Water tycoon is China's richest as wealth crackdown batters Jack Ma

Zhong Shanshan is worth $60.5 billion, according to Hurun Rich List

BEIJING: Bottled-water tycoon Zhong Shanshan has become China's wealthiest person, according to an annual ranking released yesterday, as a government campaign to rein in the super-rich took a big bite out of the fortunes of perennial front-runners like Alibaba co-founder Jack Ma.

Zhong, in his late 60s, has seen his fortune swell following the stock listings last year of his Nongfu Spring mineral water and separate pharma company Wantai Biological Pharmacy Enterprise, which has tapped into massive demand for COVID-19 test kits. He is worth $60.5 billion, according to the Hurun Rich List, up seven percent. Ranked third last year, Zhong was propelled to the top spot as the Communist Party government's drive to redistribute wealth in the name of equality sliced billions from the fortunes of other tycoons.

Ma, last year's richest, dropped to fifth as his fortune shrank 36 percent to $39.6 billion. Ma and Alibaba fell out of favor with Beijing soon after he gave a speech late last year criticizing China's financial regulators. That resulted in Chinese officials spiking what would have been a world record $37 billion initial public offering for Alibaba's financial group Ant and kicked off a cascade of crackdowns on Chinese tech companies, alleged monopolistic practixes, and powerful tycoons.

Pony Ma, boss of gaming giant and WeChat owner Tencent, dropped two spots to fourth as Chinese restrictions on video gaming reduced his fortune by 19 percent. Second place was taken by TikTok founder Zhang Yiming.

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SANTA PONSA, Spain: Jack Ma, co-founder and former executive chairman of Chinese Alibaba Group is pictured in Santa Ponsa, on the island of Mallorca. — AFP

The Hurun Research Institute, which compiles the list, said that for the first time the real estate sector had no names in the Top 10. The sector's biggest loser was Xu Jiayin, founder of deeply troubled property giant Evergrande Group. Xu had topped the list in 2017 and was fifth last year. But he has fallen to 70th with a nearly 70 percent reduction in his wealth to $11.3 billion, according to Hurun. A liquidity crunch at Evergrande has hammered investor sentiment and rattled the country's crucial real estate market, while fanning fears of a possible contagion in the wider economy.

Chinese authorities have told Xu to use his dwindling personal wealth to alleviate the embattled company's debt crisis, according to media reports this week. However, the overall number of individuals in China worth at least two billion yuan ($310 million) grew by 520 to a total of 2,918, Hurun said.

Growth in the electric vehicle market, in particular, fuelled the rising fortunes of several entrepreneurs, according to the list. — AFP

US bans China Telecom over security concerns

WASHINGTON: The United States on Tuesday banned China Telecom from operating in the country citing "significant" national security concerns, further straining already tense relations between the superpowers. The move marks the latest salvo in a long-running standoff that has pitted the world's biggest two economies against each other over a range of issues including Taiwan, Hong Kong, human rights, trade and technology.

It also comes as US President Joe Biden presses ahead with a hardline policy against Beijing broadly in line with that of his predecessor Donald Trump, whose bombastic approach sent tensions soaring.

The Federal Communications Commission (FCC) ordered China Telecom Americas to discontinue its services within 60 days, ending a nearly 20-year operation in the United States. The firm's "ownership and control by the Chinese government raise significant national security and law enforcement risks," the FCC said in a statement.

It warned that it gives opportunities for Beijing "to access, store, disrupt, and/or misroute US communications, which in turn allow them to engage in espionage and other harmful activities against the United States." The announcement came hours after Chinese Vice Premier Liu He and Treasury Secretary Janet Yellen held a video call, with discussions on trade that Beijing described as "pragmatic, candid and constructive."

