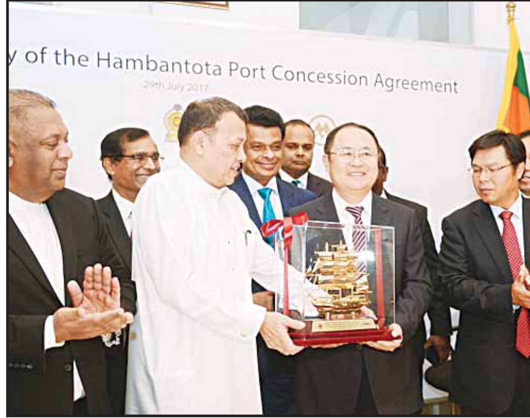

Sri Lanka's Minister of Ports & Shipping Mahinda Samarasinghe (center) exchanges souvenirs with Executive Vice-President of China Merchants Port Holdings Dr Hu Jianhua (third right) during the Hambantota International Port Concession Agreement at a signing ceremony in Colombo on July 29. Sri Lanka entered into a billion-dollar deal with China on July 29 to revive a loss-making, but strategically-placed, harbour after addressing 'geo-political' and security concerns, the ports minister announced. (AFP)

Sri Lanka signs $1.1 bln China port deal

Sri Lanka signed a long delayed $1.1 billion deal on Saturday to lease its southern Hambantota port to China ignoring an appeal by opposition parties to debate the pact in parliament.

The deal was signed between the two state firms — Sri Lanka Ports Authority (SLPA) and China Merchants Port Holdings to handle the commercial operations of the Chinese-built port on a 99-year lease.

Chinese firm will hold 70 stake in a joint venture with SLPA to run the port, part of a plan to convert loans worth $6 billion that Sri Lanka owes China into equity.

"We thank China for arranging this investor to save us from the debt trap," Port Minister Mahinda Samaraasinghe told the gathering in Colombo port where the deal was signed.

He said the Chinese firm will invest additional $600 million to make Hambantota port operational while $1.12 billion from the deal will be used for debt repayment.

Hu Jianhua, the executive vice president of the China Merchants Port said the port facilities belong to the citizens of Sri Lanka but will be a key part of China's massive One Belt One Road initiative to build trade and transport links across Asia and beyond.

"With these maritime infra-structure investments, and other diverse investments such as the proposed international maritime centre, Sri Lanka will be well positioned to play a strategic role in the one-belt-one-road initiative of China," Hu said. (RTRS)

Eurozone grows in Q1 but inflation slows

Bloc seen to expand by 0.6 pct

BRUSSELS, July 29, (RTRS): Data in the coming week should confirm the eurozone economy is running hot, after the IMF upgraded growth forecasts and Greece returned to the debt market, although inflation figures could throw cold water on ECB plans to start tightening policy.

Growth in the single currency area outstripped paltry expansion in the United States and Britain in the first quarter and the pace did not let up in the April-June period.

The eurozone may not be growth champion in the second quarter, after the US rebounded to an annualised 2.6 percent thanks to consumer spending and business equipment investment. But it should again fare better than Britain, whose economy failed to build momentum.

A forecast expansion of 0.6 percent in the April-June period, equivalent to an annualised 2.4 percent, would be the third consecutive quarter in which the eurozone has grown at or above a half percentage point, for the first time since 2007-08.

"The global economy has been a jumbo jet running on just one engine for the last five, six years, the US, but now it seems there's more from the eurozone as well, with encouraging signs from Asia too," said James Knightley, chief international economist at ING.

Data on Friday showed the eurozone's second-largest economy, France, grew by 0.5 percent for a third successive quarter, while Spanish GDP returned to pre-crisis levels with 0.9 percent expansion.

"Momentum is there. We're getting a broadening out of countries in terms of economic performance. It's not just the likes of Germany driving it all forward ... There does seem to be self-sustaining momentum," said Knightley.

