

Analysis

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Venezuela's National Assembly president Juan Guaido (right) speaks before a crowd of opposition supporters during an open meeting in the Caricua neighborhood in southwest Caracas on Saturday. — AFP

Popcorn in hand, EU watches Brexit show but frets for its future

EU Brexit negotiators are “watching the BBC and eating popcorn”, in the words of one of them, as Britain’s domestic rows over leaving make for compelling TV but frustrate Europe’s hopes for a clean break. Unsure whether Britain will crash out of the European Union 10 weeks from now, prolong the agony in the hope of salvaging an orderly divorce or even change its mind and stay, its neighbours are torn between “Brexit boredom” and a worry it is distracting from their own pressing problems as campaigning gets under way for EU parliament elections in May.

Hours after a packed and rowdy House of Commons tore up the deal Prime Minister Theresa May spent two tortuous years arguing over, only a few dozen of their 751 counterparts in Strasbourg showed up on Wednesday to hear EU negotiator Michel Barnier tell them all he could do is wait for Britons to make up their minds. Several in the debate praised Britain’s democratic history and were bemused by its poisonous meltdown over Brexit. Among them was Dutch conservative Esther de Lange: “Collectively, they don’t know what they want,” she said of watching the Commons in action. “But, boy, do they hold great speeches about it.”

Compared to a full house to mark the 20th anniversary of the euro, the EU currency Britain snubbed, the hundreds of empty seats around her were a mark of Europe’s weariness with Brexit. But it also belied anxiety that paralysis in London will distract and divide leaders on other EU problems, from a slowing economy amid global trade disputes to deep divisions over money, migrants and Brexit-inspired Brussels-bashing by many members.

French President Emmanuel Macron says he does not want to “waste time” on Brexit as he presses to reshape the euro zone and the broader Union after the European elections in four months’ time. His EU affairs minister Nathalie Loiseau said Brexit took up a third of her time: “It’s too much,” she said. “Because we have many other things to do in Europe than dealing with a divorce.”

Time to move on

Manfred Weber, an ally of German Chancellor Angela Merkel who is leading the center-right campaign, said that “Europe’s door is still open” should Britain decide to stay. But he told Reuters: “It is now time to move on and get Brexit over with.” Weber complained that a “never-ending Brexit process” had taken “huge amounts of time, money and expertise” from the EU. “It has consumed valuable political energy, especially in this election year,” he said. “And has held us back from shaping a real positive European agenda for the future.”

Nearly three years after Britain’s shock referendum vote to leave put supporters of European integration on the back foot, a push to regain momentum lies behind a summit of the remaining 27 leaders to be held in the Romanian town of Sibiu on May 9. It was intended by EU chief executive Jean-Claude Juncker to focus minds on a future without one of Europe’s three biggest economies and two nuclear military powers, and be the culmination of efforts to end divisions threatening EU cohesion. During last month’s EU summit, which they hoped would be the last on Brexit, leaders were visibly weary of it: “The fatigue was palpable,” said one diplomat in the room. “They don’t want to be bothered with it. They want to get it over with.”

United on Brexit, divided on Europe

If there has been a positive from Brexit, leaders say, it has been the exceptional unity the 27 have shown in negotiation – though a scary end-game could yet test that togetherness. Many also believe turmoil in Britain has dampened appetites to follow suit, with European voters warning to the Union and eurosceptic governments, such as in Italy, Hungary and Poland, stressing their criticisms of the EU do not presage an exit.

Yet Sibiu and the EU elections on May 26 are set to expose continuing schisms on how to move the Union forward. Founders France and Germany disagree over tightening monetary union, as do Italy and its northern neighbors over sharing out migrants arriving by sea. Rich contributor states and the ex-communist east are split over filling a Britain-sized hole in the EU budget and over some eastern governments’ maneuvering to stifle their opponents.

“On Brexit, the EU has shown exceptional unity – if only we could show the same kind of unity on everything else,” lamented one diplomat involved in preparing the summit. One result of May’s troubles could be that Britain is still a member come Sibiu and the EU elections – a new headache that makes some wary of extending the Brexit deadline. Few, however, seem willing to force Britain out against its will – yet.