It will also raise the stakes for virtual talks planned to take place later in the year between Biden and his Chinese counterpart Xi Jinping. "The FCC's decision is disappointing," China Telecom spokesman Ge Yu said in an email, according to Bloomberg News. "We plan to pursue all available options while continuing to serve our customers. There was no response to an email sent to the press contact at the Chinese embassy in Washington. Tuesday's announcement ramped up concerns about further measures against Chinese tech firms and battered shares in such firms listed in New York. The selling continued Wednesday in Hong Kong, where the Chinese technology firms, and the selling continued in Hong Kong with the Hang Seng tech Index losing more than three percent.

China Telecom is China's largest fixed-line operator, and its shares jumped some 20 percent in August in its Shanghai stock debut. But it has faced turbulence in the United States for years, particularly during Trump's presidency as the former president repeatedly clashed with Beijing over trade.

The company was delisted by the New York Stock Exchange in January along with fellow state-owned telecoms firms China Mobile and China Unicom.

That followed a Trump executive order banning investments by Americans in a range of companies deemed to be supplying or supporting China's military and security apparatus. The US Justice Department had already threatened to terminate China Telecom's American dealings in April last year, saying US government agencies "identified substantial and unacceptable national security and law enforcement risks associated with China Telecom's operations."

US regulators have also taken action against other Chinese telecoms, notably private giant Huawei. Trump's White House in 2018 began an aggressive campaign to short-circuit the global ambitions of Huawei, cutting the tech giant off from key components and banning it from using Google's Android services. "(The move) sends a broader message to Beijing, that regardless of who's president, the US continues to be concerned about the risks posed by Chinese tech firms operating in the US," Martijn Rasser, of the Center for a New American Security in Washington, told Bloomberg. —AFP

Surging gas prices double revenue for Norway's Equinor

OSLO: Norwegian energy giant Equinor said yesterday that soaring gas prices helped it more than double its revenue in the third quarter. Equinor, which is 67 percent owned by the Norwegian state, said that its net profit rose to $1.4 billion between July to September this year, compared to a loss during the same period in 2020, partly due to asset write-downs. But the profit figure was well below analyst expectations of $2 billion.

However, total revenue hit $23 billion, narrowly beating expectations of $22 billion, according to analysts surveyed by Factset. The number was also more than twice the revenue of the same period last year, when many businesses were devastated by the Covid-19 pandemic. Equinor's preferred indicator-net operating profit, which excludes some one-off items, came in well above expectations at $9.8 billion. Energy prices have surged recently as the global economy recovers from the pandemic, and the northern hemisphere heads towards winter.

Chief executive Anders Opedal said that "the global economy is in recovery, but we are still prepared for volatility related to the impact of the pandemic". "The current unprecedented level and volatility in European gas prices underlines the uncertainty in the market," he said in the statement. "Equinor has an important role as a reliable energy provider to Europe and we have taken steps to increase our gas exports to respond to the high demand." Equinor's average price of oil per barrel reached $69.2 in the third quarter-up from $38.3 a year earlier.—AFP