Eurozone economic sentiment, as compiled by the European Commission, grew for a third straight month in July to a new 10-year high due to a pick-up of the dominant services sector. And confidence levels in all sectors, as well as for consumers, are far above historical averages.

The International Monetary Fund has hiked outlooks for China and the eurozone, while trimming those for the United States and Britain. The Fund said the eurozone's recovery was firming and becoming broad-based, with stronger domestic demand, although it warned of downside risks.

Political risks seen at the start of the year ahead of elections in France and the Netherlands have diminished, while Greece has returned to the bond market after a three year exile.

Five years ago, European Central Bank President Mario Draghi pledged to do "whatever it takes" to save the euro. His ultra-easy monetary policy is partly behind the robust economic recovery, showing more effect this year as growth in bank loans to the private sector hit a 10-year high in May.

Now the question is when to taper. Strong economic growth should steer the ECB towards reining in asset purchases, but policymakers are still waiting on inflation.

The flash estimate for July, due on Monday, is seen stable at 1.3 percent, well short of the ECB's target of just below 2 percent. Perhaps more significantly, the core figure, without volatile energy and unprocessed food prices, is seen falling.

"The economy is recovering and the labour market is doing quite well, but we think core inflation will be at 1 percent and below for the rest of 2017," said Marco Wagner, economist at Commerzbank. "Except Germany, if you look at France, Italy, Spain or Portugal there are still overcapacities, still relatively high unemployment."

Among the clearest signs of a rebound has been the euro's pick-up to around $1.17, from $1.05 at the start of the year. UniCredit on Thursday raised its forecast for the euro-dollar rate to $1.20 for the end of the year and an "equilibrium" rate of $1.25 for end-2018, from $1.14 and $1.18 respectively before.

"The political risk factor has been taken out," said Vasileios Gkionakis, co-head of strategy research at UniCredit. "It would bring the rate in line with our estimate of fair value and in all likelihood the market will overshoot."

Of course a stronger euro could dampen euro area growth and cap inflation, a further issue for ECB policymakers to consider.

Outside Europe, US monthly jobs data for July on Friday is likely to be the key figure for economists and the Federal Reserve, whose policy-setters next meet on Sept 19-20.

US job creation surged by more than expected in June and is seen lower but still strong in July, a sign of labour market strength that could keep the Fed on course for a third interest rate hike this year.

More significant may prove to be average wage growth, however. It is seen at 0.3 percent, the highest rate since February, after months of hovering between 0.1 and 0.2 percent.

Japan to impose emergency tariffs on US frozen beef

TOKYO, July 29, (Agencies): Japan will raise tariffs on frozen beef from the United States and other countries from next month as an emergency measure due to increasing shipments, the government said Friday.

Tariffs will be raised to 50 percent from the current 38.5 percent on frozen beef from the US, Canada and New Zealand until March next year, according to the finance ministry.

Japan introduces emergency tariffs under the rules of the World Trade Organization (WTO) when the volume of imports grows more than 17 percent on year on a quarterly basis.

The move comes as President Donald Trump, who has vowed to pursue an "America First" trade policy, has urged Japan to increase agricultural imports from the US.

"This measure is automatically imposed," Finance Minister Taro Aso told reporters, according to public broadcaster NHK.

"We'll explain (it) to the US during Japan-US economic dialogue and other occasions," he said, referring to high-level talks with Vice President Mike Pence expected later this year.

Farm minister Yuji Yamamoto also said he hopes to "explain to the US carefully."

The head of the US Meat Export Federation said in a statement on its website that the move will have "negative implications for US beef producers."

"(It) will also have a significant impact on the Japanese food service industry," said president and CEO Philip Seng.

"It will be especially difficult for the gyudon beef bowl restaurants," he said, referring to a popular Japanese beef-on-rice dish.

Japan's decision to hike tariffs on frozen beef imports from the United States could disrupt sales and harm trade relations between the two countries, US Agriculture Secretary Sonny Perdue said on Friday.

