

# Business

THURSDAY, JANUARY 6, 2022

## US triumphs over Canada in first dispute under new trade deal

### Conflicts soared under former president Donald Trump

WASHINGTON: The US government on Tuesday said it had won its fight with Ottawa over restrictions in the Canadian dairy market, claiming victory in the first-ever dispute under the revamped North American free trade pact. But rather than remove a point of conflict between the trading partners, the issue may exacerbate stresses, since both sides have vowed to fight to protect their own industries and workers.

US Trade Representative (USTR) Katherine Tai called the ruling under the US-Mexico-Canada Agreement a "historic win" that "will help eliminate unjustified trade restrictions." The finding, which could lead to punitive American tariffs on Canadian goods, comes amid growing trade frictions between the neighbors over issues ranging from lumber to milk, as well as newer disputes over solar panels, electric cars and taxes on tech giants.

The conflicts soared under former president Donald Trump, who forced a renegotiation of the two-decade old North American Free Trade Agreement. The end result was known in the United States by the acronym USMCA and in Canada as CUSMA, but the tensions it was meant to address have not abated under US President Joe Biden.

#### 'Trump light'

The agreement came into force in July 2020, and since then, Washington has also used the provisions to pressure Mexican auto factories to protect workers' rights to organize. Biden in November held a summit with Canada's Prime Minister Justin Trudeau and Mexico's President Andres Manuel Lopez Obrador to try to smooth relations. But William Reinsch, a trade policy expert at the Center for Strategic and International Studies, said the

Biden administration's approach to trade is sometimes viewed as "Trump light."

"The rhetoric is different... it's a more rational, less impulsive policymaking process," he told AFP. But, "Their mindset is in some respects... not that different from Trump's." Leaders in both countries face a difficult political environment, given Biden's pledge to defend American workers and the relatively larger importance of the dairy market to Canada's economy, Reinsch said.

But this first dispute under USMCA could set an example on how to resolve conflicts amicably—depending on how Canada responds. In the complaint first registered in December 2020, Washington objected to Ottawa's practice of reserving a large chunk of milk imported from the United States under preferential tariffs for Canadian dairy processors. When negotiations failed to reach a settlement, Biden's trade officials escalated the dispute, calling for a panel to adjudicate it. USTR at the time said the policies "undermine the ability of American dairy exporters to sell a wide range of products to Canadian consumers."

#### Spilt milk

The dispute settlement panel issued its report December 20 and said Ottawa's practice of reserving the products "exclusively for the use of processors is inconsistent with Canada's commitment" under the treaty. Canada has until February 3 to bring its policies into compliance and if no changes are made, Washington can "impose countermeasures that are equivalent, in effect, to the offending Canadian measures... if we were to reach that point," a senior US trade official told reporters.

The Canadian government welcomed some



WASHINGTON: File photo shows US President Joe Biden shakes hands with Canada's Prime Minister Justin Trudeau during a bilateral meeting in the Oval Office of the White House in Washington. The US government said it had won its fight with Ottawa over restrictions in the Canadian dairy market. —AFP

aspects of the panel's findings, which it said supported the supply management policies, but had "taken note" of the ruling on reserving some imports for producers. The country "takes its commitments and obligations under international agreements seriously. These include those that Canada has under CUSMA with the United States, Canada's closest trading partner," Trade Minister Mary Ng and Agriculture Minister Marie-Claude Bibeau said in a joint statement.

But they pledged "to stand up for" the dairy industry and "continue to preserve, protect and defend the supply management system." From January through October 2021, the United States exported \$478 million worth of dairy products to Canada, making the country the third-largest export destination for those goods, USTR said. There are 10,095 dairy farms in Canada, which directly support approximately 19,000 jobs, according to the Canadian government. — AFP

## Toyota overtakes GM to lead US auto sales for 2021

NEW YORK: Japanese carmaker Toyota led US automobile sales in 2021, according to figures released Tuesday, overtaking General Motors for the first time as a shortage of semiconductors roils the car industry. The shift atop the rankings came after a year in which assembly lines were plagued by scarcity of the crucial computer chips, resulting in steep fourth-quarter sales declines for both companies.

But Toyota still managed to grow annual sales in the United States by 10.4 percent to 2.3 million, while General Motors suffered a 12.9 percent drop to 2.2 million. Toyota, which has been credited with better management of the chip issue compared with some rivals, saw small annual gains for two top-selling sedans, the Camry and the Corolla, and a modest dip in sales of its Rav4 compact SUV. Its full-sized Highlander SUV scored higher sales in 2021.

GM, which relies more heavily on trucks than Toyota, saw an annual 10.8 percent drop in its Silverado pickup trucks and a 6.4 percent fall in its GMC truck line. GM has held the crown as the number-one company in US auto sales since 1931, when it sup-

planted Ford, according to trade publication Automotive News.

Charlie Chesbrough, senior economist at Cox Automotive, noted that GM's de-emphasis of sedans has cost it some market share, and characterized Toyota's ascendance as a "significant event" given GM's long-time leadership. In a market starved of inventory, Toyota also may have benefited from a smaller dealer network compared with GM, Ford and Stellantis, which owns the Chrysler brands, he said.

"The larger dealer networks of GM/Ford/Stellantis may have faced a greater challenge of keeping the right product in the right market for the right buyer," Chesbrough said in an email. "And, as a result, sales may have been trimmed because buyers couldn't find the product they wanted."

