# Fuel price riots in Haiti lay bare budget woes

## Govt may have to look for alternative means to raise $300m

**PORT-AU-PRINCE:** Setting a budget is not the easiest exercise for wealthy countries in the best of circumstances. In impoverished Haiti, where proposed fuel price increases sparked deadly looting and arson attacks, it's nearly impossible.

The decision to scrap the price hikes amid the weekend spasm of violence means the government will have to find another way to come up with the $300 million the move would have generated.

It's not an insignificant amount-the total is more than 11 percent of the 2018-2019 budget presented to parliament in June for debate.

Now, the government of President Jovenel Moise has to get creative in a bid to appease all sides-consumers demanding his resignation, politicians with varying interests and the International Monetary Fund, It won't be easy.

The streets of the capital Port-au-Prince were strewn with barricades over the weekend, bringing activity in the chaotic city to a halt. Dozens of shops were looted and burned and cars were set ablaze. At least four people were killed. For motorcycle taxi driver Luckner Michel, the proposed price hikes — 38 percent for gasoline, 47 percent for diesel and 51 percent for kerosene-are simply unworkable.

"Gasoline was already too expensive, and life here is generally too expensive-they are simply trying to kill us," Michel said. "Even if I could pay that much, I would have to hike my fares, and people don't have the means to pay more. So I would be out of business."

Guichard Dore, an aide to Moise, insists "new priorities" for the budget will be set after the fuel price riots. "We have realized that there were not enough resources to address social problems," Dore said. "For years, social financing of the economy has not been assured."

### IMF wants gradual approach to end subsidies

**'Revised strategy'**

Haiti is desperately poor: around 60 percent of its people live on less than two dollars a day, and they are extremely sensitive to even minor increases in prices of just about anything. In February, Haiti signed an agreement with the International Monetary Fund, the Washington-based global crisis lender, in which the country committed to carrying out economic and structural reforms to promote growth.

One of those conditions was to eliminate petroleum product subsidies, prompting the doomed price hike proposal. The accord also called on the government to keep inflation under 10 percent. Since 2015, inflation has been running at between 13 and 14 percent annually. And the budget blueprint submitted to the legislature in late June still foresaw a rate of 13.6 percent.

On Thursday, the IMF suggested "a more gradual approach" to ending fuel subsidies, paired with "compensatory and mitigating measures to protect the most vulnerable people." "We will continue to support Haiti... as they develop a revised reform strategy," IMF spokesman Gerry Rice said, noting that ending subsidies would free up funds for other programs like education.

**How to build a budget**

Crafting that revised strategy-and divvying up Haiti's meager budget resources-will be a delicate task. Each year, parliament-which can defy the government-carves out a big slice for itself, at the expense of other institutions. As it stands, the current budget proposal allots $100 million to the two chambers of the legislature-compared to $32.8 million for the judicial branch.

And in a country where more than half of the population is under age 20, the ministry of youth affairs, sports and civic action has to get by on just $16 million.

PORT-AU-PRINCE: In this file photo, Haitian people wait to purchase fuel at a gas station in the commune of Petion Ville in the Haitian capital Port-au-Prince, one of the few gas stations open during the strike to protest the hike in fuel prices. — AFP

The relatively large amount of money going to parliament angers everyday Haitians because lawmakers also receive a variety of subsidies over the course of the year and do not have to report how those funds are spent. More than 200 years after gaining independence from France, Haiti is still ranked by the World Bank as having one of earth's most unjust societies.

Over the weekend, that inequality was cited furiously by protesters demanding the resignation of Moise, who they accused of caring only about those who are well off.

"We are suffering through sheer misery here. We cannot withstand a hit" like the fuel price hikes, said Claudy Altidor, who lives in the Port-au-Prince suburb of Petionville, where many businesses were destroyed in the looting. "People work and work, and in one day, they lose everything. That makes a lot more people poor." — AFP

## US lifts ban on suppliers selling to China's ZTE

**NEW YORK:** The US Department of Commerce on Friday lifted a ban on US companies selling goods to ZTE Corp, allowing China's second-largest telecommunications equipment maker to resume business.

The Commerce Department removed the ban shortly after ZTE deposited $400 million in a US bank escrow account as part of a settlement reached last month. The settlement also included a $1 billion penalty that ZTE paid to the US Treasury in June.

"The department will remain vigilant as we closely monitor ZTE's actions to ensure compliance with all US laws and regulations," Commerce Secretary Wilbur Ross said in a statement that described the terms of the deal as the strictest ever imposed in such a case. The terms will allow the department to protect US national security, Ross said. The administration has clashed with lawmakers from its own party over issues related to China, and this was no different. On Friday, Senator Marco Rubio, a Republican, criticized the lifting of the ban.

"ZTE should be put out of business. There is no 'deal' with a state-directed company that the Chinese government and Communist Party uses to spy and steal from us where Americans come out winning," Rubio said in a statement. A photograph circulating among employees around midnight showed ZTE's new chief executive and 10 other managers each giving a thumbs-up to the news, which was flashed on a screen at the company, according to a person familiar with the matter.