Beijing tells Evergrande boss to pay firm's debts with own cash

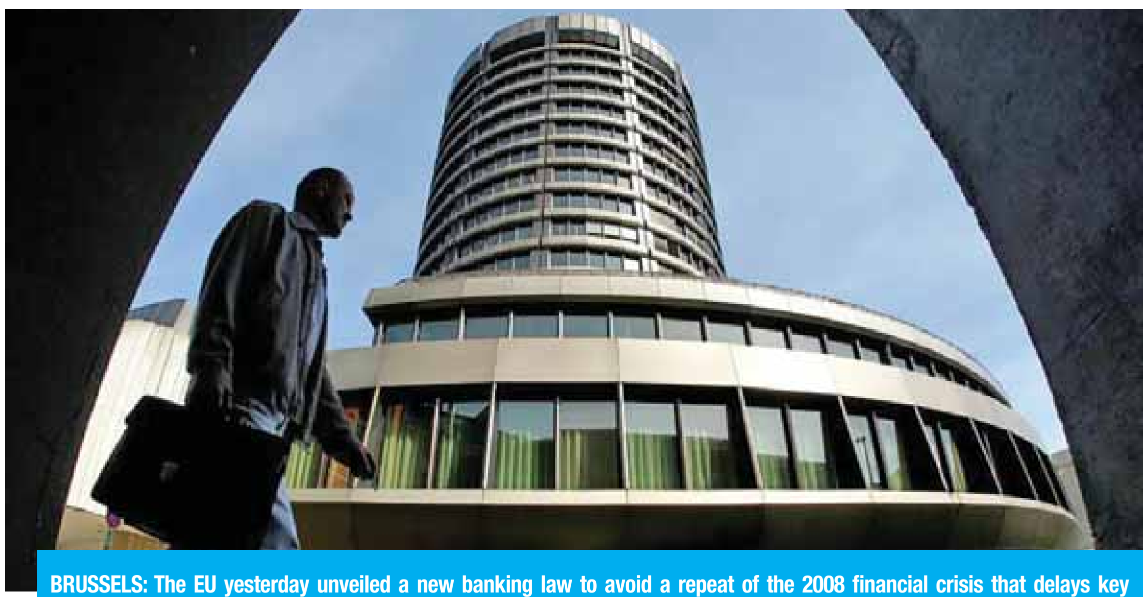
BEIJING: Chinese authorities have told Evergrande founder Xu Jiayin, once the country's richest man, to use his personal wealth to alleviate the embattled company's debt crisis, according to media reports. The liquidity crunch at one of China's biggest property developers has hammered investor sentiment and rattled the country's crucial real estate market, while fanning fears of a possible contagion of the wider economy.

Last week, the group unexpectedly paid interest on an offshore bond just before a Saturday deadline, averting a default and giving it a much-needed reprieve. Evergrande also reported that it had resumed work on more than 10 stalled projects. But Bloomberg News reported Tuesday that Beijing has pushed Xu-also known as Hui Ka Yan in Cantonese-to dip into his own pocket to help pay off some of the company's debts, citing people familiar with the matter.

The report said the directive from Beijing came after his company missed an initial bond interest payment due on September 23. However, it is unlikely that Xu's personal sacrifice would make much of an impact on Evergrande's liabilities of more than $300 billion, with Bloomberg reporting his fortune at less than $8 billion.

Xu, 63-year-old, was once the wealthiest person in China, worth more than $40 billion just a few years ago, before Evergrande's troubles began. People cited by Bloomberg also said that local governments across China are monitoring the developer's bank accounts to ensure company cash is used to complete unfinished housing projects and not diverted to pay creditors.

The crackdown on China's indebted real estate sector that prompted Evergrande's cash crisis has also hit several other builders, with Sinic and Fantasia among those failing to make debt payments. Yesterday ratings agency Fitch downgraded another, Modern Land, saying it failed to make a $250 million payment this week. —AFP



BRUSSELS: The EU yesterday unveiled a new banking law to avoid a repeat of the 2008 financial crisis that delays key aspects of an internationally agreed deal.

EU seeks delay to tighter rules on banks

BRUSSELS: The EU yesterday unveiled a new banking law to avoid a repeat of the 2008 financial crisis that delays key aspects of an internationally agreed deal. The proposals are the European Union's interpretation of the Basel III reforms of international standards on how banks evaluate credit and market risks.

Implementing the rules will require Europe's biggest banks to keep more cash on their books, something that could lead to hundreds of billions of euros in additional costs. The new rules, which were supposed to be active in 2023, would also force banks into providing greater transparency on their climate risks, with financing of fossil fuel projects, for example, evaluated poorly.

"The intention is to make sure that the rules are fully applicable as of January 1, 2025," EU vice president Valdis Dombrovskis told reporters. "This presents a realistic assessment of upcoming legislative process and the time to put the outcome of this process in place," he said.

