

## Business

## NBK Economic Report

# China's push to revive Silk Road trade hits the buffers

## Hurdles risk tarnishing economic crown jewel of Xi

**SINGAPORE:** From a stalled Indonesian rail project to an insurgency-threatened economic corridor in Pakistan, China's push to revive Silk Road trade routes is running into problems that risk tarnishing the economic crown jewel of Xi Jinping's presidency.

The "One Belt, One Road" initiative, unveiled by Xi in 2013, envisages linking China with Africa, Asia and Europe through a network of ports, railways, roads and industrial parks. Xi, the most powerful Chinese leader in decades, has pushed the infrastructure drive which is central to his goal of extending Beijing's economic and geopolitical clout. The initiative was enshrined in the Communist Party's constitution at a key congress last month, and some estimates say more than \$1 trillion has been pledged to it, with projects proposed in some 65 countries.

But on the ground it has run into problems. Projects traverse insurgency-hit areas, dictatorships and chaotic democracies, and face resistance from both corrupt politicians and local villagers.

"Building infrastructure across countries like this is very complicated," said Murray Liebert, from Washington think tank the Center for Strategic and International Studies (CSIS), who has studied some of the projects in Southeast Asia. "You've got land issues, you have to hammer out funding agreements, you have to hammer out technological issues." Chinese foreign ministry spokeswoman Hua Chunying however insisted the initiative was "moving forward smoothly".

### Troubled train line

Beijing won the contract to build Indonesia's first high-speed railway in September 2015, but more than two years later work has barely started on the route from Jakarta to the city of Bandung. A recent visit to Walini, where President Joko Widodo broke ground on the train line in January last year,

found excavators flattening land but no track laid for the train, which is meant to start operating in 2019. "The first year after the ground-breaking ceremony, I did not see any progress at all," Neng Sri, a 37-year-old food stall owner from nearby Mandala Mukti village, told AFP. The central problem has been persuading villagers to leave their land on the proposed route, which is often an issue in the chaotic, free-wheeling democracy.

The Indonesian transport ministry declined to give an update on the project and the consortium of Chinese and Indonesian companies building the line did not respond to repeated requests for comment. On another planned high-speed line from southern China to Singapore, the Thai stretch of the railway was delayed by tussles over financing and protective labor regulations, and it was only in July that the military government finally approved \$5.2 billion to start construction.

Work is under way on the 415-kilometre (260-mile) part of the line in Laos, a staunch ally of Beijing. But even there the project has stoked controversy due to its huge price tag at \$5.8 billion, roughly half the country's 2015 GDP—and the question of how much deeply poor Laos will gain from the project.

### Lopsided gains

There have been concerns in many countries about how much they will benefit from One Belt, One Road initiatives. Gains for China, such as access to key markets and tackling overcapacity in domestic industries, are often more obvious than those for their partners.

Such worries have bedevilled projects in Central Asia, part of a potential route from western China to Europe. These include a free trade zone at Horgos on the China-Kazakh border, notable for flashy malls on the Chinese side and relatively little on the Kazakh side, and a planned railway to Uzbekistan that has stalled in large part due to opposition



**JAKARTA:** This file photo taken on August 13, 2015 shows Indonesian models looking at scale models of Chinese-made bullet trains on exhibition at a shopping mall in Jakarta. —AFP

in Kyrgyzstan, through which the line would run.

"I am against this railway as it stands because the financial benefits that could accrue to Kyrgyzstan accrue to (China and Uzbekistan) instead," said Timur Saralayev, head of the Bishkek-based New Generation movement.

The China-Pakistan Economic Corridor (CPEC), a \$54-billion project launched in 2013 linking western China to the Indian Ocean via Pakistan, has been targeted by separatist rebels in Balochistan province, who have blown up gas pipelines and trains and attacked Chinese engineers.

But the Chinese foreign ministry spokeswoman Hua insisted the One Belt, One Road initiative enjoyed broad support. "We have seen more and more support and approval of our projects. Many projects have delivered tangible benefits to the people in these countries," she said.

The view from the ground, however, is not always so positive. "The high-speed train... is only for super busy people who think time is money," said the villager Sri, who lives next to the Indonesian rail project. "We are not rushing to go anywhere." —AFP

## Crisis-stricken GE to unveil painful roadmap to salvation

**NEW YORK:** Iconic American industrial behemoth General Electric, which has lost investor confidence amid bad investment decisions, is preparing to slice up its empire again, selling major business segments and laying off thousands. Hammered by financial markets, with its market capitalization down more than \$100 billion since January, the maker of jet engines and power turbines is paying dearly after making losing bets that the energy sector, in particular oil and gas, would grow indefinitely.

