

China to recalibrate Belt and Road

Will defend scheme against criticism

REUTERS, Beijing

CHINA is expected to promote a recalibrated version of its Belt and Road initiative at a summit of heads of state this week in Beijing, seeking to allay criticism that its flagship infrastructure policy fuels indebtedness and lacks transparency.

The policy championed by Chinese President Xi Jinping has become mired in controversy, with some partner nations bemoaning the high cost of projects. Western governments have tended to view it as a means to spread Chinese influence abroad, saddling poor countries with unsustainable debt.

While most of the initiative's projects are ongoing, some have been caught up by changes in government in countries such as Malaysia and the Maldives. Projects that have been shelved for financial reasons include a power plant in Pakistan and an airport in Sierra Leone, and Beijing has in recent months had to rebuff critics by saying that not one country has been burdened with so-called "debt traps".

Xi launched the Belt and Road initiative in 2013, and according to data from Refinitiv, the total value of projects in the scheme is at \$3.67 trillion, spanning countries in Asia, Europe, Africa, Oceania and South America.

A draft communique seen by Reuters said that 37 world leaders attending the April 25-27 summit will agree to project financing that respects global debt goals and promotes green growth.

Visiting leaders will be headlined by Russia's Vladimir Putin, as well as Prime Minister Imran Khan of Pakistan, a close China ally and among the biggest recipients of Belt and Road investment, and Prime Minister Giuseppe Conte of Italy, which recently became the first G7 country to sign on to the initiative.

The United States, which has not joined the Belt and Road, is expected to send only a lower-level delegation, and nobody from Washington.

Some Belt and Road projects "are going through a period of rationalisation and evaluation," said Li Lifan, deputy director general of the Centre for Belt and Road Initiative Studies at the government-backed Shanghai Academy of Social Sciences.

The summit "will be a time for reflection and to talk about the hopes for the future," he told Reuters.

Industry insiders and diplomats say that there has been a shift in the way Beijing has been pushing Belt and Road overseas since the first such summit two years ago.

"The political part is handled by the foreign ministry now, not the National Development and Reform Commission (NDRC)," said a senior Western diplomat in China, referring to the country's state planner which drafted the initiative's official outline in 2015. That shift occurred last year, he said.

Other analysts said there was a noticeable change in China's overseas efforts to market the policy in the second half of 2018. In an unusual move, at least 10 of China's ambassadors and diplomats in countries such as



REUTERS

People walk past a flower arrangement set up to mark the Belt and Road Forum in Beijing held on April 19.

Mexico and Kenya published letters in local media outlets to defend the initiative.

Wu Ken, China's new ambassador in Germany, acknowledged in his first speech on the job that there were "deep doubts" about Belt and Road.

"I hope relevant people can overcome the 'allergies' they have towards the Belt and Road as soon as possible so China and Germany can cooperate to jointly tap the benefits from it," he said earlier this month.

German Economy Minister Peter Altmaier, a confidant of Chancellor Angela Merkel, will attend the summit.

William Klein, minister counsellor for political affairs at the US embassy in Beijing, told a forum earlier this month that the United States continued to have concerns about the Belt and Road.

"These concerns, for example, are opaque financing practices, poor governance and a failure to adhere to internationally accepted norms and standards."

Andrew Davenport, chief operating officer at Washington-based consultancy RWR Advisory, which has been tracking Belt and Road investment, said China has become more reactive in its positioning of the initiative since the last forum.

"It's relatively clear that the Belt and Road narrative being put forward by Beijing over the past several months is designed to counter the criticism and push back," he

said.

While the number of foreign leaders due at the summit is up from 29 last time, the run-up to the event has been subdued compared with the 2017 meeting.

Two years ago, the weeks before the summit's opening day were marked by a series of music and explanatory videos published by state media to advertise the Belt and Road initiative while the government announced the dates publicly roughly a month before.

There has been no such media blitz this year besides a handful of documentaries and advertisements, and Beijing only confirmed the dates last Friday, less than a week before the opening.

In events held to talk about Belt and Road before the summit, Chinese officials stressed that the initiative remained a "win-win" and an attractive opportunity for countries willing to become partners.

