

TRUMP ERA A NEW CHALLENGE FOR THE IMF

WASHINGTON: In its 70-year history, the International Monetary Fund has been no stranger to financial crises and policy disputes but now faces a new challenge: a US administration fundamentally opposed to some of its most important positions. With the Fund's 189 members due to stage a semi-annual meeting in Washington this week, there has been no shortage of divergences with the White House. The Trump administration has vowed to dismantle much of the financial regulation put in place after the 2008 financial crisis. But the Fund warns darkly that excessive deregulation could "increase the likelihood" of another meltdown.

The IMF warns of the economic dangers of climate change. But the Trump administration casts doubt on its existence and seeks to revive its coal industry while threatening to withdraw from the 2015 Paris Agreement on emissions. It is nevertheless the volatile question of global trade that holds the greatest potential for friction between the IMF and its largest shareholder.

Rubbish

Since the US presidential campaigns, the IMF has repeatedly warned about the dangers of "inward-looking" protectionist measures and defended multilateralism. It is hard to see this as anything but an implicit

counter-argument to Trump, who has vowed to raise trade barriers and restrict immigration, who has assailed the free-trade promoted by the World Trade Organization and on Tuesday signed an executive action to promote US firms over foreign ones in federal contract awards. The IMF has so far escaped the president's barbs. Not so in the case of the Commerce Secretary. "Every time we do anything to defend ourselves...they call that protectionism," Wilbur Ross told The Financial Times. "It's rubbish." Washington, meanwhile, is calling on the IMF to pay closer attention to member countries' efforts to affect currency exchange rates and other imbalances, particularly in trade, that harm the United States. "Clearly, there are some in the Trump administration that have expressed enormous skepticism toward multilateralism and if their line prevails, institutions like the IMF will suffer," said Douglas Rediker, a former US representative at the Fund. Such antagonism cuts a stark contrast with the Obama years, when the IMF found a receptive audience at the White House in calling for raising the US minimum wage, combatting income inequality or giving a greater voice to emerging countries. "There will be some tensions but the weight of the US should not deter the IMF from being blunt and frank in its assessment of US policies,"



International Monetary Fund Managing Director Christine Lagarde.

said Nathan Sheets, former under secretary for international affairs at the US Treasury. For the moment, the IMF is holding its anti-protectionist line but also striking a conciliatory tone by hailing the Trump administration's plans to invest in infrastructure and cut corporate taxes. "As a result of an expected US fiscal stimulus and

an expected tax reform, there has been optimism, some unleashing of 'animal spirits,'" IMF Managing Director Christine Lagarde said in an interview with several European media outlets published Tuesday.

Just before Trump took office, the IMF had also markedly revised its US growth forecasts upwards, expecting 2.3 percent growth this year. It reaffirmed this prediction in an outlook published Tuesday despite what it said was considerable uncertainty surrounding future US economic policies. The IMF is in reality faced with a delicate balancing act: maintaining its independence without alienating its powerful financial backer.

To be sure, the United States does not have the legal means to cut off the IMF's livelihood. But it can make things difficult for the Fund by slowing the institution's efforts to become more active on social and environmental questions and to give greater weight to China or Russia. "The Trump administration will be able to have some impact on what the Fund agenda is," said Sheets. The thorny case of Greece could also be affected. European governments are calling on the IMF to participate in the current aid plan for Athens but the Fund will have to convince Washington that this is wise. "The administration will be more reluctant to support IMF resources being used in Greece," said Sheets. — AFP

News

in brief

ECB's Coeure castigates isolationism in NY visit

FRANKFURT: Isolationism could leave the most vulnerable members of society even more exposed than they already are, European Central Bank board member Benoit Coeure said yesterday, defending globalization and urging more international cooperation. Speaking in New York, Coeure said openness, collaboration and tolerance have been key for economic growth while protectionism and unilateral deregulation would only yield short-term benefits at the cost of financial stability. With the US administration advocating "America First" protectionist policies, Britain leaving the European Union and several top French presidential candidates calling for an isolationist shift, the status quo is facing its biggest challenge in decades. "As the benefits and legitimacy of international cooperation are being called into question, it's essential to defend the values that underlie global economic governance," Coeure, a top lieutenant to ECB President Mario Draghi said. "In Europe, for example, younger generations have grown up in the belief that the free movement of people, goods, services and capital is an unqualified right," Coeure added.

