

Business

US and China seek deal to prevent trade-war escalation

China faces pressure from slowing economic growth

BEIJING: US and Chinese negotiators on yesterday kicked off two days of high-level talks that President Donald Trump says could decide whether he escalates the bruising tariff battle between the world's two biggest economies. Trump indicated this week he was open to extending a trade truce beyond March 1 depending on progress in Beijing. He is considering pushing the deadline back an additional 60 days, Bloomberg News reported, citing sources.

In December he postponed plans to sharply hike tariffs on \$200 billion of Chinese imports to allow more time for negotiation. The two economic superpowers have already imposed duties on more than \$360 billion in two-way trade, which has weighed on their manufacturing sectors and shaken global financial markets. US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin are meeting with China's top economic czar Liu He, seeking to build on progress made in Washington last month.

We are "looking forward to discussions today", Mnuchin said as he left his hotel yesterday morning for the talks. Expectations for a trade deal have grown as China faces pressure from slowing economic growth, and as swooning global markets pose a challenge to Trump and his economic advisors. Data released yesterday in China showed its trade surplus with the US—a major source of anger within the Trump administration—narrowed in January to \$27.3 billion,

even as its American imports plunged 41 percent for the month from a year earlier. Last year the surplus hit a record \$323.3 billion. China's total imports also sank for the month, pointing to weak demand amid slowing economic growth.

Trump-Xi meeting

Chinese President Xi Jinping plans to meet with the US officials in Beijing this week, a report in the South China Morning Post said Wednesday, bolstering hopes for the talks and world markets. Trump also has said he expects to meet with Xi "at some point" to clinch a trade deal. Trump told reporters in the Oval Office on Wednesday that preliminary talks in Beijing were "going along very well." Bloomberg reported. "They're showing us tremendous respect," he added.

"Markets will continue to watch-and react-closely to the ups and downs of the negotiations," said Trey McArver of Trivium Research. "But Sino-US relations are all about the two leaders, and it will ultimately be up to Xi and Trump to come to a deal-or not," he wrote Wednesday in a newsletter. The two sides said major progress was made in talks last month in Washington, but a wide gulf remains on some issues.

The US is demanding far-reaching changes to Chinese practices that it says are unfair, including theft of US technology and intellectual property, and myriad barriers that foreign companies face in the Chinese domestic market. Bei-



LIANYUNGANG: This drone image shows cars unloaded from trucks, center, before being loaded onto a ship at the port in Lianyungang in China's eastern Jiangsu province. — AFP

jing has offered to boost its purchases of US goods but is widely expected to resist calls for major changes to its industrial policies such as slashing government subsidies. The International

Monetary Fund warned on Sunday of a possible global economic "storm" as world growth forecasts dip, citing the US-China trade row as a key pivot point. — AFP

Venezuela: Another black eye for Chinese economic diplomacy

BEIJING: China and Venezuela seemed like natural bedfellows: one is the planet's top crude-oil importer and the other possesses the world's largest reserves. But Venezuela's descent into crisis—with President Nicolas Maduro and self-proclaimed leader Juan Guaidó vying for control as the economy unravels—has highlighted the gamble inherent in China's \$60 billion investment in the South American nation.

Over the past decade Beijing has extended vast amounts of credit to Caracas for oil shipments and infrastructure deals, in what China has touted as a "mutually beneficial" relationship. Yet Venezuela is wracked by recession and hyperinflation while millions of people are suffering from shortages of basic necessities such as food and medicine—and vital oil production has dropped to a three-decade low.

"Venezuela's story is an important one," said Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue, a US-based think tank. "Other countries in the region commonly reference Venezuela as a cautionary tale when determining how best to engage with China." The situation also shines more unflattering light on Beijing's \$1 trillion "Belt and Road" project, a Chinese initiative to offer loans or investment in infrastructure and other projects across a range of countries.

Critics say the project saddles countries with debt that they cannot repay, increasing China's influence over them. "By playing such a central role in Venezuela, China has provided evidence for the US government's argument that Beijing's financing worsens



Nicolas Maduro

corruption and ensnares emerging-market borrowers in a debt trap," said Benjamin Gedan, senior advisor at the Wilson Center's Latin American Program.

Missing funds

China began lending to Venezuela more than a decade ago, reaching a peak in 2010 when state-backed China Development Bank offered \$20 billion in soft loans, according to Chinese official news agency Xinhua. That same year, Venezuela's then-leader Hugo Chavez announced a \$16 billion investment package from China involving multiple energy deals as he leveraged the country's oil wealth for financing. Increasing oil shipments to China also fulfilled a political goal of the socialist Chavez—reducing the nation's reliance on US purchases of its oil. But in the chaos after the 2013 death of Chavez—who was succeeded by his anointed successor Maduro—followed a year later by the cratering of world oil prices, Venezuela is buried under about \$150 billion in external debt, of which roughly \$20 billion is Chinese.

Instead of working more with other international financial institutions and oil firms and adhering to their best practices, Venezuela's leadership essentially rejected them and turned to Russia and China instead, said Matt Ferchen, a scholar with the Carnegie-Tsinghua Center for Global Policy. China facilitated "poor decision-making on the part of Venezuela, especially in the aftermath of the financial crisis... when Venezuela may have been forced to go in a different direction," he said. "Chinese loans to Venezuela have had few conditions and little accountability," said Myers of the Inter-American Dialogue, which she said speeds up lending but can lead to the abuse of funds. —AFP

France's unemployment rate falls to lowest level since 2009

PARIS: France's jobless rate fell to 8.8 percent in the final three months of last year, its lowest level since 2009, the INSEE statistics institute said yesterday. It was a 0.3 point decline from the previous quarter, and came despite economic disruptions since the "yellow vest" anti-government protests against President Emmanuel Macron erupted last November. Excluding French overseas territories where unemployment tends to be higher, the jobless rate stood at 8.5 percent for metropolitan France, or 2.47 million unemployed, a drop of 90,000 from the previous quarter.

The unemployment rate dropped just 0.1 percent over the whole of 2018, frustratingly slowly for Macron, who was elected in May 2017 on a pledge to bring unemployment down to seven percent by 2022. In his first major policy move of his pro-business reform agenda, Macron eased labor laws to make it easier to hire and fire workers, something long sought by many French employers.

The government is also engaged in talks with employers and trade unions to reduce the number of short-term contracts, which have exploded over the past 20 years. Speaking on France Info radio, Labor Minister Muriel Penicaud welcomed the unemployment drop, saying that "employers, especially small firms, are no longer afraid to hire." "We have grown so used to mass unemployment in France that sometimes we just think we should give up. — AFP