"I am concerned that an increase in Japan's tariff on frozen beef imports will impede US beef sales and is likely to increase the United States' overall trade deficit with Japan," Perdue said in a statement. "This would harm our important bilateral trade relationship with Japan on agricultural products."

The tariff hike is a "safeguard" mechanism to protect domestic farmers, Japan's ministry said. It is the first time it has been used since 2003.

Japan is the top destination for US chilled and frozen beef, with trade valued at $581 million this year through May. Exports of chilled beef from the United States to Japan totaled 57,970 tonnes during that period and frozen beef exports were 44,760 tonnes — valued at $414.4 million and $166.7 million, respectively, according to US Meat Export Federation data.

Tyson Foods Inc, the largest meat processor in the United States, said on Friday it supported US government efforts to address the issue with Japan.

The tariff hike comes as the US beef industry is expecting an increase in supplies, according to two recent US Department of Agriculture reports.

"US beef needs all the demand it can get," said John Nalivka, president of industry research firm Sterling Marketing.

The expected ample US beef supplies could mean export prices fall to compensate for the increased tariffs or demand could switch to chilled beef imports.

Among the countries not affected by the tariff increase are Australia and Mexico because they have economic partnership agreements with Japan.

Australia could still struggle to win market share as its prices remain high because of a drought that has cut cattle numbers, said Nalivka, who added that a weaker US dollar could help offset the tariff increase.

Sells vehicles in H1

Nissan-Renault seize lead in first half global vehicle sales

TOKYO, July 29, (AP): The alliance of Japanese automaker Nissan Motor Co and Renault SA of France led in global vehicle sales for the first half of this year, the first time it has claimed top rank, beating perennial top-sellers Volkswagen, Toyota and General Motors.

The Nissan-Renault alliance, which has included Mitsubishi Motors Corp. it acquired the Japanese automaker last year, sold 5,268,079 vehicles around the world in January-June.

That was more than Volkswagen AG at 5,155,600, and Japanese rival Toyota Motor Corp, which said Friday it sold 5,129,000 vehicles in the first half.

Volkswagen, which includes Audi and Lamborghini nameplates in its group, became the world's top selling automaker last year for the first time.

All the top auto manufacturers have various nameplates under their folds and cater to various world markets, standing ready to make up with sales elsewhere when they falter in one region.

US rival General Motors Co, which had led global industry sales for more than seven decades, trails in fourth place, selling about 4.7 million vehicles in the first half.

Although Volkswagen's reputation has suffered recently from a huge scandal over cheating on emissions tests, booming sales in China and other markets have helped offset the damage, showing that some consumers were just shrugged off the scandal.

It's unclear whether Nissan will manage to hold on to its lead for the full calendar year since the top automakers are running neck-and-neck in sales.

Auto executives tend to play down the importance of the sales numbers, saying they are just trying to satisfy customers with good products. Volkswagen was an exception, often voicing its desire to become No. 1 until the scandal silenced its expressions of that ambition.

But the rise of Nissan-Renault highlights the power of manufacturers outside Detroit.

Nissan Corporate Vice-President Joji Tagawa said sales volume by itself was meaningless unless growth leads to higher profits.

"Personally, whether we are No. 1, No. 2 or No. 3 doesn't interest me," he told reporters earlier this week. "And it is not a goal for our company."

Toyota, which makes the Camry sedan, Prius hybrid and Lexus luxury models, surpassed General Motors in 2008 but fell behind GM in 2011, when production was hit by a quake and tsunami in northeastern Japan. Toyota became No. 1 again, only to be dethroned by Volkswagen.

Carlos Ghosn, chief executive of the Renault-Nissan alliance, said earlier this week the automaker will continue to build on its record sales. Among the models the alliance offers are the X-Trail, Altima and Qashqai, as well as the Leaf electric car.

"We will continue to leverage our significant economies of scale and global market presence to deliver valuable synergies for our member companies this year," he said.

