

Business

# EU leaders want 'permanent exemption' from Trump tariffs

## Bloc 'reserves right' for counter-measures in trade row

BRUSSELS: EU leaders on Friday said they would maintain a threat to hit the US with counter-measures — that include tariffs on Harley Davidson motorcycles and bourbon — as long as a metals tariffs exemption granted by Washington remained temporary.

After a discussion at an EU summit in Brussels, leaders said in a statement the bloc would "reserve its rights, in compliance with World Trade Organization rules, to respond to the US measures as appropriate and in a proportionate manner." Trump on Thursday authorized the suspension of controversial tariffs on steel and aluminum imports from key trade partners including the European Union, but only until May 1.

The commission earlier this month drew up a list of potential counter-measures, including tariffs on peanut butter, motorcycles and denim jeans, in case Trump slapped on the tariffs.

"We now look forward to pursuing a dialogue with the US on trade issues of common concern, such as global steel overcapacity," EU Trade Commissioner Cecilia Malmstrom said in a tweet. "These discussions between allies and partners should not be subject to artificial deadlines," she added. Trump's exemption landed just before a Friday deadline, and came after eleventh hour talks in Washington between Malmstrom and top US officials. Argentina, Australia, Brazil, Canada, Mexico and South Korea were also spared.

"We are just starting a negotiation with the European

Union because they've really shut out our country to a large extent, they have barriers.. very strong tariffs," Trump said in Washington on Thursday.

### 'Gun to our head'

Some leaders bristled at Trump's tactics and said that his methods were unworthy of close allies. "This gives the impression that the head of the United States is looking to negotiate with the European Union with a gun to our head," said Belgian Prime Minister Charles Michel.

Speaking in Paris, EU Economic Affairs Commissioner Pierre Moscovici warned that the "devil was in the details". "This decision is temporary and will require exchanges with Washington and we will have to prepare for all eventualities," Moscovici told France Inter radio. Despite the apparent climbdown toward Europe, Trump has sparked fresh trade war fears by imposing huge tariffs on Chinese imports with Beijing unveiling its own measures against US goods.

EU leaders said they would seek a permanent exemption from punishing trade tariffs, after US President Donald Trump granted a temporary reprieve. "I am pleased that they have announced a temporary exemption for the EU," said British Prime Minister Theresa May as she arrived for the second day of an EU summit in Brussels. "What I will be working with my fellow EU leaders today is to see how we can secure a permanent exemption for the EU steel tariffs," she added. —AFP



## WTO chief warns trade barriers will 'jeopardize global economy'

GENEVA: The World Trade Organization chief warned states Friday that creating barriers to international trade would "jeopardize the global economy," after Washington slapped steep tariffs on Chinese imports, heightening fears of a trade war.

"Disrupting trade flows will jeopardize the global economy at a time when economic recovery, though fragile, has been increasingly evident around the world," WTO Director-General Roberto Azevedo said in a statement, calling for "restraint and urgent dialogue".

US President Donald Trump on Thursday hit China with tariffs on up to \$60 billion (48.5 billion euros) of imports to retaliate against the "theft" of American intellectual property, fuelling fears of a trade war between the world's two largest economies.

Washington also launched Friday a challenge before the WTO's Dispute Settlement Body (DSB) against China over intellectual property breaches. China meanwhile warned the United States that it was "not afraid of a trade war" as it threatened tariffs on \$3 billion worth of US goods in retaliation over the US measures.

In his statement, Azevedo said that during a meeting of WTO's Council of Trade in Goods, member states had discussed "a number of the specific tensions that have arisen between different members in recent weeks." "I encourage members to continue working through the WTO's many forums and mechanisms to deal with their concerns and explore potential solutions," he said, without naming any specific countries.

"Actions taken outside these collective processes greatly increase the risk of escalation in a confrontation that will have no winners, and which could quickly lead to a less stable trading system," he warned.

"I again call for restraint and urgent dialogue as the best path forward to resolve these problems."

The WTO, which strives to foster a level-playing field in global trade, can through its DSB act as a court to resolve trade disputes. However Trump's protectionist administration has levelled hostile rhetoric towards the WTO, and has nearly crippled its dispute resolution mechanism by blocking appointment of new judges. —AFP

## Japan machinery makers with China exposure take big hit

TOKYO: Shares of Japanese machinery makers with heavy exposure to China plummeted on Friday as China and the United States moved closer to a trade war that could damage global growth.