On Monday, NDRC official Xiao Weiming told a media briefing that Chinese companies had invested \$90 billion in countries benefiting from Belt and Road and handed out between \$200 billion-300 billion worth of loans between 2013 and 2018.

"The Belt and Road initiative is an open and inclusive idea," he said. "As long as any country is willing to work with China, we will all have gardens along the Belt and Road."

US charges Chinese engineer with stealing GE tech

AFP, Washington

US authorities on Tuesday charged a Chinese engineer and his partner with "economic espionage" for allegedly stealing technology from General Electric, the Justice Department said.

It was a "textbook example of the Chinese government's strategy to rob American companies of their intellectual property," John Demers, head of the Justice Department's National Security Division, said in a statement.

The government also charged Xiaoqing Zheng, 56, of Niskayuna, New York, and Zhaoxi Zhang, 47, of Liaoning Province, China with stealing GE's trade secrets including designs for gas and steam turbine technology.

Zheng, an engineer at GE Power & Water in Schenectady, New York, "exploited his access to GE's files by stealing multiple electronic files, including proprietary files involving design models," and emailing them to Zhang in China, according to the statement.

"We will not stand idly by while the world's second-largest economy engages in state-sponsored theft," Demers said.

The incident comes as US and Chinese officials say they are nearing the final chapter of negotiations on a new trade agreement, which Washington has said will place heavy emphasis on enforcement of rules, in particular intellectual property protections.

"The degree of unfair and unlawful trading practices engaged in by China for decades had to stop. It has to stop," White House economic adviser Larry Kudlow said.

Hyundai Motor swings back to black with Q1 profit

AFP, Seoul

South Korea's largest automaker Hyundai Motor bounced back in the first three months from its first quarterly loss in eight years on strong domestic demand for its new sport utility vehicles, the company said Wednesday.

Net profit during the January to March period rose 30 percent from a year earlier to 954 billion won (US\$830 million), Hyundai said in a statement.

The increase came after the firm reported its first quarterly loss in eight years for October-December 2018. "Strong sales of newly released vehicles including the G90 and the Palisade led to an improvement in profitability," Hyundai said.

The launch of the Palisade, Hyundai's flagship SUV model, helped boost domestic volume by 8.7 percent, it said, but global sales dropped 4.9 percent -- to 837,420 cars.

Britain to allow Huawei restricted access to 5G network

REUTERS, London

BRITAIN will allow Huawei Technologies a restricted role in building parts of its 5G network, seeking a middle way in a bitter dispute between the United States and China over the next generation of communications technology.

Huawei, the world's biggest producer of telecoms equipment, is under intense scrutiny after the United States told allies not to use its technology because of fears it could be a vehicle for Chinese spying.

Huawei has categorically denied this.

The Daily Telegraph newspaper reported Britain's National Security Council, chaired by Prime Minister Theresa May, had agreed to allow Huawei access to non-core parts of 5G mobile infrastructure like antennas, despite concerns from ministers.

A security source told Reuters that Britain would block Huawei from all core parts of the 5G network and access to non-core parts would be restricted. A second source confirmed that. Both spoke on condition of anonymity.

European nations are treading a fine line in the dispute between the world's two most powerful countries, under pressure from the United States to take a hard line on Huawei but also anxious not to sour trading and diplomatic relations with China.

Britain's compromise could provide a template for others to

follow that the world's leading intelligence-sharing network - the anglophone Five Eyes alliance - could live with. Huawei also welcomed London's move.

However, some British lawmakers remained opposed.

"Allowing Huawei into the UK's 5G infrastructure would cause allies to doubt our ability to keep data secure and erode the trust essential to Five Eyes cooperation," said Tom Tugendhat, the chairman of Britain's Foreign Affairs Committee.

"The definition of core and non-core is a very difficult one with 5G," he added. Britain has conducted an "evidence-based review" of the 5G supply chain to ensure a secure base "now and in the future", a government spokesman said on Wednesday.

In what some have compared to the Cold War arms race, the United States is worried 5G dominance would give any global competitor such as China an advantage Washington is not ready to accept. 5G, which will offer much faster data speeds and become the foundation stone of many industries and networks, is seen as one of the biggest innovations since the birth of the internet itself a generation ago.

