

Business

Trump prepares China trade curbs, Beijing vows retaliation

White House to probe China's alleged economic aggression

WASHINGTON: President Donald Trump was poised to unveil sanctions against China yesterday for what he called the theft of US intellectual property, fueling fears of a trade war as Beijing vowed to retaliate. White House spokesman Raj Shah told AFP that Trump will announce actions following an "investigation into China's state-led, market-distorting efforts to force, pressure, and steal US technologies and intellectual property."

According to his schedule, released by the White House on Wednesday evening, he will sign "a Presidential Memorandum targeting China's economic aggression."

The Chinese commerce ministry issued a pre-emptive warning, saying in a statement yesterday that Beijing "will certainly take all necessary measures to resolutely defend its legitimate rights and interests". It is just weeks since Trump short-circuited White House deliberations and announced a raft of sanctions on foreign-produced steel and aluminum off the cuff.

That move prompted the resignation of top economic advisor Gary Cohn, a global stock market selloff, legal disputes and threats of retaliatory measures. On Wednesday, Federal Reserve Chairman Jerome Powell warned that the prospect of a trade war was a growing threat to the world's largest economy. Chinese Premier Li Keqiang urged Trump on Tuesday to not act "emotionally," but the impulsive president is showing no sign of backing down.

US Trade Representative Robert Lighthizer recently put a separate proposed package of \$30 billion in tariffs on Chinese imports on the president's desk.

And Trump appears to have agreed to at least that amount, as he tries to fulfil campaign promises to get tough on "cheating" by US trade partners, which he says have destroyed American jobs.

The US trade deficit with China ran to a record \$375 billion last year-but US exports to the country were also at a record. Washington has long accused Beijing of forcing US companies to turn over proprietary commercial information and intellectual property as a condition of operating in China.

Trump claims to have built up a generally good relationship with his Chinese counterpart Xi Jinping whom he has praised for his role in pressuring North Korea over its nuclear program. However, the trade dispute threatens to cast a pall over those relations, especially given the recent warnings from Beijing.

A laundry list of grievances

A senior official in Lighthizer's office said Wednesday that the Clinton, Bush and Obama administrations had attempted over the decades to coax China into respecting market economics and trade liberalization, but had all failed. The Trump administration opened an investigation last August, acting on a series of allega-

tions against China, including that as a condition of doing business, Beijing forces US companies to enter joint ventures and transfer technology and trade secrets to domestic partners, and that American firms are not able to license intellectual property in China as freely as Chinese companies.

US officials also allege China has hacked US networks and conducted industrial espionage to steal US intellectual property. Xi sent his top economic advisor Liu He to Washington this month to discuss trade tensions, but the US official said that at no point had the Chinese made a constructive proposal.

"Certainly by November, the background was such that officials in China had reason to know about the concerns we've raised... At least, as of today the administration has not been satisfied with the types of responses we've been getting from China," the senior official in Lighthizer's office said, speaking on condition of anonymity in a briefing to reporters.

"Obviously the president will have the final say in terms of what we end up doing here."

"As a general matter, we do have very strong evidence that China uses foreign ownership restrictions such as joint venture requirements and foreign equity limitations to require or pressure technology transfer from US companies to Chinese entities," he added.—AFP

Eurozone business boom eases off but growth still solid

LONDON: Eurozone businesses rounded off the first quarter of 2018 with their slowest growth in over a year - and much weaker than expected - as new business took another hit from a stubbornly strong euro, a survey showed.

The euro zone's economic boom had already paused in February and a Reuters poll earlier this month said growth had peaked, in news that may concern the European Central Bank as it looks to move away from an ultra-loose monetary policy.

There is also a risk the slowdown could be widespread as growth rates in Germany and France both eased back this month, according to IHS Markit's Flash Purchasing Managers' surveys, with German business confidence waning. Global growth has been strong so far this year. But political uncertainty and the threat of trade skirmishes after the United States imposed tariffs on trade and aluminum imports means a slowdown may not be far away. Yet that didn't deter the US Federal Reserve from raising interest rates again on Wednesday and forecasting at least two more hikes this year. The ECB isn't expected to increase borrowing costs until next year. According to the ECB's regular economic bulletin published on Thursday, the euro zone economy is enjoying robust growth and may even outperform expectations in the near term. That in turn has pushed up the euro against the dollar.

"Fed policy tightening should stem upward pressure on the euro this year while a modest fiscal boost and an easing of fears about protectionism should help to support the German economy in particular over the quarters ahead," said Jennifer McKeown at Capital Economics.

The Bank of England is expected to keep policy unchanged later on Thursday but appears to be teeing markets up for an interest rate hike in May.

BoE policymakers may be relieved for now that London has agreed to a transition deal with Brussels to leave trade relations between Britain and the European Union unchanged until the end



Buenos Aires: French Economy Minister Bruno Le Maire delivers a speech during a press conference during the G20 meeting of Finance Ministers and Central Bank Governors, in Buenos Aires. — AFP

of 2020 after its departure next year. A further recovery in pay growth, according to separate official data published on Wednesday, was also interpreted as a sign the BoE is on course to raise rates in May when it publishes its next set of economic forecasts.

Still a healthy rate

While the eurozone's racing economy may have taken its feet off the pedals, growth remained strong. The flash composite PMI, seen as a good guide to economic health, remained comfortably above the 50 mark that divides growth from contraction.

IHS Markit said the data pointed to robust first-quarter GDP growth of 0.7 percent, a touch faster than the 0.6 percent rate predicted in a Reuters poll.

However, the indicator did slump to 55.3 this month, far below all forecasts in a Reuters poll which had predicted a more modest dip to 56.7 from February's final reading of 57.1.

"Even though the decline in the composite PMI seems quite dramatic, the immediate impact on the economy remains limited. Today's data indicates a slowing of momentum, but still corresponds to healthy growth rates," said Bert Colijn at ING.

But he too pointed to the strong currency as a concern. "Export orders weakened quite markedly as well, a first sign that the stronger euro and global political uncertainty are dampening some of the eurozone growth potential."—Reuters

EU leaders to weigh how to talk trade with Trump as tariffs loom

BRUSSELS: EU leaders will consider on how best to enter trade dialogue with US President Donald Trump, whose planned tariffs on steel and aluminum have threatened to trigger a trade war. The United States is set to begin charging import duties of 25 percent on steel and 10 percent on aluminium on Friday, although it appears to be ready at the last minute to consider exemptions beyond those already granted to Canada and Mexico. EU leaders are due to meet at 2 p.m. (1300 GMT), after European Trade Commissioner Cecilia Malmstrom's return from talks with US Commerce Secretary Wilbur Ross and U.S. Trade Representative Robert Lighthizer on securing an EU exemption.

She briefed EU ambassadors and the European Parliament on Thursday morning, before the summit, indicating there was a willingness to find a solution to avert a trade war.

Malmstrom told lawmakers she was hopeful the United States would exempt the European Union from metals tariffs. Trump is expected to make an announcement on trade later, with Chinese imports targeted. "It is the president who decides this... but we expect that Secretary Ross will recommend that the EU is excluded as a whole," she told the trade committee of the parliament. Lighthizer told the US Ways and Means Committee that the United States was in talks with the European Union, Argentina and Australia on granting possible exemptions to metals tariffs, and hoped to settle the issue by the end of April.—Reuters