Shares in machinery makers, which account for 20 percent of Japan's total exports, had enjoyed strong gains in the past year on the back of brisk demand for investment in electronics and semiconductors in China, Japan's biggest trading partner. US President

Donald Trump signed a presidential memorandum on Thursday that will target up to \$60 billion in Chinese goods with tariffs to kick in after a 30-day consultation period. The tariffs would target sectors including technology.

"Responding to rising demand for tech products in China, Japan's capital goods makers and machinery makers had seen strong exports so they are likely to hit hard from now," said Shogo Maekawa, global market strategist at JPMorgan Asset Management. The Tokyo machinery sector index slumped 5.6 percent, helping to pull the Nikkei share average down 4.5 percent.

Machine tool makers were hammered, with Makino Milling Machine sliding 6.1 percent, Okuma Corp nose-diving 7.4 percent and DMG Mori Co stumbling 6.0 percent. —Reuters

## South Africa dodges new junk rating as Moody's ups outlook

JOHANNESBURG: South Africa, whose debt is rated as "junk" or non-investment grade by credit rating agencies Fitch and S&P, has escaped a third junk rating from Moody's which suggested the country's economic outlook was set to improve under its new President

Cyril Ramaphosa.

Moody's said in a statement that it was holding the rating on South Africa's long-term debt at Baa3, the lowest investment grade above junk status. But the statement, released overnight on Friday, said that the ratings agency had decided to upgrade the outlook for the country's debt from "negative" to "stable", meaning that a further downgrade was not on the cards.

"The confirmation of South Africa's ratings reflects Moody's view that the previous weakening of South Africa's institutions will gradually reverse under a more transparent and predictable policy framework," the statement said. "The recovery of the country's institutions will, if sustained, gradually support a corresponding recovery in its economy, along with a stabilisation of fiscal strength." —AFP

## Wall St nosedives as investors flee on trade war fears

NEW YORK: Wall Street tumbled on Friday with more than 1,000 points knocked off the Dow in two days as investors, increasingly nervous about a potential US trade war with China, shied away from risk ahead of the weekend and sought shelter from further losses. In a volatile session, the S&P 500 came within a hair of its 200-day moving average, a key technical level. The benchmark index also nudged closer to its February low, which marked a correction, ending 9.9 percent lower than its Jan. 26 record.

"There is concern what the trade war could look like. Investors want to manage their risk. If it escalates rapidly, it could be a major headwind for the market," said Peter Kenny, senior market strategist at Global Markets Advisory Group, in New York.

President Donald Trump's plans for tariffs on up to \$60 billion in Chinese goods moved the world's two largest economies closer to a trade war as China declared plans to levy duties on up to \$3 billion of U.S. imports including fruit and wine even as it urged the United States to "pull back from the brink."

The Dow Jones Industrial Average fell 424.69 points, or 1.77 percent, to 23,533.2, the S&P 500 lost 55.43 points, or 2.10 percent, to 2,588.26 after hitting an intraday low that was barely above its 200-day moving average of 2585.22. The Nasdaq Composite dropped 174.01 points, or 2.43 percent, to 6,992.67. For the week, the Dow was down 5.67 percent, the S&P 500 was down 5.95 percent and the Nasdaq was down 6.54 percent, marking their biggest weekly percentage falls since January 2016.

The Dow was down 11.6 percent since its Jan. 26 high, and hit its lowest close since confirming a correction in February. The Cboe Volatility Index, the most widely followed barometer of expected near-term



volatility in the S&P 500, finished up 1.53 points at 24.87, its highest close since Feb 13.

The S&P's financial sector was the S&P's biggest percentage loser, at 3 percent, after a volatile session in which it was whip-sawed by volatile Treasury yields. Bloomberg News cited China's ambassador to the United States saying that the country is "looking at all options" in response to tariffs, which could include scaling back purchases of US Treasuries.

Nasdaq was weighed down by declines in momentum stocks such as Facebook, Amazon.com, Microsoft and Google's parent Alphabet.

The semiconductor sector took a fall after Micron Technology's quarterly report stoked fears about falling NAND prices. The Philadelphia Semiconductor index slumped 3.3 percent.

Declining issues outnumbered advancing ones on the NYSE by a 3.96-to-1 ratio; on Nasdaq, a 3.72-to-1 ratio favored decliners. The S&P 500 posted two new 52-week highs and 42 new lows; the Nasdaq Composite recorded 23 new highs and 93 new lows.

Volume on US exchanges was 8.11 billion shares, above the 7.3 billion average for the last 20 trading days. —Reuters

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