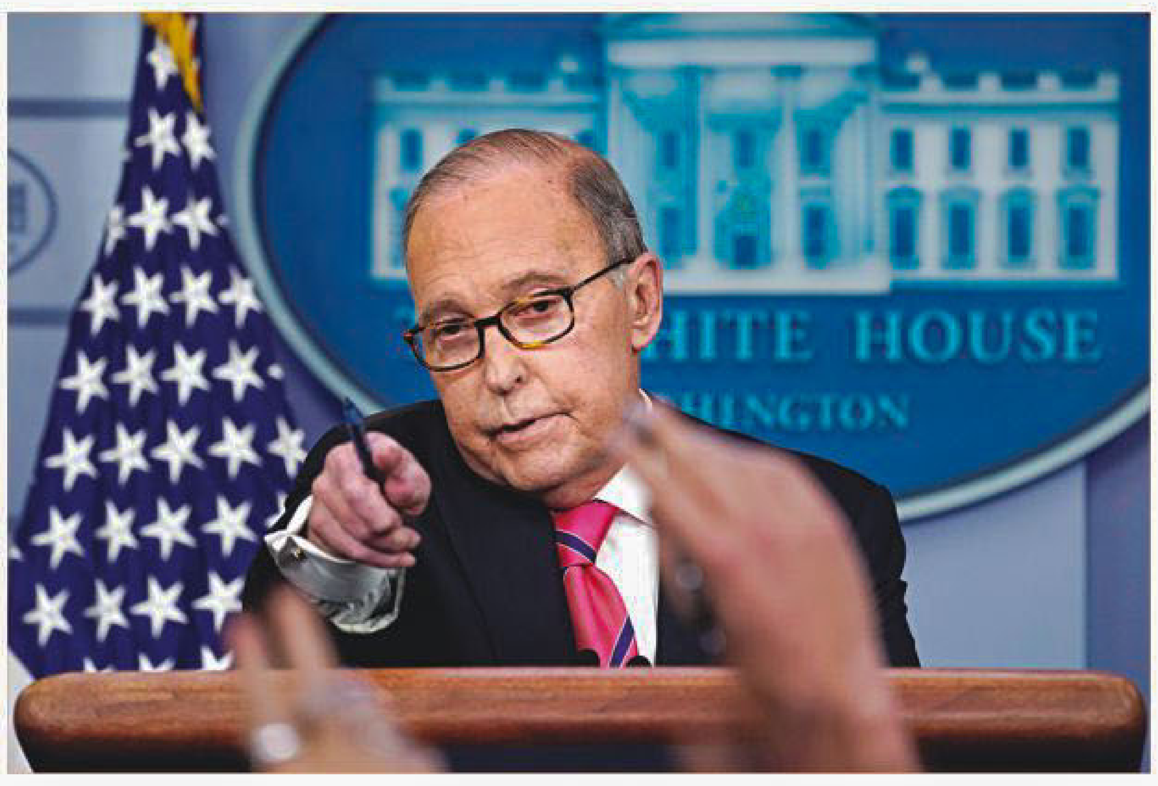
"As we've all learned, he means what he says," Kudlow said.

Asked whether the two sides had agreed on a list of agenda items for the leaders to discuss, Kudlow said: "We're in some significant preparation on all that."

Kudlow said he was not sure whether Trump and Xi would agree to a joint statement at the end of at the G20.

Trump has a packed schedule of bilateral meetings in Argentina, including one with Russian President Vladimir Putin.

Trump is also slated to take part in a signing ceremony for the trade agreement with Mexico and Canada that replaces the North American Free Trade Agreement, Kudlow said. Details on the date for the ceremony were not immediately available.



REUTERS

White House chief economic adviser Larry Kudlow speaks about the upcoming G20 summit at a press briefing at the White House on Tuesday.

their dinner, as is typical for a meeting between two world leaders.

"It's a dinner party-kind-of-thing," Kudlow said. White House chief economic adviser Larry Kudlow speaks about the upcoming G20 during a press briefing at the White House in Washington, US, November 27, 2018. REUTERS/Kevin Lamarque

He declined comment on who would attend the dinner. Trump's wife Melania Trump will accompany the president to Buenos Aires. Secretary of State Mike Pompeo, US Trade Representative Robert Lighthizer, national security adviser John Bolton and Kudlow will also be

As far as the formal G20 talks go, Kudlow said deputies were still working on a possible joint agreement, known as a communique.

"I don't think anybody on our team is on pins and needles about the communique. If we got one, it's got to be something we agree with. If we didn't get one, there'd be no tears shed," he said.

Kudlow was involved in a clash between the White House and allies in the G7 group of nations in June, when Trump rejected a statement agreed to by his fellow leaders. Shortly afterward, Kudlow had a heart attack, from which he has since recovered.

