

Analysis

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Davos: Brazil is back

By Michel Temer
President of the Federative Republic of Brazil

Last Wednesday, I set out on my first 2018 international activity. I participated in the World Economic Forum in Davos in Switzerland. It enabled me to address a global audience comprising political leaders, business men and women and opinion makers at various points during the forum. Once again, I spoke about the reform program which has been transforming Brazil.



President Michel Temer

We have turned the page of the economic crisis because we were able to say no to populism and acted responsibly. Moved by a long-term vision, our government has been building, through a permanent dialogue with the National Congress and the society, the foundations of an efficient state, which provides its citizens with quality services within a balanced budget. These also constitute the foundations for sustainable growth, indispensable to advance the development of Brazil and effectively remove millions of Brazilians from poverty. In a little less than a year and a half of management, in practical terms we have corroborated our commitment to fiscal balance. The results are here. Inflation has fallen and it is once again under control. The exchange rate has been stabilized. The interest rates have shrunk to their lowest historical levels. It was with achievements and not voluntarism that we succeeded in restoring the confidence in the Brazilian economy - confidence which has already been reflected upon the increasing industrial activity, the vitality of foreign trade and renewed job creation.

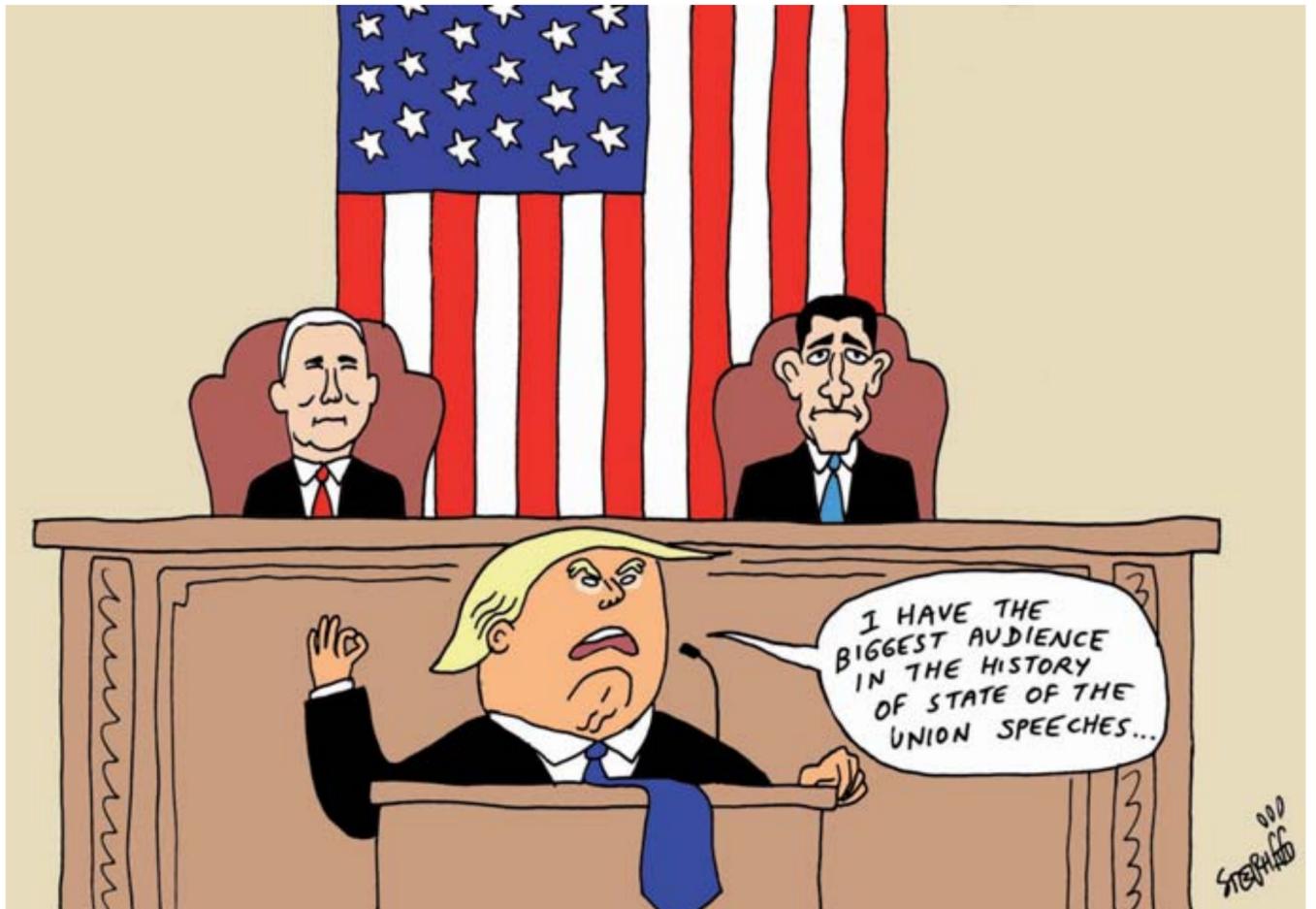
The investor who observes Brazil today is able to see a government working with precise diagnostic, applying solutions which actually work. They will note that it is an administration engaged in making the business environment ever more dynamic. Everywhere, we have been removing bureaucratic obstacles, which used to obstruct the pathways for entrepreneurs - it has become easier to start a business, import and export. The modernization of employment law, which has already come into force, is a particularly relevant milestone in our efforts to tune Brazil into the realities of the current economy, without affecting workers' rights. On our horizon, a tax simplification is still to come in order to make tax payments swift and rational. In all of those actions, what the trend heralds is a Brazil where there is an ever increasing economic freedom.