BMW workers begin strikes over pension dispute in UK

LONDON: Workers at three British plants of German car giant BMW began a 24-hour strike yesterday over proposed changes to pensions, leading to a halt in production of the iconic Mini. Employees belonging to the Unite union picketed at the plants in Cowley and Swindon, in southern England, and in Hams Hall in the centre of the country, with eight more walk-outs promised over the next five weeks. The carmaker said Mini and BMW engine production had stopped for the day as workers protested against the closure of its two final-pension schemes for around 5,000 employees in Britain, according to the Press Association. Going ahead, the value of a worker's pension would be linked to the pension fund's performance in the stock market, and not salary. The carmaker announced the plan last year, and aims to make the change on May 31. "It is very much the last resort for a world-class workforce that takes great pride in making the iconic Mini and world-renowned Rolls-Royce motor cars and one which could have been avoided if BMW's bosses had been willing to negotiate meaningfully," Unite general secretary Len McCluskey said.

Morgan Stanley posts strong 1Q profit; 74%

NEW YORK: Wealth management and investment banking firm Morgan Stanley saw profits rise 74 percent in the first quarter, helped by its well-regarded trading desks. Morgan Stanley's wealth management arm, a part of the firm's business that management has been focusing much of its energy on, also grew profits in the quarter. The New York-based bank said yesterday that it earned \$1.93 billion in the first quarter, or \$1.00 a share, compared with \$1.13 billion, or 55 cents per share, in the same period a year earlier. The results topped analysts' expectations of 89 cents per share, according to FactSet. After Goldman Sachs reported a disappointing first-quarter profit on Tuesday, largely due to lackluster trading, there were concerns that Morgan Stanley might be in a similar position. That turned out not to be the case. Morgan Stanley's institutional securities division, which includes its investment bank and trading operations, had net revenue of \$5.15 billion compared with \$3.71 billion a year earlier.

Restaurant group joins suit against US president Trump

NEW YORK: An organization that advocates for restaurant workers has joined a lawsuit that claims Republican President Donald Trump is violating the Constitution by letting his businesses accept money from foreign governments. Restaurant Opportunities Centers United and a Washington, DC-based luxury hotel event booker were added to the lawsuit filed by the watchdog group Citizens for Responsibility and Ethics in Washington. Trump called the lawsuit "without merit, totally without merit" when it was filed in Manhattan federal court in January. A spokeswoman for the Department of Justice's civil division said the government had no comment on Tuesday. The lawsuit claimed that a constitutional clause prohibits Trump from receiving money from foreign governments for hotel stays or office leases. The rewritten lawsuit cites violations it says have resulted since Trump became president, including the leasing of the Trump International Hotel in Washington.

SRI LANKA BATTLES LABOR SHORTAGE AMID MASSIVE CONSTRUCTION BOOM

CONTRACTORS AT HOME DESPERATE FOR WORKERS

COLOMBO: Cheap Sri Lankan labor has built skyscrapers and condos across the Gulf for decades but now contractors at home are desperate for workers as the island nation experiences an unprecedented construction boom. The labor shortage has seen builders offer lavish incentives ranging from cash to vehicles to keep workers from heading overseas, and in some cases, illegally employ foreign tradesmen to man projects.



COLOMBO: A Sri Lankan construction laborer works on a new apartment building at a complex in Colombo. — AFP

Sri Lanka was left with a massive reconstruction task at the end of the civil war in 2009, with large parts of the north left in ruins by decades of fighting. Annual investment in new homes, roads and ports—which has hovered at around 600 billion rupees (\$4 billion) in recent years—is expected to almost triple to \$11.6 billion in 2017. But Sri Lanka needs 400,000 new workers—a two-thirds jump from

existing levels—to keep up with this surge, said Nissanka Wijeratne, the head of the Chamber of Construction Industry.

"We can't get that many overnight and we will have to import. We are now facing a serious labor crisis," he said. Private contractors are going to extreme lengths to stop the flow of tradesmen heading to the Gulf for construction jobs, offering bonuses like motorcycles and cars to laborers who choose to work on projects back home.