Starbucks takes 'full control' of China stores in $1.3b deal

SHANGHAI, July 29, (AFP): US coffee chain Starbucks has announced it will take full control of its mainland China outlets in a $1.3 billion deal, the largest single acquisition in the company's history.

It will buy the remaining 50 percent of its East China joint venture from Taiwan's food and beverage giant Uni-President, according to a company statement issued Thursday.

Starbucks will gain full control of 1,300 stores in 25 cities, including commercial hub Shanghai, from Uni-President Enterprises and a subsidiary, the statement said.

Starbucks has seen rapid expansion in China, where it opened its first cafe 17 years ago. By 2011, the company had 400 outlets while today it has nearly 600 in Shanghai alone.

Kevin Johnson, Starbucks chief executive, described the move as "a critical next step" that can help fulfil its goal of almost doubling the number of its mainland outlets to 5,000 from the current 2,800.

"Unifying the Starbucks business under a full company-operated structure in China reinforces our commitment to the market," Johnson said in the statement.

Chairman Howard Schultz, who stepped aside as Starbucks chief executive earlier this year, has said that China could one day become the chain's largest market, overtaking the US where it has some 7,500 stores.

The move comes as the US coffee giant saw a 8.3 percent drop in net earnings on the year, to $691.6 million, for the third quarter ended on July 2, according to its earnings report.

The company plans to close 379 Teavana tea shops due to poor performance, it said.

The Seattle-based firm also said it will fully license its Taiwan market operations, selling 50 percent of its Taiwan joint venture President Starbucks Coffee for $175 million to Uni-President.

Starbucks fully licensed its Macau and Hong Kong stores in 2011.

The new deals are expected to be closed by early 2018 and are subject to regulatory approvals.

EU guidance casts uncertainty over 'delegation' post-Brexit

London asset managers face new Brexit threat

LONDON, July 29, (RTRS): British-based investment firms' long-standing ability to manage billions of euros of assets elsewhere in Europe could be threatened by Brexit, new EU guidance suggests.

Asset managers in London oversee funds worth 1.2 trillion euros ($1.4 trillion) in the EU - more than their peers in France, Germany and Italy combined, according to figures from UK industry body the Investment Association.

Previously, many mangers had said they expected the impact of Brexit on their operations would be minimal compared with the reorganisations faced by many international banks and insurers.

But now EU regulators have issued guidance on how they plan to scrutinise "delegation" - a manager in one country overseeing assets in another - after Britain leaves the bloc in 2019.

The guidance is aimed at preventing investment firms setting up "empty shell" subsidiaries in an EU country, to allow them to continue serving European clients, but leaving the bulk of their management staff and operations in London.

Any new subsidiaries must not delegate tasks to another country to an extent that exceeds by a "substantial" margin the tasks that will be carried out locally, the European Securities and Markets Authority (ESMA) said. Portfolio and risk management cannot be delegated entirely.

There is room for interpretation in terms of what constitutes a "substantial" margin, but without delegation asset managers would have to relocate operations to the EU to manage funds from there, driving up costs.

The ESMA policies raise the question of whether decades of delegation arrangements should be called into question, said Leonard Ng, a lawyer at Sidley Austin.

The guidance was handed to national regulators this month, to stop them offering "light-touch" deals to win a slice of the UK financial services market, Europe's biggest.

ESMA said it did not spell an end to delegation. "It means that each situation has to be assessed on a case-by-case basis, based on the issued outlined in the opinion," said a spokesman for the Paris-based EU agency.

But Andrew Bailey, chief executive of the Financial Conduct Authority (FCA), which regulates funds in Britain, made it clear ESMA's opinion was a threat to the delegation model.

"This is a model that works effectively," Bailey told reporters this month. "There is no need for it to change. I would put the question back to my ESMA colleagues, 'Why do you think Brexit requires these changes?'."

The UK Investment Association declined to comment.

