

Business

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18 Japan reappoints Kuroda as BOJ chief for another term**19** Oil prices drop on bearish US data, capital markets sell-off**21** Kinshasa joins flydubai's growing network in Africa

A general view of the site of the Chinese-funded \$1.4 billion reclaimed land next to Colombo's main sea port. China will invest \$1 billion in the construction of three 60-storey buildings at a mega-project near Sri Lanka's main port, Colombo. — AFP

China vows to act against US trade curbs

Washington eyes hefty import tariffs on steel and aluminum industries

BEIJING: China yesterday warned it would take necessary measures to protect its interests if the US imposes tough trade sanctions against its steel and aluminum exports.

The US Commerce Department on Friday recommended imposing heavy tariffs on China and other countries to counter a global glut in steel and aluminum, laying out an array of possible options in a report to President Donald Trump. The move gives Trump the opportunity to strike a highly public blow for his "America first" trade policy—he is due to decide on the measures next month—but has stoked fears of retaliation and a trade war between the world's two largest economies.

"If the United States' final decision affects China's interests, we will take necessary measures to defend our rights," said Wang Hejun, a director at China's commerce ministry, in a statement responding to the US report. The US report framed concerns about Chinese overproduction in terms of national security and defense—an approach refuted by Wang. "The findings of the investigations (of

the US Department of Commerce) are groundless and do not correspond to reality," he said. Washington "should not lightly adopt restrictive measures under the pretext of 'national security' ... a vague formula that can easily lead to abuse," he said.

China produces about half of the world's steel but supplies less than two percent of the steel imported by the United States. The US and EU argue Chinese overproduction is heavily subsidized by the state and has depressed world prices, hurting their own domestic production.

Trump on Tuesday accused Beijing of decimating American steel and aluminum industries, saying he was "considering all options".

The US Commerce Department has recommended that President Donald Trump impose steep curbs on steel and aluminum imports from China and other countries ranging from global and country-specific tariffs to broad import quotas,

according to proposals released on Friday.

The long-awaited unveiling of Commerce's "Section 232" national security reviews of the two industries contained global tariff options of at least 24 percent on all steel products from all countries, and at least 7.7 percent on all aluminum products from all countries.



Proposal to slap tariff of at least 24%

The recommendations were presented to Trump last after he authorized the probes under a 1962 trade law that has not been invoked since 2001. He has until April 11 to

announce his decision on steel import curbs and by April 20 to decide on aluminum restrictions. US Commerce Secretary Wilbur Ross emphasized that Trump would have the final say, including on whether to exclude certain countries, such as NATO allies, from any actions. "The president has the discretion to modify any of these or to come with something totally different," he told reporters on a conference call.

He said a global tariff would cover every steel and aluminum product entering the American market from China. Steel stocks soared with US Steel closing up 14.7 percent, AK Steel up 13.7 percent, Nucor ended up 4.5 percent and the broader S&P 1500 steel index 5.3 percent higher.

Century Aluminum shares closed up 8.3 percent, while Alcoa, which has operations across the globe, ended off 0.44 percent. Alcoa said in a statement the US trade actions should focus on Chinese overcapacity and not penalize nations that abide by

the rules. Ross said he would not be surprised if countries challenged the measures at the World Trade Organization.

He said "there has been no dialing back" of the recommendations due to objections from industries that use steel and aluminum. "The objective of both reports is to get the production up to a level which will result, in our judgment, in the long term viability of each industry," Ross said, adding that he did not believe that the recommendations would lead to significant price hikes. US Senate Democratic leader Chuck Schumer said he hoped the proposals "are the beginning of efforts by this administration to finally get tough on China."

Alternatively, Commerce recommended a steel tariff of at least 53 percent on all steel imports from 12 countries—Brazil, China, Costa Rica, Egypt, India, Malaysia, Russia, South Korea, South Africa, Thailand, Turkey and Vietnam. Other countries would be subject to a quota limiting their tariff-free access equal to their 2017 steel exports to the United States. — Agencies

Indian police arrest three in \$1.8bn PNB fraud case

NEW DELHI: India's federal police arrested two employees at Punjab National Bank believed to be at the center of a staggering \$1.77 billion fraud, a police source said yesterday, in the first arrests so far in the country's biggest-ever bank scam. The arrests late on Friday come amid an intensifying probe involving various authorities after India's second-largest state-run lender said on Wednesday it had been hit by massive fraud.

The two bank employees who were arrested, Gokulnath Shetty and Manoj Kharat, are suspected of steering fraudulent loans to companies linked to billionaire jeweller Nirav Modi and to entities tied to jewellery retailer Gitanjali, which is led by Modi's uncle, Mehul Choksi.

The accusations against the two relatively junior officials at PNB were detailed in the lender's disclosure, and were also contained in a preliminary police report.

Police also arrested a third person, Hemant Bhat, whom the source described as the "autho-



MUMBAI: Indian Central Bureau of Investigation (CBI) officials escort Gokulnath Shetty (C, grey hair), the former deputy manager of the Punjab National Bank (PNB) into a special CBI court in Mumbai yesterday. — AFP

rized signatory" of the companies tied to Nirav Modi. All three are being questioned, and will appear in a Mumbai court later on Saturday, the source said, adding an "examination of others is continuing."

The whereabouts of Modi, whose high-end jewellery has been worn by Hollywood stars including Kate Winslet, is unknown. TV Station NDTV on Friday reported he was at a suite in a hotel in New York, citing household staff who answered the door. The scale of the fraud has

sparked a slew of probes into the lender, as well as into Modi, his uncle Choksi and companies affiliated to both.

India's Income Tax Department has also extended a probe into Modi and his group companies, looking into possible tax evasion and suspected investment of illegal funds, a spokeswoman told Reuters yesterday. The spokeswoman said 29 properties and 105 bank accounts of Nirav Modi and his group companies had been seized. — Reuters

IMF chief warns on rate risk from US tax reform

PARIS: IMF chief Christine Lagarde warned yesterday that economic stimulus from US tax cuts may lead to a rapid rise in interest rates which would weigh on countries with high debt levels. The International Monetary Fund was going to be "attentive" to the consequences of the reform, which notably includes a sharply lower corporate tax rate, she told French radio station France Inter. Lagarde's remarks echoed concerns in financial markets which have been in turmoil amid fears that rising US inflation will trigger faster Federal Reserve interest rate rises than had previously been expected.

Several key stock markets lost around 10 percent last week in a brutal correction that Lagarde said in the interview had been "inevitable". She said the US tax reform "will

operate like a kind of stimulus on the current economic situation" in the US which was already experiencing "strong" growth. "You have to ask yourself whether this will not result in rising wages, rising prices and therefore rising inflation and whether, consequently, there is a risk of a reaction by the monetary authorities, notably in the form of interest rates rising a little faster or a little more frequently," she said. This, in turn, would have "an impact on all of the world's economies, especially on heavily indebted economies", Lagarde said.

"We believe that we must be attentive to what is going on, especially in the United States," Lagarde said. She rejected, however, any comparison with the economic situation preceding the 2008 financial crisis. "We are not at all in a pre-major crisis situation like we were in 2008," she said.

The US Congress in December approved a tax reform package that will slash corporate tax to 21 percent from 35 percent. Last month, the IMF said the reform would probably have a positive short-term impact on the US economy, and raised its growth forecast for the world's biggest economy this year by 0.6 percentage points to 2.5 percent. — AFP