

Business

Under pressure: Clock ticks for China in trade negotiations

Xi's trade war strategy getting more complicated

BEIJING: Chinese President Xi Jinping's trade war strategy is getting more complicated, with slowing growth and disagreements about his approach within the Communist Party adding new battle-fronts, according to analysts. With the clock ticking since December 1 on a 90-day deadline to reach a deal with the United States, China has only made superficial peace offerings as it tries to buy time to shore up its economy, analysts said.

The lack of a clear direction suggests dissent from within the party leadership "since the summer", Jean-Pierre Cabestan, a political science professor at Hong Kong Baptist University, told AFP. There are "fierce divisions" in the leadership on "how to handle the trade war with the US and how to relaunch reforms, and whether to relaunch reforms or not," he said. "I don't think they've settled the disputes." Xi vowed Tuesday to press ahead with reforms as the party celebrated the 40th anniversary of its landmark "reform and opening up" policy.

But Xi, who has accumulated titles to become China's most powerful leader since Mao Zedong, warned that no one would "dictate" China's development path and that it would "resolutely not reform what shouldn't and can't be changed".

Steve Tsang, head of the China Institute at the School of Oriental and African Studies in London, said the lack of a regular autumn plenum of the party's Central Committee—a platform to discuss reforms—signalled Xi was "avoiding such issues" and "suggest Xi is feeling pressure over the trade war and the slowing economy."

"As Xi takes charge of practically all major policy areas, discomfort in the upper echelons of the party over the trade war and the economy cannot but imply discomfort with the direction he was leading China."

Government not trustworthy?

Data last week showed that consumer spending grew at its slowest pace in 15 years in November while factories eased up. Growth is expected by the government to ease to around 6.5 percent this year, down from 6.9 percent in 2017. Over the weekend, a prominent economist told a university forum that the lack of clear trade strategies have led to an uncertainty among investors. "What is the fundamental problem? Fear of policy uncertainty, fear that the government is not trustworthy," said Xiang Songzuo, an economics professor at the elite Renmin University. Censors have since taken the speech off Chinese social media and references to it can no longer be found on the Twitter-like Weibo.

Measures to stabilise growth are expected to top the agenda this month at the party's annual Central Economic Work Conference, which sets the policy direction for next year, the state-run Global Times reported. Tsang said plans to reduce risks in the financial system and tackle pollution and poverty-priorities set for 2018 — have been shelved, at least in part, to support economic stability and growth, due to the roiling trade spat. The US is seeking a massive reduction in its trade deficit with China as well as deeper reforms in Beijing to stop the alleged theft of intellectual property and further open the economy to foreign companies. China has been promising changes for years, but reform has been slow. As the two sides prepare for face-to-face talks, China has resumed soybean purchases and has suspended extra tariffs on US cars that were imposed as part of tit-for-tat measures. But those steps are merely reverting to pre-tariff trade patterns rather than actual reforms, financial advisory firm Northern Trust wrote in a research note.



BEIJING: US President Donald Trump (left) and China's President Xi Jinping leaving a business leaders event at the Great Hall of the People in Beijing. —AFP

'Pain threshold'

The United States has also voiced concern about "Made in China 2025", an ambitious plan to dominate key high-tech industries. While Beijing has toned down the rhetoric about the program, the government is likely reluctant to put its pet project on the negotiating table. "There are some cosmetic changes being made to the language of 'Made in China 2025', but it remains to

be seen to what extent fundamental changes will be made to this development strategy," said Louis Kuijs, head of Asia economics at Oxford Economics Ltd.

The truce has put a temporary halt to an increase in tariffs on \$200 billion worth of Chinese goods and a threat of duties on the remaining \$246 billion in Chinese products the United States imports each year. —AFP

Italy hints 'yellow vest' demos weighed on EU debt row

ROME: Italy's prime minister suggested yesterday the "yellow vest" protests marked by violent clashes in France could be partly to thank for Rome resolving its budget dispute with the European Union.

Brussels had threatened to fine Italy for spending plans that EU officials said broke Rome's deficit and debt-reduction commitments. The sides finally called a truce on Wednesday after Italy backed down from two of its key spending policies.

The French protest movement "could

have weighed" on the matter, "even if that is difficult to quantify," Italy's Prime Minister Giuseppe Conte was quoted as saying by the newspaper Corriere della Sera. In France, protesters have staged mass demonstrations against government fuel-tax rises and high living costs, leading to clashes with police.

France's government responded to the protests by last week announcing a new wave of spending for 2019.

That sparked suggestions of double standards since France's plans, like Italy's, risk breaking EU finance limits. Conte said he "explicitly mentioned the revolt of the yellow jackets" in his talks on the deficit dispute with EU Economic Affairs Commissioner Pierre Moscovici, a former French finance minister.

Italy is governed by an alliance of populist and far-right groups who chose Conte, a lawyer and political newcomer, as their figurehead. —AFP

Trump tariff war with China sends US retailers on buying binge

CHICAGO: In the nearly 40 years she has spent in trade, Amy Magnus has never seen retailers hoarding so much inventory.

Warehouses throughout the United States are at record capacity with Chinese imports of all kinds - microwaves, vacuum cleaner filters, swimwear, furniture - stacked to the ceiling, according to Magnus, who heads the National Customs Brokers & Forwarders Association of America, whose members work with over 250,000 importers and exporters.

"My office is right on a land border and I can see the trucks just coming across non-stop from my window," Magnus said, referring to her birds-eye view from Champlain, New York, of trade on the border between Canada and the United States. "Even with Christmas, it's been notably busier this week and last week than it's ever been before."

She is one of over a dozen customs brokers, retailers, vendors, analysts and supply chain experts who told Reuters that retailers have been stockpiling inventory from China to avoid higher tariffs that may kick in next year.

The buying binge is also evident in recent data from the National Retail Federation (NRF) and Hackett Associates, which show imports at major US retail container ports surged 13.6 percent to a record 2.04 million containers in October. This helped push the US trade deficit with China to a record high. Stores including Walmart Inc, Target Corp, TJX Companies Inc and Macy's Inc raced to buy Chinese products in September, the sources said, the same month the Trump Administration announced 25 percent tariffs would go into effect on Jan. 1 on \$200 billion of Chinese imports.

The US and China have since agreed to a 90-day trade war truce until March 2, but supply chain firms and vendors said this has not slowed buying or forward orders because the tariffs could still be hiked. "We have been tactical and pulled some orders forward," Walmart spokeswoman Marilee McLinnis told Reuters in an emailed statement. The other major retailers, including Target, TJX and Macy's would not comment for this story on the part tariffs played in their approach to buying inventory this year. —Reuters