Europe's banking giants have lobbied hard to limit the rules or put them off as long as they can, arguing that a decade of stricter capital requirements have already shrunk profits and curbed lending.

The commission's proposal will now be negotiated with the European Parliament and EU member states, where the interests of the continent's biggest lenders have a strong influence. "While we must implement these agreements faithfully, it's also very important that we take into account the specificities of the European banking sector," an EU official told reporters on condition of anonymity.

For example, the commission argues that the current global rulebook for lending to small companies be allowed to apply longer in Europe, where firms are less prepared for the new regime.

In addition, Brussels says EU banks hold a high volume of low-risk home loans compared to their rivals in the United States and that too should allow for some leeway. The financing of infrastructure projects, which in Europe is left mainly to banks, also needs special consideration, the commission said.—AFP

Stalling growth creates headache for next German government

BERLIN: Global supply chain bottlenecks forced the German government to downgrade its 2021 growth forecast yesterday as it prepares to hand over the reins of a spluttering economy to the country's next coalition. Supply chain disruptions and shortages of raw materials, including plastics, metals and paper, have choked off the recovery from the impact of the coronavirus pandemic in Europe's top economy.

As a result, the government yesterday lowered its forecast for economic growth to 2.6 percent this year from 3.5 percent previously. "Bottlenecks and high energy prices are both equally slowing the progress of the economy in Europe and worldwide," German Economy Minister Peter Altmaier said in a press conference. The economic recovery is expected to be pushed into next year, with the government forecasting growth of 4.1 percent, up from its previous estimate of 3.6 percent. In 2023, growth would then fall back to 1.6 percent.

BERLIN: German Economy Minister Peter Altmaier poses with a placard showing the economic projections for the fall in Germany at the end of press conference on updated economic forecast in Germany yesterday. — AFP

A scarcity of components has had a particularly hard impact on the country's manufacturing-driven economy, with production lines grinding to a halt in Germany's important automotive sector. Rapid growth in 2022 would depend on "how quickly chipmakers can increase production of semiconductors", Altmaier said, noting that demand for the components would continue to be strong.

Though the minister said he did not expect there to be another coronavirus lockdown over the coming winter months in Germany, but that rising case rates could still have "negative economic consequences". The German economy would reach its pre-crisis level at the "end of the first quarter" in 2022, "one quarter later than originally thought", Altmaier said.

Difficult climate

The new forecast comes against the backdrop of a raft of tough news for the German economy. The German Ifo institute's closely watched business climate indicator fell for the fourth consecutive month in October, according to figures published earlier this week. "Supply problems are giving businesses headaches," Ifo president Clemens Fuest said in a statement, describing the bottlenecks as "sand in the wheels of the German economy". As supplies have dried up, costs have risen, with the prices faced by industry rising by 14.2 percent year on year in September, a rate not seen since the 1970s.

Meanwhile, other indicators are turning downwards: German exports fell in August for the first time since April 2020, near the start of the pandemic. Industrial output slumped by four percent in August, too, while new orders fell 7.7 percent. Under pressure from "surprisingly long-lasting bottlenecks in components, raw materials and transport, more forecasts for the economy will be revised downwards", said Ulrich Kater, chief economist at Deka Bank.

Coalition mission

The question of how to get the economy rolling again will be at the top of the agenda as the parties seeking to form the next German government pick up talks yesterday. In their initial agreement, the Social Democrats, Greens and Free Democrats (FDP) pledged massive investments and less red tape to prepare Germany for a greener and more digital future.

But they vowed not to introduce any tax hikes and to maintain Germany's strict debt rule, which limits deficits to 0.35 percent of GDP in normal times, a red line for the FDP. Finding a way to deliver on both will require "creativity" by the parties' own admission, and could see the new coalition house their investment program somewhere else, such as public lender KfW, as per one mooted solution. Germany's "stuttering economic engine" was a "wake-up call" for the coalition negotiators, said Joachim Lang, head of the influential German industrial lobby the BDI.—AFP