The reprieve follows threats by the Trump administration this week to impose 10 percent tariffs on $200 billion of Chinese goods in a trade war.

ZTE did not respond to requests for comment. ZTE, which relies on US components for its smart phones and networking gear, ceased major operations after the ban was ordered in April.

US President Donald Trump tweeted in May that he closed down ZTE and let it reopen, although no agreement had been reached. White House trade adviser Peter Navarro said last month Trump agreed to lift the ban as a goodwill gesture to Chinese President Xi Jinping. — Reuters

In this file photo, the ZTE logo on an office building in Shanghai. Shares in Chinese telecoms equipment maker ZTE surged more than 20 percent in Hong Kong yesterday after the company moved a step closer to having a painful US purchase ban lifted. — AFP

## Some US industries could thrive amid trade tensions

**NEW YORK:** Though the escalating tensions between the United States and several of its trading partners could hurt companies across a broad range of sectors, several industries are poised to withstand them or even thrive, according to US financial services firm Cowen and Company on Friday.

China's recent revisions to tariffs have a clear benefit to luxury retailers, Cowen analysts said in a report. While the country raised import duties on several categories of US goods, it lowered tariffs on apparel, cosmetics, household goods and jewelry. The lower tariffs on jewelry could especially benefit Tiffany & Co, as 16 percent of its sales come from China, Cowen said. Other industries, including banks, restaurants and discount retailers, face relatively minimal impact from the burgeoning trade war and could even benefit under certain conditions, Cowen said.

Banks do not rely directly upon imports and exports, so the biggest risk for the group would be an overall economic slowdown if the trade war were prolonged. In that case, regional and community banks in areas especially hit by tariffs, such as the rural US Midwest, would have the most exposure to risk from an economic slowdown. Conversely, if the White House's stance on trade resulted in fewer tariffs on US goods and stronger intellectual property protections for US companies in China, it could boost the US economy and thereby brighten banks' outlooks.

Restaurants are insulated from tariffs because they source most of their food from within the United States. As with banks, the biggest tariff-related risk for the industry is a general economic slowdown. Ongoing trade disputes have pushed down grain prices, which could lead to increased protein production and ultimately lower prices for poultry and cattle. As a result, quick-service restaurants may cut prices, especially if tariffs begin to hit customers' wallets. That scenario would benefit large chains such as McDonald's Corp and Taco Bell, owned by Yum Brands Inc, but not regional chains such as Sonic Corp or Jack in the Box Inc, Cowen analysts said.

Discount and off-price retailers are also well-positioned as trade tensions ratchet up. Walmart Inc and Costco Wholesale Corp derive more than half of their sales from groceries, which shields them from tariff pressures, Cowen said. Both chains would benefit from shoppers seeking lower prices in the event of an economic downturn. That same scenario would help off-price discretionary retailers such as TJX Companies Inc , Ross Stores Inc and Burlington Stores Inc, according to Cowen. — Reuters

## S Korea to raise minimum wage by 11%; group rejects decision

**SEOUL:** South Korea yesterday decided to raise the minimum wage by 10.9 percent to 8,350 won ($7.40) an hour next year but a small-business group said it would refuse to implement the reform as its members were already grappling with a slowing economy.

South Korea's labor-friendly President Moon Jae-in has pledged to raise the minimum wage by 55 percent to 10,000 won per hour by 2020 as part of efforts to boost consumption and growth.

After a 19-hour-long meeting ending yesterday, the Minimum Wage Commission agreed on the wage increase, which was smaller than this year's 16.4 percent rise, amid worries about weak job growth.

South Korea added a monthly average of 142,000 jobs between January and June this year, the slowest growth seen since the 2008-09 global financial crisis, according to Statistics Korea.

A lobby group representing small business owners called the wage increase a "unilateral decision" and said it would impose a "moratorium" on its implementation.

"We can't accept the decision by the Minimum Wage Commission," the Korea Federation of Micro Enterprise said in a statement. "Small-business owners are at crossroads where they cannot help but choose either business shutdowns or staff cuts," the association said, adding that they were facing a "miserable reality."

It said its members would discuss the possibility of more action. "We may not be able to satisfy both companies and workers, but after a heated debate, we proposed levels that can contribute to improving the income of low-wage workers and alleviate an income cap, without hampering the economy and employment," Ryu Jang-soo, chairman of the commission, said in a statement.

He also said the commission would submit to the government proposals to support small merchants facing difficulties. The Organization for Economic Co-operation and Development said in a report in May that raising the minimum wage "could also slow employment growth and weaken Korea's competitiveness if not accompanied by productivity gain". Moon, who was elected last year, had made job creation a priority. — Reuters

SEOUL: Korean Air and Asiana Airlines employees protest outside the presidential Blue House in Seoul yesterday. — AFP

## Fitch downgrades Turkish debt rating to 'BB,' outlook negative

**WASHINGTON:** The ratings agency Fitch on Friday downgraded Turkish sovereign debt a notch to 'BB' with a negative outlook, citing inflation and widening current account deficit.