#### Semiconductor struggle

Cox has projected 2021 US sales of 14.9 million, up 2.5 percent from the 2020 level but much below the five-year average. The consultancy has pointed to strong demand but anemic inventories, saying "demand is healthy but... you can't sell what you don't have."



HOUSTON: Vehicles sit on the lot at the Joe Myers Toyota dealership in Houston, Texas. Toyota Motor Corp has been ranked the No. 1 automaker in America after surpassing General Motors in auto sales for the first time since 1931. — AFP

A shortage in semiconductors has been one of the emblematic supply chain problems of the COVID-19 pandemic. Analysts have cited outsized demand for electronics as a factor, but automakers have also seen supplies of the component affected by closures at factories in Asia due to COVID lockdowns or fires at manufacturing sites.

Among other companies reporting sales, Honda scored an 8.9 percent rise in US sales last year to 1.5 million vehicles, and Hyundai won a 19 percent increase to 738,081 autos.

While GM has acknowledged that low car inventories are a problem,

Chief Executive Mary Barra and other executives have touted strong vehicle pricing, which has enabled it to remain profitable even as sales sag.

GM's inventories recovered somewhat during the quarter, finishing December at just under 200,000. That is about 55 percent more than three months earlier, but less than half the level of a year ago.

"The key constraint for sales continues to be reduced inventory levels as a result of the semiconductor shortage. Those inventory levels are beginning to recover," said GM Chief Economist Elaine Buckberg. — AFP

## Germany paves way to clamp down on Google activities

BERLIN: Germany's antitrust regulator yesterday classified Google a company of "paramount significance across markets", a move paving the way for the authorities to clamp down on any potentially anti-competitive activities.

The decision is the first after an amendment of the German Competition Act came into force January 2021, allowing the authority to intervene earlier, particularly against huge digital companies. "This is a very important step since based on this decision the Bundeskartellamt (regulator) can now take action against specific anti-competitive practices by Google," said Andreas Mundt, president of the Federal Cartel Authority, in a statement.

Wielding the new legislation, the authority has over the last year opened probes into US tech giants such as Amazon and Facebook. In the cases surrounding Google, Mundt said his authority was looking at how the company processes personal data.

It is also examining the US group's Google News Showcase, which was launched in Germany in 2020 and allows publishers to place journalistic content more prominently online. Big tech companies have been facing increasing scrutiny around the globe over their dominant positions as well as their tax practices.

In November, Google lost an appeal at the European Union's second-highest court against a 2.4 billion euro (\$2.8 billion) fine imposed by Brussels for abusing its search engine dominance. — AFP

## US private hiring surged to 807,000 in December: ADP

WASHINGTON: Hiring surged in December, especially in the service industry, with private US firms adding 807,000 workers, payroll services firm ADP reported yesterday. It was a big upswing from the 505,000 gain in November and nearly double the increase economists had been expecting, but the hit from the fast-spreading Omicron variant may still be ahead.

The data offers a preview of the government employment report due out Friday, but ADP can be far out of line with the official figures. Economists are projecting the jobs report will show the US economy added 440,000 jobs in the final month of the year, nearly twice the disappointing November result. ADP said service firms, including restaurants and hotels that were the hardest hit by the COVID-19 pandemic, added 669,000 workers last month, while goods-producing companies hired 138,000. "December's job market strengthened as the



MIAMI, Florida: File photo shows, a "We're Hiring" sign hangs on the wall of a Target store in Miami, Florida. Hiring surged in December, especially in the service industry, with private US firms adding 807,000 workers, payroll services firm ADP reported yesterday. — AFP

fallout from the Delta variant faded and Omicron's impact had yet to be seen," ADP chief economist Nela Richardson said.

"Job gains were broad-based, as goods producers added the strongest reading of the year," Richardson said. ADP said private hiring

in the fourth quarter averaged 625,000, topping the 514,000 average for the year. — AFP

But "while job gains eclipsed 6 million in 2021, private sector payrolls are still nearly 4 million jobs short of pre-COVID-19 levels," Richardson said. — AFP

## Leaked memo says rusty Qantas pilots making errors

MELBOURNE: Some Qantas pilots are making mistakes as they return from long breaks caused by the Covid-19 pandemic, according to an internal memo reported by Australian media yesterday. Among the errors listed in Qantas pilot reports: starting take-off with the parking brake on and misreading the altitude as airspeed, said a report by the Sydney Morning Herald and Melbourne's Age.

It also cited switches in cockpit panels being in the wrong position, and crew looking back at an event and "not realising that they were overloaded or had lost situational awareness". The memo by Qantas' fleet operations chiefs reportedly said the COVID-19 related disruption to flights meant pilots had less recent flight experience, a requirement known as "recency".

As a result, the memo is quoted as saying, expert pilots "experienced a subsequent reduction in cognitive capacity". "Airlines around the world are working through the complex process of returning to pre-COVID operations, including bringing back pilots who experienced extended periods on the ground," a Qantas spokeswoman said. Qantas recognised very early that it needed to reassess pilots' recent and current flight time requirements as well as its "refamiliarisation programs", she said. "We designed an enhanced return-to-work program fit for the unprecedented challenge facing our industry," the spokeswoman added. — AFP