The government has taken a different approach and sought to put curbs on migration by raising the minimum wage requirements for workers heading overseas. Under their proposal, Sri Lankans will be barred from going abroad for work unless they can show evidence of future earnings amounting to more than \$400 per month. "We want to discourage those who go abroad for low pay. Some of these workers can get more money if they stay back in Sri Lanka," Finance Minister Ravi Karunanayake said.

But it is a risky strategy. Roughly one in ten Sri Lankans work abroad and their remittances are the number-one foreign exchange earner for the island of 21 million. The pool of money flowing home is growing, with Sri Lankans sending \$7.24 billion last year compared with \$6.98 billion in 2015. The push to recruit local workers has also suffered due to a cultural stigma surrounding blue-collar labour, meaning that Sri Lankans living in the country often choose low-paying office jobs over better remunerated opportunities in masonry, carpentry and plumbing. "There is a social perception about construction industry labor, and that is why young people prefer public sector jobs even if they pay much less," Wijeratne said. "It is about social acceptance."

'Illegally employed'

The dearth has spurred some desperate contractors to look offshore themselves—not for work but workers. The government esti-



COLOMBO: Chinese construction team members look on at a new apartment building complex in the Sri Lankan capital Colombo. — AFP

mates roughly 200,000 foreigners are employed illegally in the construction sector. "Foreigners are illegally employed like this because we have a shortage of workers," urban development minister Champika Ranawaka said recently.

"I am proposing that the government come up with a policy on foreign workers to regularize this sector." One company, which declined to be identified, said it was employing foreign workers illegally but noted that many others were doing the same.

Chinese firms, unable to source local labor, have moved armies of construction workers to Sri Lanka to man their mega building projects. Along one of Colombo's main promenades, hundreds of Chinese workers wait every day for transport home after finishing a shift building towers for a new Shangri-La

Hotel. Across the street, their countrymen toil on a vast \$1.4 billion real estate development. Despite unemployment hovering at 4.5 percent at the end of 2016, the crippling labor shortage shows no signs of easing, raising fears that it will put the brakes on economic growth. A large-scale Sri Lankan contractor said he had stopped accepting commissions to build condos because he couldn't find tradesmen to finish the job.

The crisis is stretching beyond the construction sector. Sewage and water works projects are struggling to find laborers and are turning to neighboring India for workers. Sri Lanka's lucrative garment industry is also facing a shortage of 50,000 machine operators, and many companies have relocated to Bangladesh in search of cheap labor, according to industry officials. — AFP

'DEATH BY OVERWORK'

JAPAN'S 100-HOUR OVERTIME CAP SPARKS ANGER

TOKYO: Workaholic Japan has unveiled its first-ever plan to limit overtime, but critics want to give it the boot, saying an "outrageous" 100-hour-a-month cap will do nothing to tackle karoshi, or death from overwork. Tokyo's bid to ease a national health crisis comes after the top executive at advertising giant Dentsu quit late last year in response to the suicide of a young employee who regularly logged more than 100 hours of overtime a month.

The death of Matsuri Takahashi generated nationwide headlines, prompting the government to come up with a solution to punishing work hours blamed for hundreds of deaths due to strokes, heart attacks and suicides every year. A panel headed by Prime Minister Shinzo Abe has since come up with a plan calling for a maximum of 100 overtime hours a month. The conservative leader called it a "historic step for changing the way people work in Japan" but critics think the plan should be given its marching orders. The Labor Lawyers' Association of Japan has slammed the proposed cap as "extremely inappropriate" and "impossible to support". "It's tantamount to endorsing a limit that could cause overwork deaths," said Association head Ichiro Natsume. Others who have lost loved ones to karoshi agree. "We cannot accept this-it's outrageous," said Emiko Teranishi, who heads a group for relatives of karoshi victims.

"I thought the government was finally going to tackle the issue.... But this has turned out to be (a) step backward rather than a step forward," Teranishi's husband was the manager of a struggling soba noodle restaurant in Kyoto when he committed suicide in the mid-nineties after suffering from depression blamed on long working hours. "My husband worked for a total of 4,000 hours a year without weekends off. At most, he had two days off a month," she said, adding that he was pressured to work more by



TOKYO: A Japanese businessman, called salaryman rubs his eyes as he heads to his office in Tokyo. Workaholic Japan has unveiled its first-ever plan to limit overtime, but critics want to give it the boot, saying an 'outrageous' 100-hour-a-month cap will do nothing to tackle karoshi, or death from overwork. — AFP

his recession-hit employer. "He was depressed. He told me he couldn't sleep or eat. I asked him to take a day off every morning, but he still went to work."