Shareholders appear resigned to a cut in dividends, the first since 2009, as GE had only \$7 billion in cash flow at the end of September, but was due to pay out \$8 billion. "There is no scared cow," newly installed CEO John Flannery has said repeatedly about the need to cut costs and restructure. To rebuild trust, Flannery, who has been CEO for only three months, will roll out plans to revive the company today.

Deutsche Bank analyst John Inch said there was no way to sugarcoat the situation. "They have a crisis of investor confidence," he told AFP. "GE is in a cash crunch." Scott Davis of Melius Research put it even more starkly, calling the company "disgraced" and saying it "needs to clean house as fast as possible." Flannery took the helm after 16 years of leadership by Jeff Immelt, who sold off GE's stake in TV and movie giant NBCUniversal as well as its household appliance segment and much of its banking and finance business.

The newly-installed GE chief will unveil another austerity plan that will include significant layoffs, according to a source who spoke to AFP on condition of anonymity. The power generation business GE Power will be particularly hard hit. The belt tightening follows a \$2 billion cost-cutting program that already had seen staff levels fall 11 percent to 295,000 over the course of last year.

### Sell everything not nailed down

GE also is likely to close its research and development centers in Shanghai, Rio de Janeiro and Munich, leaving the company with R&D facilities only in New York and Bangalore, India.

The company declined to answer queries from AFP on the plan, but in mid-October Flannery told CNBC: "It's a pretty straightforward thing that we have to tighten the belt." The company expects to cut more than \$2 billion in additional costs, according to another person familiar with the matter, and also may announce the sale of its transportation and medical IT segments. The transportation unit produces locomotives and last year had revenues of \$4.7 billion. The medical data management group led by API Healthcare and its subsidiary Centricity EMR, are part of a GE branch that took in \$18.3 billion in 2016.

Selling these businesses could bring GE a big step closer toward its goal of shedding \$20 billion in assets over the next two years.

Another route the company could take involves spinning off its aircraft leasing operation GE Capital Aviation Services, which maintains a fleet of nearly 2,000 aircraft.

"GE will likely sell anything that isn't nailed down," Davis said. Beyond its financial picture, GE will have to repair damage to its corporate image following revelations that former CEO Immelt secretly traveled on a corporate jet at company expense. —AFP

## CBK announces winners of Al-Najma Account draw

**KUWAIT:** Commercial Bank of Kuwait held the daily draw on "Al-Najma Account" yesterday at the Bank's Head Office to select 5 winners to win a cash prize of KD 7000 for each. The draw was held in the presence of Abdulaziz Ashkanani, representative of the Ministry of Commerce & Industry. The following names were announced as winners of the prizes:

1. Ali Ahmad Jaber Ali
2. Mehboob Mira Saheb Kazi
3. Mahmoud Mohammad Ezzat Hafedh Mohammad

4. Basem Kamel Aajel
5. Moamen Ahmad Rudhwan Mohammad

Al-Najma Account allows its customers to win a daily prize of KD 7,000 which is the highest daily prize in Kuwait. In addition, the account offers quarterly draws that provide customers with opportunity to get their dreams turned to reality by winning great prizes starting from KD 100,000 for the first quarter escalating thereafter by KD 50 thousand for each quarter to reach KD 250,000 in the last quarter. Customers can enjoy additional benefits including obtaining ATM card and a credit card against the customer's account along with enjoying all other banking services.

The bank congratulates all the lucky winners and draws their attention that the cash prizes will be credited into their accounts with the Bank. Further, the Bank appreciates the Ministry of Commerce & Industry's significant role and its continuous cooperation and effective supervision on the draw that was smoothly and transparently organized.



## Alibaba takes record \$25bn on 'Singles Day'

**BEIJING:** Chinese online shoppers spent a record \$25 billion on this year's "Singles Day" promotion run by e-commerce giant Alibaba, up nearly 40 percent from last year, figures showed yesterday.

At the peak, 256,000 payments were being processed per second on Saturday, the firm said, more than 90 percent of them placed via mobile. The company's gross merchandise volume for its annual sales extravaganza known as "Double 11" representing November 11, came in at 168.3 billion (\$25.3 billion), Alibaba said in a statement on its website.