NISSAN BOSS SCANDAL

Auditor had questioned payments to Ghosn

REUTERS, *Tokyo*

NISSAN Motor Co's auditor had repeatedly questioned transactions at the heart of allegations of financial misconduct by former chief Carlos Ghosn but Nissan said they were proper, a person with direct knowledge of the matter said on Wednesday.

Ernst & Young ShinNihon LLC questioned Nissan's management several times, chiefly around 2013, about purchases of overseas luxury homes for Ghosn's personal use and of stock-appreciation rights that were conferred on him.

But the Japanese automaker said the transactions and financial reporting were appropriate, the source told Reuters on condition of anonymity.

The revelation shows Nissan and its auditor were discussing the transactions, in apparent contrast with Nissan's contention that the alleged misreporting of benefits for Ghosn was masterminded by Ghosn and a key lieutenant.

A spokesman for EY ShinNihon, the Japanese affiliate of global accounting firm Ernst & Young, said he could not comment on specific cases. A Nissan spokesman declined to comment.

Ghosn was arrested on Nov. 19 as he arrived in Japan. Prosecutors accuse him of falsifying Nissan's annual reports to understate by about half his total compensation of some 10 billion yen ($90 million) over several years.

The high-profile former executive has denied the allegations, according to Japanese media. Ghosn remains in custody and is unable to speak publicly. He is represented by former prosecutor Motonari Otsuru, according to Japanese media.

Otsuru's law firm declined to comment on Wednesday, and Otsuru has not responded to requests for comment.

Carlos Ghosn

Nissan has largely pinned the blame on Ghosn and Greg Kelly, a former representative director who was arrested along with Ghosn on the same allegations.

"As a result of the investigation, we are certain these two are the masterminds," CEO Hiroto Saikawa told a news conference on Nov. 19, referring to Ghosn and Kelly. He declined to say whether others at Nissan were involved in the alleged wrongdoing. An internal investigation is ongoing, and Nissan says it is cooperating with prosecutors.

Nissan and Mitsubishi Motors Corp have removed Ghosn as chairman in the wake of his arrest. The French member of the three-firm alliance, Renault SA, retains him as chairman and CEO.

EY ShinNihon questioned Nissan management about Zi-A Capital BV, asking whether the Dutch unit - which purchased the overseas homes for Ghosn's use - was conducting business in line with its stated aim as an investment company, said the source, who is not authorized to speak publicly on the matter.

The car maker said Zi-A was conducting its business appropriately, the source said. Japanese media have valued the transactions at more than 2 billion yen.

Similarly, the source said, the auditor asked whether the stock-appreciation rights – which are like stock options but pay out in cash if a share rises to a certain price – should be declared, but Nissan replied that was not necessary. Japanese media say the rights were worth some 4 billion yen.

EY ShinNihon had been auditor for Toshiba Corp and Olympus Corp during financial scandals at the two Japanese companies in recent years. The auditor's questioning of Nissan on the transactions was first reported by Japanese public broadcaster NHK.

Unilever to bid for GSK's Indian Horlicks business

REUTERS/FILE

The GlaxoSmithKline logo is seen on top of GSK Asia House in Singapore.

REUTERS, *Hong Kong/Zurich*

UNILEVER PLC has emerged as the leading bidder in a tight contest for GlaxoSmithKline PLC's Indian Horlicks nutrition business, two people familiar with the situation told Reuters on Wednesday.

If it is able to clinch the deal, Unilever will trump fellow European consumer giant Nestle SA, which according to an Indian media report earlier on Wednesday was close to buying Horlicks and other GSK consumer healthcare assets in India.

Unilever and GSK, which owns 72.5 percent of Indian business GlaxoSmithKline Consumer Healthcare Ltd, were in exclusive talks, the Financial Times reported on Tuesday, citing people familiar with the sales process.

The acquisition will strengthen Unilever's position in India, an emerging market whose growing population and rising wealth make it attractive in the long term for companies trying to offset weak growth in Western markets.

GSK's assets, which include the popular malt-based drinks Horlicks and Boost, is likely to fetch less than $4 billion, said people close the deal, who declined to be identified as the information is confidential.

Earlier in the sale process, separate sources had told Reuters the assets could be valued at more than $4 billion.

Some analysts considered the $4 billion valuation high considering the Indian market for so-called health drinks - mostly dietary supplements or flavor enhancers typically drunk with milk - is seeing a slowdown in growth.

Urban Indian consumers are increasingly turning to healthier, less-sugary alternatives and natural products, analysts and industry sources said.

Last month, Kraft Heinz Co agreed to sell its popular health-drink brands Complan and Glucon-D, along with a some other brands and factories, to Indian pharmaceuticals and consumer company Zydus Wellness Ltd for 45.95 billion rupees ($648.6 million).