The decision followed S&P's move in May to cut the country debt ratings, likewise amid concerns about Ankara's worsening finances and weakening currency.

Recent actions by President Recep Tayyip Erdogan that could weaken central bank independence meant stewardship of the economy could suffer, Fitch said in a statement.

"In Fitch's opinion, economic policy credibility has deteriorated in recent months and initial policy actions following elections in June have heightened uncertainty," Fitch said in a statement.

"This environment will make it hard to engineer a soft landing for the economy."

Fitch said trouble was on the horizon for Turkey's economy. Annual inflation hit a 15-year high last month of 15.4 percent, driven by the falling lira, which has lost 27 percent so far this year.

While the central bank has raised interest rates by five percentage points since April, Fitch forecasts inflation will be double that of other countries in the 'BB' category. The current account deficit is expected to widen to 6.1 percent of GDP this year, but should decline to 4.1 percent next year by the weakening lira, lower oil prices and a growing tourism sector.

And with foreign investment at a low ebb, the government will have to resort to borrowing to finance the budget deficit, which is expected to drive net external debt to 35 percent of GDP by year end.

"Turkey's large gross external financing requirement leaves it vulnerable to shocks," the agency said, estimating external borrowing needs at $299 billion for 2018. Meanwhile, the central bank's credibility was "damaged" after Erdogan suggested his government could take a greater role in setting monetary policy.

"Subsequent amendments to the central bank's articles of association appear to strengthen the president's influence, notably over key appointments," Fitch said. — AFP

## EXCHANGE RATES

BAHRAIN EXCHANGE COMPANY WLL

| CURRENCY | BUY | SELL |
|---|---|---|
| **Europe** | | |
| British Pound | 0.395594 | 0.409494 |
| Czech Korune | 0.005683 | 0.014983 |
| Danish Krone | 0.043484 | 0.048484 |
| Euro | 0. 348122 | 0.361822 |
| Georgian Lari | 0.139562 | 0.139662 |
| Hungarian 0.001144 | 0.001334 | |
| Norwegian Krone | 0.033382 | 0.038582 |
| Romanian Leu | 0.065001 | 0.081851 |
| Russian ruble | 0.004889 | 0.004889 |
| Slovakia | 0.009060 | 0.019060 |
| Swedish Krona | 0.030198 | 0.035198 |
| Swiss Franc | 0.297153 | 0.308153 |
| **Australasia** | | |
| Australian Dollar | 0.217775 | 0.229775 |
| New Zealand Dollar | 0.199787 | 0.209287 |
| **America** | | |
| Canadian Dollar | 0.225655 | 0.234655 |
| US Dollars | 0.299450 | 0.304750 |
| US Dollars Mint | 0.299950 | 0.304750 |
| **Asia** | | |
| Bangladesh Taka | 0.003125 | 0.003926 |
| Chinese Yuan | 0.044007 | 0.047507 |
| Hong Kong Dollar | 0.036927 | 0.039677 |
| Indian Rupee | 0.003890 | 0.004662 |
| Indonesian Rupiah | 0.000017 | 0.000023 |
| Japanese Yen | 0.002618 | 0.002798 |
| Korean Won | 0.000258 | 0.000273 |
| Malaysian Ringgit | 0.071524 | 0.077524 |
| Nepalese Rupee | 0.002624 | 0.002964 |
| Pakistan Rupee | 0.001864 | 0.002634 |
| Philippine Peso | 0.005501 | 0.005801 |
| Singapore Dollar | 0.217488 | 0.227488 |
| Sri Lankan Rupee | 0.001610 | 0.002190 |
| Taiwan | 0.010416 | 0.010595 |
| Thai Baht | 0.008814 | 0.009364 |
| **Arab** | | |
| Bahraini Dinar | 0.789964 | 0.806464 |
| Egyptian Pound | 0.014332 | 0.020060 |
| Iranian Riyal | 0.000084 | 0.000085 |
| Iraqi Dinar | 0.000197 | 0.000257 |
| Jordanian Dinar | 0.423836 | 0.432836 |
| Kuwaiti Dinar | 1.000000 | 1.000000 |
| Lebanese Pound | 0.000156 | 0.000256 |
| Moroccan Dirhams | 0.020565 | 0.044565 |
| Omani Riyal | 0.782123 | 0.787803 |
| Qatar Riyal | 0.079088 | 0.084028 |
| Saudi Riyal | 0.079880 | 0.081180 |
| Syrian Pound | 0.001287 | 0.001507 |
| Tunisian Dinar | 0.111034 | 0.119034 |
| Turkish Lira | 0.057130 | 0.067430 |
| UAE Dirhams | 0.081220 | 0.082920 |
| Yemeni Riyal | 0.000987 | 0.001067 |