But several fund firm executives, who declined to be named due to the sensitivity of the matter, told Reuters they feared that delegation would be restricted after Brexit. They said this could result in firms leaving London for countries such as France, which has been among those pushing hardest to attract asset managers.

Apart from fund management, EU countries are also eyeing other parts of Britain's financial sector after Brexit, such as the clearing of euro-denominated transactions and primary dealers in government bonds.

While the ESMA guidance is not legally binding, all national regulators will be expected to apply it. Britain's FCA has previously required asset managers to spell out their Brexit contingency plans, including if there is no delegation.

Maarten Slendebroek, chief executive at Jupiter Fund Management, which manages a number of Europe-focused funds out of London, said his company was planning to set up a separate management company in the EU - although it had yet to decide which country to pick.

"With that, I think we will overcome the challenges with regard to delegation rules," he added.

Asset manager M&G has already said it will set up a new unit in Luxembourg, a top centre for fund listings.

AMF, the French markets watchdog and ESMA member, said delegation should not be allowed without an asset manager having a substantial presence locally.

"We are vigilant that entities based in France or in Europe wishing to delegate will have sufficient means to control all investments delegated. In that respect, we welcome the opinion released by ESMA," the AMF told Reuters.

Jean-Louis Laurens, an "ambassador" for the French asset management sector, estimated that 5,000 to 10,000 asset management jobs will eventually move from London to the EU.

"In France, we want to attract the money managers and analysts," he said.

People visit Samsung's 837 store in Manhattan on July 27, in New York City. Despite a series of scandals, the Korean technology company reported Thursday that they made $54.8 billion in revenue for the three months ending on June 31. (AFP)

S. Korea giant ends Intel's reign in microchip

Samsung posts record-high profit, sales

SEOUL, South Korea, July 29, (AP): Intel's more than two decade reign as king of the silicon-based semiconductor ended Thursday when Samsung Electronics surpassed the US manufacturer to become the leading maker of the computer chips that are a 21st century staple much as oil was in the past.

Samsung reported record-high profit and sales in its earnings report for the April-June quarter, and while Intel's reported earnings beat forecasts, the US company's entire revenue was smaller than sales from Samsung's chip division.

Samsung said its semiconductor business recorded 8 trillion ($7.2 billion) in operating income on revenue of 17.6 trillion won ($15.8 billion) in the quarter.

Intel said it earned $2.8 billion on sales of $14.8 billion. Analysts had expected the US chipmaker to report $14.4 billion in quarterly revenue.

"Given Samsung's strength today in flash memory, I am not surprised Samsung surpassed Intel in semiconductor revenue," said Patrick Moorhead, principal analyst with Moor Insights & Strategy, adding that Intel may be able to catch up Samsung when Intel's memory output is at full production capacity in about six months. "I think we will see a lot of back and forth between the two companies."

On an annual basis, Samsung's semiconductor division is widely expected to overtake Intel's sales this year, analysts at brokerages and market research firms say.

Mobile devices and data are the keys to understanding Samsung's ascent as the new industry leader, even as its de facto chief is jailed, battling corruption charges, and it recovers from the fiasco last year over the fire-prone Galaxy Note 7 smartphones.

Manufacturers are packing more and more memory storage capacity into ever smaller mobile gadgets, as increased use of mobile applications, connected devices and cloud computing services drive up demand and consequently prices for memory chips, an area dominated by Samsung.

Just as Saudi Arabia dominates in oil output, Samsung leads in manufacturing the high-tech commodity of memory chips, which enable the world to store the data that fuels the digital economy.

"Data is the new crude oil," said Marcello Ahn, a Seoul, South Korea-based fund manager at Quad Investment Management.

For over a decade, Samsung and Intel each ruled the market in its own category of semiconductor.

Intel, the dominant supplier of the processors that serve as brains for personal computers, has been the world's largest semiconductor company by revenue since 1992 when it overtook Japan's NEC.