'How many more must die?'

The popular post-war image of a Japanese "salaryman" toiling long hours, drinking with the boss and then taking the last train home has evolved over the decades, but many still spend far more time at the workplace than their counterparts in other modern economies. Currently, Japanese firms can make full-time employees work far beyond the usual 40 hours a week during busy periods. Overtime is viewed as a sign of dedication at many firms, even if Japanese workers' productivity lags behind that of their US and European counterparts. And more than one in five Japanese companies have employees whose tendency to overwork puts them at serious risk of dying, according to a government survey published in October.

That survey was part of the nation's first white paper on karoshi. The new rules would limit monthly overtime and

levy penalties on firms that don't comply both firsts in a country notorious for its gruelling work schedule.

The scheme, hammered out by Japan's biggest business lobby Keidanren and the Japanese Trade Union Confederation, known as Rengo, officially says overtime should not exceed 45 hours a month. But the proposed changes to the labour laws, expected to be submitted this year, would let employers make workers put in as many as 100 hours of overtime if the office is busy-a determination made by managers.

Rengo's president Rikio Kozu praised the scheme as "the first step taken toward eliminating karoshi". But it does not do enough to tackle the problem, said Hifumi Okunuki, a unionist and teacher at Sagami Women's University, warning that the death toll was sure to mount unless more stringent action was taken. "It seems we have drifted further away from that day in the future when the word 'karoshi' becomes an historical footnote," she wrote in a Japan Times opinion column. "How many more workers must die before our country wakes up?" — AFP

MIKE PENCE THANKS CORPORATE JAPAN FOR BOOSTING US GROWTH

TOKYO: Vice President Mike Pence yesterday hailed Japanese companies for contributing to US economic prosperity, moving to ease fears over the protectionist agenda of President Donald Trump. Trump has criticized Japanese auto giant Toyota for planning to open a factory in Mexico, part of general broadsides against both foreign and domestic companies as he emphasises job creation in the United States. Last week his administration kept Japan on a Treasury Department watch list covering foreign exchange policies of US trading partners, exerting tacit pressure on Tokyo to buy more American-made goods and services. Such actions, as well as Trump's vow to root out alleged unfair trade practices around the world, have sent shivers through Japan Inc, which has a huge presence in the US. But addressing dozens of Japanese and US business executives on a visit to Tokyo, Pence described his country as "grateful" for Japanese investment and stressed the vibrant business ties between the world's number one and number three economies.

"The trade between us is an important factor to our success," he said, noting that the countries together account for a third of the world economy. "The economic partnership between the US and Japan will continue to grow and flourish," he added. Pence, formerly the governor of the state of Indiana, also lauded Toyota and other big US companies for contributing to US prosperity. "Your businesses create jobs and drive innovation in the United States and in Japan," he said.

In early January, while still president-elect, Trump in a tweet threatened Toyota with tariffs over a planned new vehicle plant in Mexico. Weeks later, Toyota said it would invest \$600 million and create 400 jobs at one of its US plants as part of some \$10 billion investments in the US over the next five years. Sadayuki Sakakibara, chairman of Japan's largest business lobby Keidanren, described a meeting Pence held with business leaders before the speech as "truly meaningful". Sakakibara said he explained to Pence how Japanese corporate activities have contributed to the US economy. "I think (Pence) more than fully understood what we said," Sakakibara told reporters.

On Tuesday the US and Japan kicked off talks aimed at achieving a new economic relationship-in line with Trump's vow to focus on bilateral trade deals rather than multilateral ones that he says have damaged the US. Pence and the Japanese Deputy Prime Minister led the talks and planned to meet again before the end of the year to assess progress. The US vice president said they could eventually result in a bilateral trade deal, though offered no specific time frame. Trump's decision to scrap the ambitious 12-nation Trans-Pacific Partnership (TPP) deal championed by former president Barack Obama was a blow to Japanese Prime Minister Shinzo Abe, who expended substantial political capital to get the accord passed at home. — AFP