

# Chinese developer warns it could run out of money



People walk by a map showing Evergrande development projects in China at an Evergrande new housing development in Beijing on Sept. 22, 2021. On Friday, Dec. 3, 2021, troubled Chinese developer China Evergrande Group, struggling under \$310 billion in debt, warned it may run out of money to perform its financial obligations. (AP)

## \$310 billion in debt

BEIJING, Dec 5, (AP): Chinese developer that is struggling under \$310 billion in debt warned Friday it may run out of money to "perform its financial obligations" - sending regulators scrambling to reassure investors that China's financial markets can be protected from a potential impact.

Evergrande Group's struggle to comply with official pressure to reduce debt has fueled anxiety that a possible default might trigger a financial crisis. Economists say global markets are unlikely to be affected but banks and bondholders might suffer because Beijing wants to avoid a bailout.

After reviewing Evergrande's finances, "there is no guarantee that the Group will have sufficient funds to continue to perform its financial obligations," the company said in a statement through the Hong Kong Stock Exchange.

Shortly after that, regulators tried to soothe investor fears by issuing statements saying China's financial system was strong and that default rates are low. They said most developers are financially healthy and that Beijing will keep lending markets functioning.

"The spillover impact of the group's risk events on the stable operation of the capital market is controllable," the China Securities Regulatory Commission said on its website. The central bank and bank regulator issued similar statements.

Beijing tightened restrictions on developers' use of borrowed money last year in a campaign to rein in surging corporate debt that is seen as a threat to economic stability.

### Priority

The ruling Communist Party has made reducing financial risk a priority since 2018. In 2014, authorities allowed the first corporate bond default since the 1949 communist revolution. Defaults have gradually been allowed to increase in hopes of forcing borrowers and investors to be more disciplined.

Despite that, total corporate, government and household debt rose from the equivalent of 270% of annual economic output in 2018 to nearly 300% last year, unusually high for a middle-income country. Economists say a financial crisis is unlikely but debt could drag on economic growth.

Evergrande, the global real estate industry's biggest debtor, owes 2 trillion yuan (\$310 billion), mostly to domestic banks and bond investors. It also owes \$19 billion to foreign bondholders.

Evergrande said it has 2.3 trillion yuan (\$350 billion) in assets, but the company has struggled to turn that into cash to pay bondholders and other creditors. It called off the \$2.6 billion sale of a stake in a subsidiary last October because the buyer failed to follow through on its purchase.

Evergrande's statement Friday said the company faces a demand to fulfill a \$260 million obligation. It said if that obligation cannot be met, other creditors might demand repayment of debts earlier than normal.

The company has missed deadlines to pay interest on some bonds but made payments before a grace period ended and was declared in default. Evergrande also said some bondholders can choose to be paid by receiving apartments that are under construction.

The Evergrande chairman, Xu Jiayin, was summoned to meet Friday with officials of its home province of Guangdong, a government statement said. The statement said a government team would be sent to Evergrande headquarters to help oversee risk management.

Evergrande's struggle has prompted warnings that a financial squeeze on real estate - an industry that propelled China's explosive 1998-2008 economic boom - could lead to trouble for banks and an abrupt and politically dangerous collapse in growth.

Also Friday, another developer, Kaisa Group Holdings Ltd., warned it might fail to pay off a \$400 million bond due next week.

A midsize developer, Fantasia Holdings Group, announced Oct. 5 that it failed to make a \$205.7 million payment due to bondholders.

Hundreds of smaller Chinese developers have gone bankrupt since regulators began tightening control over the industry's finances in 2017.

The slowdown in construction helped to depress China's economic growth an unexpectedly low 4.9% over a year earlier in the three months ending in September. Forecasters expect growth to decelerate further if the financing curbs stay in place.

## Cites violation of USMA pact

# Mexico 'threatens' legal action on US EV subsidy

MEXICO CITY, Dec 5, (AP): The Mexican government threatened legal action Thursday over provisions of US President Joe Biden's Build Back Better Act that would give subsidies of up to \$12,500 for purchases of union-made, American-made electric vehicles.

Tatiana Clouthier, Mexico's secretary of the economy, said the bill currently before the US Senate would violate non-discrimination clauses of the US-Mexico-Canada free trade pact.

Clouthier said the measure would discriminate against potential exports of Mexican-built electrical vehicles and favor domestic producers, something she said is forbidden under the USMCA pact.

"We would apply trade reprisals," Clouthier said, apparently referring to possible tariffs. "This bill is not consistent with the US obligations under the TMC and the rules of World Trade Organization."

Mexico's auto industry, made up of plants run by most of the US, European and Asian automakers, has been battered by the worldwide chip shortage and the coronavirus pandemic. Clouthier said the Senate bill could cost Mexico jobs and "could generate additional pressures for migration."

The bill is expected to come up for a vote in the Senate in mid-December. According to a White House statement, "the framework's electric vehicle tax credit will lower the cost of an electric vehicle that is made

in America with American materials and union labor by \$12,500 for a middle-class family."