The figure represents sales processed through Alibaba's online payment system Alipay. The total sales were up 39 percent from last year's 120.7 billion yuan (\$17.8 bil-

lion) — a milestone this year eclipsed in under 14 hours, according to Alibaba. Rivals such as JD.com also reported brisk business.

Analysts expect Chinese e-commerce retailers to take "Singles Day"—which originally celebrated the idea of being unattached—abroad as growth rates slow in the years ahead. Chinese state news agency Xinhua reported that more than 140,000 overseas brands participated in this year's promotion.

"Alibaba looked to elevate this year's 11.11 from a shopping day to a virtual holiday," the company said in its statement, "complete with a motto—'Wishing you a Happy 11.11'—that closely resembles the sort of greetings Chinese all over the world exchange at the Lunar New Year." —AFP



**SHANGHAI:** Alibaba staff pose for photos in front of a screen showing total sales at over 168 billion yuan shortly after the end of the 11.11, or Singles Day shopping festival, at a gala event in Shanghai early yesterday.

## Holy guacamole! How NAFTA drove America's avocado boom

**WASHINGTON:** Love it or loathe it, America's avocado craze shows no sign of fizzling out, but fans of the Mexican staple may not realize they can thank the NAFTA trade deal for ensuring its bountiful supply. In a little over two decades, American store shelves have been transformed as mounds of avocados, mangos, papayas and peppers stamped "Mexico" flooded over the border.

The year-round profusion of fresh fruits and vegetables is directly attributable to the North American Free Trade Agreement, which the United States, Canada and Mexico are renegotiating at the demand of President Donald Trump who dubbed it the "worst deal ever."

"I'm 49 years old and remember when I was little asking my mother in winter 'Where are the strawberries?' and my mother would say 'It is out of season,'" says Jaime Chamberlain, who runs JC Distributing, a family business that imports fruit and vegetables from Mexico.

Thanks to the 1994 trade deal, there is now a whole new generation of Americans who will never know such seasonal hardship. While NAFTA was never intended as a vehicle to change the American diet, Steven Zahniser, economist and researcher at the US Agriculture Department (USDA), sees a correlation between the agreement and Americans eating more fresh fruits and vegetables.

### Cheaper produce

Chamberlain notes that before the trade deal took effect in 1994, import duties on fresh produce were "astronomical." Melons were taxed at 30 percent, tomatoes at around 20 percent. Pre-NAFTA conditions made it difficult to export to the US market, and for consumers to find fresh produce that was both varied and affordable. Only three or four Mexican states were exporting to the United States before the deal. Today, all the states send their

fresh produce to their neighbor, said Chamberlain, who took over the reins of the company in 1987. "It has been a fantastic wave of agriculture growth that has been extremely beneficial to the final consumers both Canadian and American," he said.

The most dramatic example is the avocado. Virtually banned from the United States until 1993 for phytosanitary reasons—the technical term for rules on agriculture to protect health and prevent pests—NAFTA opened the floodgates to imports of the green fruit that today is massively consumed across America.

Avocado consumption has tripled since 1994, according to the USDA, and the United States is now the largest importer of the fatty fruit in the world, totaling \$1 billion a year.

### Super Bowl guacamole

The presence of a large Mexican community in the United States helped popularize the use of the buttery, green topping in sandwiches and on salads—with its biggest use in the form of guacamole.

The mashed avocado cream mixed with lime, onion and tomato, and consumed by the gallon with nachos, has become the most popular snack of the Super Bowl, the American football championship game that is biggest event of the year for US television.

But the past few years saw avocado's popularity escalate among health-conscious Americans into a national craze which has since gone global, to the point of a backlash. There have been warnings the avocado boom is fuelling illegal deforestation in Mexico, while avocado toast became a standing joke after it was suggested the high-priced brunch staple was the reason millennials could not afford to buy homes. USDA agricultural economist Agnes Perez, in a recent study on NAFTA, said the boom was partly attributable to "increasing awareness of the benefits of 'healthy fats,' like the mono-unsaturated fats found in avocados."

Campaigns to encourage Americans to eat a more healthy and balanced diet also have boosted appetite for other fruits. Demand for Mexican strawberries, raspberries, blueberries and blackberries has been "overwhelming," Chamberlain said, noting that berries have been touted "as a super brain food" for the past 10 to 15 years. —AFP