Public accounts in good order and a competitive private sector are essential for sustainable growth as much as is quality infrastructure, consonant with the vast economic potential of our country. That is why, in Davos, I presented the various opportunities of the Advancing Partnerships Program (Avancar, Parcerias), comprising federal government concessions and privatizations. The model which we have instituted offers clearly defined and stable rules, assuring legal security. It is not by chance that it has been attracting attention throughout the world. To date, we have completed over 70 projects including roads, ports, airports, power transmission lines, gas and oil fields. Investments have been estimated at R\$142 billion. In 2018, there will be another 75 project proposals, which also include railways, likely to attract over R\$130 billion. The reform will strengthen the credibility of the economy, enabling it to join in an enduring growth cycle.

Changes

The changes which Brazil has been undergoing, which have indeed better prepared it for the 21st century challenges, are not exhausted at the domestic level. In the foreign area, we have acted in the spirit of openness, considering that it is fallacious to think that there can be development in an environment of a closed economy in the current world. Our endeavor in achieving more and better integration begins in our region, in the Mercosul jointly with all of the other partners. Brazil has been setting in motion a program, which advances free markets as one of its key pillars. In addition to removing inter-block trade barriers, we have been fostering a rapprochement with the countries of the Pacific Alliance. For the first time in twenty years, we have a realistic perspective to conclude the Mercosul-European Union trade agreement - an agreement which we wish to be wide-ranging and balanced, and which is truly able to cater for the interests of the Brazilian society. In addition, we have been opening new negotiation fronts with partners from a variety of quarters. An undeniable fact for those who keep a sense of objectivity is that Brazil has already travelled a long way under our government, and at speed. We have achieved a great deal, always on the basis of dialogue, the raw material of democracy: with a genuine disposition too, aimed at bringing alignments closer together and articulating efficient solutions for the needs of the country. The challenge which remains now, and to which we are fully committed, is the Social Security reform. At Davos, I ratified my commitment to a fair and sustainable social security system able to correlate with the demographic evolution of our population. This is a commitment which I renew, firstly, before the Brazilian people, and particularly the less privileged: after all, the system as it is, transfers income from those who have less to those who need it the least. The reform will abolish privileges and will ensure the payments of all current and future pensions. It will reinforce the credibility of the Brazilian economy enabling it to join in a lasting growth cycle. Bravely and with renewed resolve, we have been facing the issues with which the historical juncture presents the whole nation. I am left without any doubt whatsoever that once again, the challenges will be overcome and common good prevail.

Brazil is great country which garners assets of all sorts. It is a consumer market with over 200 million people, with abundant natural resources. Our people are creative and hard-working. We have got a diversified industry, a highly productive agriculture. Our energy matrix is one of the cleanest in the world. We are a country with continental dimensions, located far from geopolitical tensions. These are the reasons which have always made Brazil an attractive destination for investors. In recent times, the problem was that the country had somewhat lost its bearings. Well then, what our government did again was to bring Brazil back on course. From the outset, we were clear about the course which we ought to follow: the course of responsibility, of openness, of freedoms. And we will not divert from such a course; neither will we divert ourselves from it. This is the message which I have conveyed to the Brazilian people and which I took to Davos.



Can Trump follow through talk?