It was the latest trade flashpoint between the two countries. The United States is concerned Mexico is trying to favor its own state-owned electrical power plants.

In November, US ambassador to Mexico Ken Salazar said the United States has "serious concerns" about the Mexican government's attempts to limit competition in the electrical power sector.

Mexican President Andrés Manuel López Obrador proposed constitutional changes earlier this year to restrict the market share of private power generators and favor Mexico's state-owned utility company.

In a letter to Salazar in October, about 20 Texas congressmen and senators said López Obrador's proposal would "discriminate against American energy producers."

The bill that López Obrador submitted in October would cancel contracts under which 34 private plants sell power into the national grid. The plan would also declare "illegal" an additional 239 private plants that sell energy directly to corporate clients in Mexico. Almost all of those plants are run with renewable energy sources or natural gas.

The measure also would cancel many long-term energy supply contracts and clean-energy preferential buying programs, often affecting foreign companies.

## Popular Michelin Cup Returns for A Second Edition To Take Place Across The Middle East And North Africa (MENA) Region, South Africa, And India



Michelin, a leader in sustainable mobility has announced the launch of second edition of the Michelin Cup for E-Gamers in the Middle East and North Africa (MENA) region. Designed in partnership with PlayStation's world-class and authentic driving game franchise Gran Turismo, the contest is running from 29 November to 18 December, 2021. In 2019, PlayStation selected Michelin as "official tire technology partner" for its Gran Turismo franchise, the popular driving game.



is \$20,000, the second is \$15,000, and the third is \$5,000. Registration for the transcontinental e-gaming event is now open.

On the launch of the Michelin Cup, Naser Shashaa, Commercial Director - Michelin Middle East & North Africa said, "After receiving an overwhelming response for our pilot edition in our region, we decided to expand this exciting gaming experience to enthusiasts in the larger

region of MENA, India and South Africa. This game connects the most successful virtual driving experience in the world with the global leader for high-performance tyre. Michelin leads the industry in tire simulation and we hope gaming enthusiasts in the region will enjoy the collaboration and help more gamers understand the critical role that Michelin play in optimizing vehicle performance."

Registrations for the first week of races has opened on the 29th of November and close on 5th December, while registrations for the second week will begin on 6th December and close on 12th December. All players will get to register for their region for the leaderboard-based tournament. Twelve finalists from across the three regions will race it out on one track during the

grand finale on 18th December for the big prizes.

Participating countries include the UAE, Saudi Arabia, Oman, Bahrain, Kuwait, Qatar, South Africa, Algeria, Egypt, Morocco, and India.

This year's Michelin Cup is capitalizing on the learning of the first pilot and is launched in collaboration with Power League Gaming, a top e-gaming specialist leading campaign strategy, production, and marketing.

As per the multi-year agreement with PlayStation in 2019, the game will feature Michelin-branded tires and introduce players to Michelin's deep history in global motorsports, performance, and innovation.

## Gulf Bank concludes its sponsorship of the NUKS Conference in the United States of America

Gulf Bank has concluded its sponsorship of the conference of the National Union of Kuwaiti Students (NUKS) in the United States of America, which was launched last week as part of the Bank's Social Sustainability Program, which focuses on supporting Kuwaiti youth.

Gulf Bank participated in the conference, which was held in Chicago, from 25 to 28 November, in several activities for Kuwaiti expatriate students. The bank's participation included many entertainment sessions and activities for the students present at the conference.

The conference included raffle draws for cash prizes. One lucky winner, Ziad Alroumi, was awarded the grand prize of having his rent expenses covered by Gulf Bank for an entire year. Two lucky winners - Abbas Johar and Abdullah Althafiri - also received cash prizes worth \$5,000 and \$2,500.

Commenting on Gulf Bank's sponsorship of this year's NUKS Conference, Mohammed Al-Qattan, General Manager of Consumer Banking at Gulf Bank, said:



As part of Gulf Bank's social sustainability and commitment to empowering Kuwaiti youth

"We are delighted to have sponsored this year's NUKS conference, and to have gotten a chance to meet with our Kuwaiti students there. We are looking forward to welcoming them back home."

Gulf Bank's vision is to be the leading Kuwaiti Bank of the

Future. The Bank is constantly engaging and empowering its employees as part of an inclusive and diversified workplace in recognition of every employee's role in delivering customer excellence and serving the community at large. With its extensive network of branches and innovative digital services, Gulf Bank is able to give its customers the choice of how and where to conduct their banking transactions, all while ensuring a simple and seamless

Gifted USD12,000 to a student, covering his rent expenses for a year

banking experience. Gulf Bank is committed to maintaining a robust sustainability program at the community, economic, and environmental levels through sustainability initiatives that are strategically selected to benefit both the country and the Bank. The Bank also

Second and Third place winners got USD5,000 and USD2,500

supports Kuwait Vision 2035 "New Kuwait" and works with various relevant parties to achieve it. For more information on Gulf Bank's various initiatives and activities, customers can visit one of Gulf Bank's branches or log on to Gulf Bank's Online/ Mobile Banking services.