Still, Horlicks comfortably dominates the health-drinks market in India and a big consumer company with deep pockets is likely to give it a fresh lease of life, analysts and industry sources said.

GSK is conducting a strategic review of its nutrition brands in India and expects to conclude the process by the end of 2018, a spokeswoman for GSK India told Reuters.

A spokeswoman for Hindustan Unilever Ltd, Unilever's Indian subsidiary, declined to comment when contacted by Reuters. A spokesman for Nestle India said the company would not comment on "speculation".

Other bidders include Coca-Cola Co, which has been looking to expand in emerging markets, sources previously told Reuters.

S Arabia nabs new China oil demand, challenges Russia's top spot

REUTERS, *Singapore/Beijing/Dubai*

SAUDI Arabia is set to expand its market share in China this year for the first time since 2012, with demand stirred up by new Chinese refiners pushing the kingdom back into contention with Russia as top supplier to the world's largest oil buyer.

Saudi Arabia, the biggest global oil exporter, has been surpassed by Russia as top crude supplier to China the past two years as private "teapot" refiners and a new pipeline drove up demand for Russian oil.

Now fresh demand from new refineries starting up in 2019 could increase China's Saudi oil imports by between 300,000 barrels per day (bpd) and 700,000 bpd, nudging the OPEC kingpin back towards the top, analysts say. Saudi Aramco said last week it will sign five crude supply agreements that will take its 2019 contract totals with Chinese buyers to 1.67 million bpd.

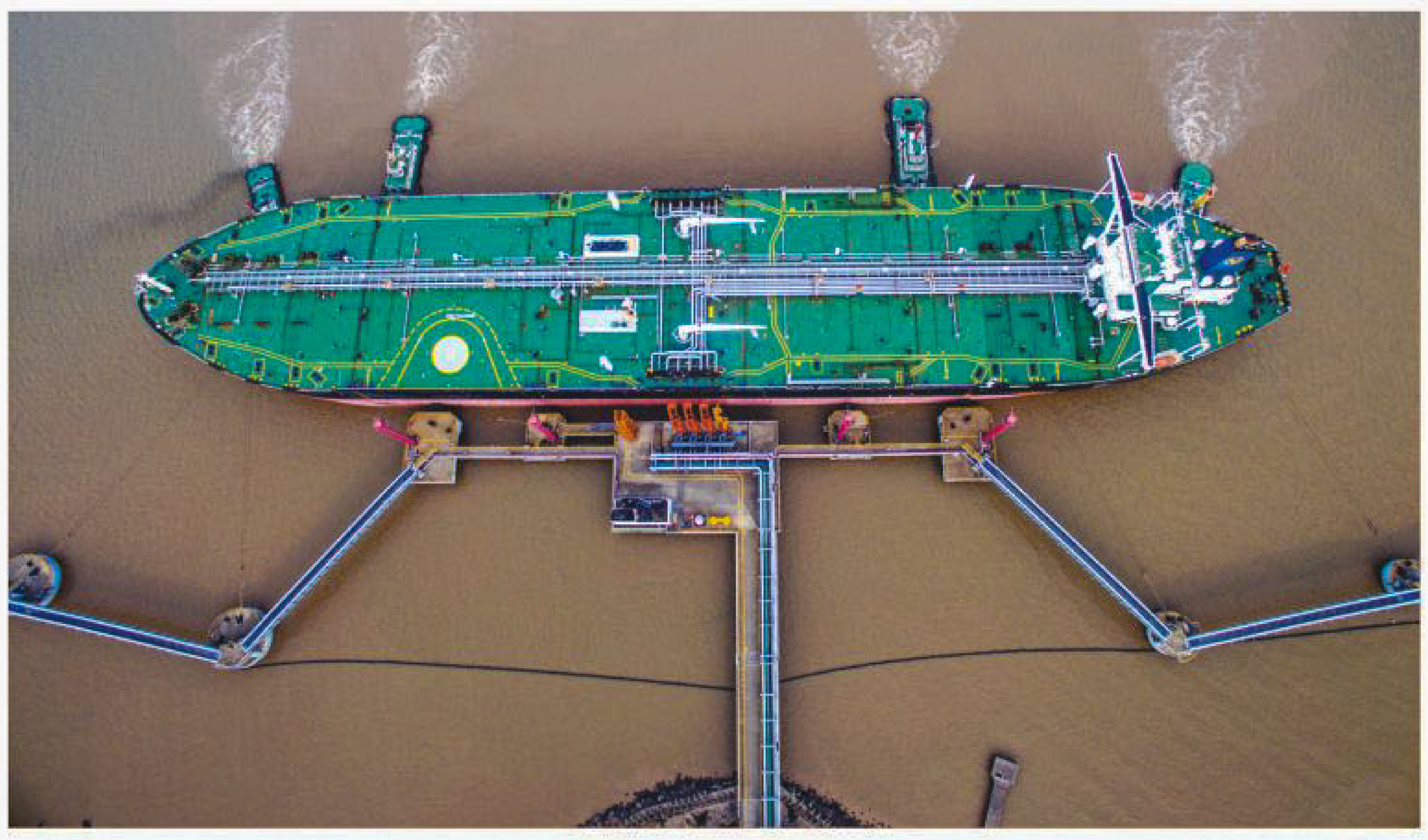
"With the recent crude oil supply agreements and potential increase of refinery capacity, the Saudis could overtake the Russians and reclaim (the) crown as the biggest crude exporter to China," Rystad Energy analyst Paola Rodriguez-Masiu said. Saudi Arabia has already gained ground this year. China imported 1.04 million bpd of Saudi crude in the first 10 months of 2018, China customs data showed. This is equivalent to 11.5 percent of total Chinese imports, up from 11 percent in 2017, Reuters calculations showed.