"There have been different approaches across the Five Eyes and across the allied wider Western alliance towards Huawei and towards other issues as well," said Ciaran Martin, head of the cyber center of

Britain's main eavesdropping agency, GCHQ. Martin, head of the National Cyber Security Centre (NCSC), said Britain's decision would be announced in due course.

Huawei's equipment is either not present or is being stripped out of existing core networks in Britain, but is widely used in existing lower risk parts such as radio masts.

Operators such as Vodafone have warned a complete ban would significantly extend the cost and time to deploy 5G.

What Britain is trying to do is keep Huawei's technology away from the brain of the network, while using it in the less sensitive parts of the nervous system.

The telecoms equipment market is divided between three majors suppliers - Huawei, Sweden's Ericsson and Finland's Nokia - and network operators oppose any reduction that would limit competition among them.

Britain is an important market for Huawei, and the Chinese company welcomed the decision.

"We welcome reports that the UK government is moving towards allowing Huawei to help build the UK's 5G networks," a Huawei spokesman said.

"While we await a formal government announcement, we will continue work cooperatively with the government and the industry and their evidence-based approach to network security."

Top US officials to hold trade talks in China next week

REUTERS, Washington

US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin will travel to Beijing for trade talks beginning on April 30, the White House said in a statement on Tuesday.

It said Chinese Vice Premier Liu He, who will lead the Beijing talks for China, will also travel to Washington for more discussions starting on May 8.

"The subjects of next week's discussions will cover trade issues including intellectual property, forced technology transfer, non-tariff barriers, agriculture, services, purchases, and enforcement," the White House said.

Beijing and Washington are seeking a deal to end a bitter trade war marked by tit-for-tat tariffs that have cost the world's two largest economies billions of dollars, disrupted supply chains and rattled financial markets.

Earlier on Tuesday, Larry Kudlow, director of the White House National Economic Council, said the United States and China were making progress in the talks and he was "cautiously optimistic" about the prospects for striking a deal.

"We're not there yet, but we've made a heck of a lot of progress," Kudlow, speaking in a luncheon at the National Press Club, said in response to questions from reporters. "We've come further and deeper,



REUTERS/FILE

Members of the US trade delegation Robert Lighthizer and Steven Mnuchin arrive at a hotel in Beijing, China.

broader, larger-scale than anything in the history of US-China trade."

"We've gotten closer and we're still working on the issues, so-called structural issues, technology transfers," Kudlow added. "Ownership enforcement is absolutely crucial. Lowering barriers to buy and sell agriculture and industrial commodities. It's all on the table."

Chinese Foreign Ministry spokesman Geng Shuang did not confirm the dates for the next

round of talks during a regular news briefing in Beijing on Wednesday, but said the two sides were maintaining contact. "The trade negotiations between China and the United States have already achieved tangible progress," Geng said.

The United States is seeking changes from China that range from reducing industrial subsidies to halting forced technology transfers by US companies seeking to enter the Chinese market.



REUTERS/FILE

Small toy figures are seen in front of a displayed Huawei and 5G network logo in this illustration picture.

German business confidence falls back in April

AFP, Frankfurt

CONFIDENCE among German business leaders fell back in April, a closely-watched survey showed Wednesday, wilting signs of green shoots visible in a tentative increase last month.

The Munich-based Ifo institute said its confidence index fell 0.5 points to 99.2, undoing half the first increase in six months booked in March.

"Companies are less happy with their present business situation, and the slight optimism for the months ahead from March has

dissipated," Ifo chief Clemens Fuest commented.

The figures reflected a continued split in the German economy, with judgements of both the present situation and expectations for the coming months grimmer among manufacturing firms.

Germany's manufacturers are more reliant on exports, leaving them directly exposed to upsets in global trade and slowdowns in emerging markets like China.

Meanwhile services firms reported a slightly gloomier view of the present situation than in March, mingled with increased optimism for

the future.

Strong domestic fundamentals, including unemployment at its lowest since reunification in 1990, have kept the service sector humming even as manufacturers have suffered.

Overall, "the downward trend in business sentiment persists. External factors -- namely international protectionism and Brexit -- should continue to weigh on it," said economist Uwe Berkert of LBBW bank.

However, "if the risk factors fall away, positive surprises would be possible again," he added.