In his State of the Union address on Tuesday, US President Donald Trump spoke of unifying the country and delivering for the American people - and he has the opportunity to back up his words with action almost immediately. Trump faces a series of policy choices in the next few weeks and months that will show whether he is sincere in his pledge to "seek out common ground" and could also shape his presidency and legacy.

With congressional elections nine months away, Trump's course of action could decide whether his Republicans maintain control of the US Senate and the House of Representatives, or if one or both flip to a Democratic majority, an outcome that would almost certainly derail his policy agenda. Trump faces near-term deadlines on reaching an agreement to protect young immigrants known as "Dreamers" and on avoiding another government shutdown. He also hopes to muscle an infrastructure bill through a divided Congress.

In his address, Trump pushed a hard line on immigration, insisting on a border wall and other concessions from Democrats, even as he urged lawmakers toward bipartisan compromises. "Substantively, he didn't move the needle on policy, but the much sunnier and more optimistic tone was a welcome change," Michael Steel, a Republican strategist, said of Trump's speech. "Now let's see if he can and will stick with it."

The consistency of Trump's focus and tone has been a serious issue since his term began. A year ago, he delivered a well-received speech to Congress, only to render that an afterthought when he began alleging that former President Barack Obama had ordered his phones wiretapped during the 2016 presidential campaign. As he looks for wins on domestic policy issues, Trump's handling of a special counsel's probe of alleged Russian interference in the 2016 presidential election will be closely scrutinized.

Media reports that Trump last year considered firing Special Counsel Robert Mueller, who is conducting the Russia investigation, drew new attention to a probe that

has hung over Trump since the start of his presidency. Any move against Mueller or Rod Rosenstein, a top Justice Department official who oversees the probe, would likely spark a political firestorm. And each day, Trump risks undermining any goodwill he builds with an errant tweet or outburst.

Trump's speech on Tuesday came just a week after he gleefully accused Democrats of losing their nerve during a brief government shutdown. Now, he is asking them to "come together" to solve the nation's problems. The address was filled with lofty calls toward a higher duty



Trump was speaking to two audiences

that transcends party, an ideal that presidents often urge in the State of the Union addresses but rarely fulfill. "This is, in fact, our new American moment," Trump said, adding that "all of us, together, as one team, one people, and one American family can do anything."

Trump and Congress face an early February deadline for avoiding another government shutdown over the same issues that led to the last one this month: Federal spending and an agreement on a program to protect hundreds of thousands of Dreamers. Trump devoted the largest portion of his remarks to immigration, saying he was "extending an open hand" to working with both par-

ties toward a comprehensive agreement but also insisting that it include increased border security measures and changes to restrict legal migration programs. He also called on Congress to pass a \$1.5 trillion infrastructure bill, one that would need Democratic votes to have any chance of survival.

Two Audiences

As the congressional elections approach, Trump remains mired at about 40 percent approval in polls, a historic low for a president this early in his tenure. Trump was, in fact, speaking to two audiences on Tuesday: His passionate base of supporters, and the rest of the country that has yet to embrace him. Accordingly, he had to talk tough on issues such as immigration, trade, foreign policy, and the national anthem, to reassure his base that he was the same hardliner he elected, while also suggesting to other voters that he supports helping "Dreamers," rebuilding infrastructure, fighting the opioid epidemic and reforming the prison system.

Republicans likely will need voters from both those camps to hold onto the House and Senate. "If he could give that speech every day for the rest of the year, the midterms wouldn't be a problem," said Alex Conant, a former top aide to Republican Senator Marco Rubio. But Trump's history suggests he cannot, or will not, do that, said John Geer, an expert in public opinion at Vanderbilt University. "Given expectations, he did well," Geer said. "But his tweets get as much coverage as any speech, so he will likely undermine any gains he might have made within 48 hours."

Trump's constant tweeting could quickly diminish the significance of his State of the Union speech. His recent predecessors, including Obama and President George W. Bush, used the bully pulpit much more selectively. Now, Americans hear from the president almost every day and, frequently, throughout the day. That puts more pressure than ever less on the president's words and more on his actions. —Reuters

Crumbling bridges? Fret not America, it's not that bad

In his State of the Union address on Tuesday, President Donald Trump called out the nation's crumbling infrastructure and called for more spending on bridges and roads. "Together, we can reclaim our great building heritage. We will build gleaming new roads, bridges, highways, railways, and waterways all across our land," Trump said, calling for public and private infrastructure investments of at least \$1.5 trillion over 10 years.