Saudi's market share in China could jump to nearly 17 percent next year, if buyers requested full contractual volumes, analysts from Rystad Energy and Refinitiv said, while growth in Russian oil supply to China could slow. China imported 1.39 million bpd of Russian crude in January-October this year, about 15 percent of total Chinese imports, customs data showed. Russia had a 14 percent share at 1.2 million bpd in 2017.

"We expect Chinese imports of Russian crude to remain at a similar rate in 2019 as a large share of these Russian barrels are imported via pipeline," Refinitiv analyst Mark Tay said. The biggest boost to Saudi exports to China comes from contracts inked with new refineries starting up this year and next, owned by companies other than state oil giants Sinopec or PetroChina.

The contracts include 130,000 bpd to Dalian Hengli Petrochemical and up to 170,000 bpd to Zhejiang Petrochemical Corp, each of which has a 400,000-bpd refinery.

Saudi Aramco has also agreed to increase Sinochem Corp's supplies, which will be processed at its Quanzhou and Hongrun refineries.



REUTERS/FILE

An oil tanker unloads crude oil at a terminal in Zhoushan, Zhejiang province, China.

Sinopec, PetroChina and China National Offshore Oil Corp have all kept their term Saudi volumes for next year unchanged.

Beijing-based consultancy SIA Energy expects Saudi crude imports to rise by just 300,000 bpd in 2019, raising its market share to 13.7 percent, but leaving it behind Russia.

"We expect lower Saudi crude demand from Hengli and Rongsheng as it is unlikely for them to run their refineries at full rate in 2019," analyst Seng Yick Tee said.

Zhejiang Petrochemical is majority-owned by Rongsheng Holdings.

Still, a source familiar with Aramco's export plans said there is tremendous appetite from China's independents, and that it needed to be more aggressive in its marketing strategy.

The state oil company did move more swiftly to seal the most recent deals than it used to in the past, industry sources said.

Aramco's first deal with Hengli was to supply 20 million barrels of crude, about 55,000 in 2018, said a senior source with direct knowledge of the deal.

"Hengli executed the 2018 deal nicely, which helped build trust," he said.

Hengli is designed to process 90 percent Saudi crude, a mix of Arab Medium and Arab Heavy, while the remaining 10 percent is Brazilian Marlim crude. Rongsheng's plant is identical to Hengli, the industry sources said.

The sources spoke on condition of anonymity. Aramco is also supplying PetroChina's refinery in China's southwestern Yunnan province with about 4 million barrels a month of crude via a pipeline from Myanmar between July and November, Eikon data showed, although sources said talks for Saudi Arabia to acquire a stake in the refinery have stalled.

Saudi Aramco's Chief Executive Amin Nasser said on Monday the company will push to expand its market share in China and is still looking for new refining deals there despite OPEC's likely limits on output next year.

Saudi Aramco will supply up to 70 percent of the oil required at its 300,000-bpd joint venture refinery in Malaysia with Petronas. Between China and Malaysia alone, Saudi Arabia will have to increase exports to Asia by more than 500,000 bpd next year.

This comes as the Organization of the Petroleum Exporting Countries (OPEC) is discussing production cuts of as much as 1.4 million bpd for next year to prop up oil prices.

Between balancing global supplies and increasing market in Asia, Aramco may decide to "forgo market share in other markets like the United States, where the surge in domestic production will make it difficult for the Saudis to retain market share anyway," Rystad's Rodriguez-Masiu said.

Saudi's oil shipments to the United States have risen recently to above 1 mln bpd, but US output is also increasing, said the source familiar with Saudi Aramco's export plans.

"You need to lessen the inventories in the US," the source said, adding that Aramco will likely divert oil supply from the United States to Asia to meet rising demand there.

A Chinese oil executive said: "China is where the demand growth is. The Saudis are very wise to capture this market."