The details of Trump's plan are nebulous, so it is unclear how much will go to what projects. But Trump, along with other politicians and lobbyists, has frequently cited bridges as a danger to people and commerce. Business groups as diverse as the National Stone and Gravel Association and the American Beverage Association have called for more spending.

However, a Reuters analysis of nationwide bridge data reveals the fretting over the safety of bridges and other road infrastructure is overblown and could distract from more serious problems elsewhere:

- About 9 percent of highway bridges were considered structurally deficient in 2017. But only 4 percent of bridges carrying significant traffic, at least 10,000 daily vehicle crossings, were deficient. That does not mean an imminent danger of collapse, just that repairs are needed.
- For those with more than 200,000 crossings, roughly the nation's 1,200 busiest bridges, that figure drops to under 2 percent, or fewer than 20 bridges.
- The share of all bridges deemed structurally deficient has been falling for decades, down from 22 percent in 1992 and 12 percent in 2009.

Indeed, though a 2014 academic study of bridge failures found roughly 120 bridges collapse or partially collapse every year, most do so because of floods, fires and collisions rather than structural decline. And most failed bridges have fewer than 755 daily crossings, with only about 4 percent involving fatalities.

"We the public should feel safe," said Wesley Cook, a structural engineer at the New Mexico Institute of Mining and Technology who authored the 2014 bridge

failure study. The Reuters analysis squares with independent assessments that US road infrastructure is still among the world's best. America's road network, which includes its bridges, was ranked third among the largest advanced economies by company executives, behind Japan and France but superior to those of Germany, Britain, Canada and Italy, according to the World Economic Forum's latest global competitiveness report.

The United States comes only slightly behind Japan and France in rankings of overall infrastructure quality. Experts agree boosting public and private investment in infrastructure by \$1-2 trillion over the next decade might meet or come close to meeting the growing economy's needs. However, the distortion of the debate by Trump and other politicians creates a danger that resources will be misdirected from more pressing infrastructure needs, such as aged water pipes leaching lead and schools - or from projects that will have a considerable regional economic impact.

"Fixing bridges is fine until unmaintained pipes break and interrupt your commute," said Shalini Vajjhala, founder of infrastructure design firm re-focus partners. The American Society of Civil Engineers reckons US mass transit is in worse condition than any other infrastructure in terms of its quality and funding. In a 2017 report, the lobbying group also scored U.S. dams, levees and drinking water facilities as in worse condition than bridges.

Shadow of Fee Fee Creek

America was jolted by infrastructure concerns in 2007 when the Interstate 35 bridge over the Mississippi River in Minneapolis collapsed during rush hour. Thirteen people died, fueling calls for more bridge investment and shaping any discussions of US infrastructure ever since. Federal investigators, however, blamed a design flaw rather than deterioration for the collapse. The reality of US bridge problems is better reflected where Interstate 270 crosses Fee Fee Creek outside St Louis.

That bridge carries about 223,000 vehicles every day and is among the busiest in America, according to the Department of Transportation's 2017 National Bridge Inventory analyzed by Reuters. The inventory catalogs America's 615,000 highway bridges longer than 20 feet. The Missouri state government considers the Fee Fee Creek bridge structurally deficient and has set aside \$5 million for repairs. The problem is deterioration in and



US President Donald Trump claps after the State of the Union address in the chamber of the US House of Representatives in Washington on Tuesday. —AFP

around the structures supporting the ends of the bridge, said Dennis Heckman, an engineer at Missouri's transportation department. While bridges in need of repair stand a higher risk of collapse they do not necessarily pose an imminent danger.

The state had four bridges in the 2017 inventory rated as structurally deficient with more than 200,000 daily crossings. "If they were at a point of being dangerous, they would be closed," said Heckman. The fact is, state and local governments constantly repair highways and bridges. Together with the federal government, they spent \$16.4 billion fixing bridges in 2012, according to the Federal Highway Administration's (FHWA) latest report detailing public sector highway investments.

Public spending on transportation and water infrastructure rose modestly in 2009 and 2010 as governments countered the Great Recession, but outlays fell in the subsequent four years when taking inflation into account, according a 2015 report by the Congressional Budget Office. For bridges, increasing spending modestly - just enough to keep up with inflation - would cut the share of those needing repairs by about two thirds by 2032, the FHWA said in the report, published in 2017. Governments need to boost spending by about \$37 billion a year to sufficiently maintain and expand roads and bridges, according to the FHWA. —Reuters