Prolonging the process, though, is bad news, said an envoy to Brussels from a non-EU country. Leaders have tried to drive it down their list of priorities and ring-fence the negotiations in Barnier’s task force: “But Brexit sits around like a bad penny,” he said. “You can’t ignore it. It’s in your face and will continue to be in your face until it’s resolved.” — Reuters

Democratic transition in Venezuela possible

After an election victory slammed as fraudulent by the opposition and international community, Venezuela’s President Nicolas Maduro has begun a new term that will see him in office until 2025, his grip on power seemingly firmer than ever. So why are analysts talking up a hope for political change? Step in Juan Guaido, a 35-year-old industrial engineer who took charge of the opposition-dominated National Assembly on Jan 5, breathing new life into the body that had been rendered virtually impotent by Maduro’s constitutional maneuvers.

“It’s almost like a rebirth. The opposition has emerged more unified than ever before,” says Geoff Ramsey, vice president for Venezuela at WOLA, a research center on Latin America based in Washington. “For the first time in many months... Maduro is on the defensive,” wrote Andres Oppenheimer, a noted journalist on Latin American affairs.

Weeks into his new job, Guaido has managed to get the assembly’s opposition majority to officially declare Maduro a usurper and denounce his re-election as a fraud, while promising an “amnesty” for all military and government officials that disavow the president. That achievement eluded his predecessors, who have been exiled, imprisoned or disqualified.

Pathways to power

Guaido upped the ante in a Washington Post column

Clash brewing as Luckin takes on Starbucks

When Starbucks came to China two decades ago it promised to open a new store every 15 hours. Now a homegrown rival, Luckin Coffee, plans to build a high-tech-driven shop every three and a half hours to dethrone the US giant. The Chinese upstart is burning through millions of dollars to lure customers with steep discounts, challenging Starbucks’ dominance by targeting office workers and students who prefer to have their java on-the-go or delivered to their doorstep.

While Starbucks and British rival Costa Coffee offer lounging spaces for people to work or meet friends, most Luckin outlets are more like “delivery kitchens”. The shops are no bigger than a studio apartment, with no tables, display counters or even cash registers because all payments are made using mobile phones. Luckin’s no-frills approach means consumers pay about a third less for a cup compared to other global brands. A tall-sized latte costs 31 yuan (around \$5) at Starbucks, but only 24 yuan at Luckin.

Customers who walk into one of Luckin’s blue-and-white outlets need only spend a few minutes there – to scan a code and pay for their coffee that has been pre-ordered through the company’s smartphone app. “I like the convenience, there are no long queues, or having to sit alone while your coffee is brewed,” said Yu Qian, a financial analyst in Beijing. “The coffee itself is a little sweeter, more like the sweet milk tea that is popular in China.”

Luckin’s aggressive strategy mirrors tactics used by other Chinese startups that have dislodged Western brands from one of the world’s top consumer markets. “The big advantage for us of having pickup stores versus the big stores is that in terms of rental costs, we pay significantly less than our competitors,” Luckin’s chief strategy officer, Reinout Schakel, told AFP. After only a year in business, the company announced plans earlier this month to open 2,500 outlets by the end of the year, which would push its total store strength to 4,500. By comparison, Starbucks has some 3,600 stores across the country.

Playing catch-up

The US behemoth has an 80 percent

stake in China’s \$3.4 billion coffee shop market, according to research group Euromonitor. But Schakel sees room for growth. Chinese consumers currently drink just four to five cups of coffee per year, compared to about 300 cups in neighboring Japan or South Korea, which were also traditionally tea drinking markets, he said. China is Starbucks’ fastest-growing and second biggest market after the United States. Its Reserve Roastery in Shanghai, which opened in late 2017, is the company’s biggest store in the world.

But it was a latecomer to China’s huge food delivery industry. The Seattle-based company partnered with Chinese e-commerce firm Alibaba’s delivery service element only after Luckin started eating into its market share in July. “Our delivery service today covers more than 2,000 stores across 30 cities, within three months of its launch,” Derek Ng, communications director for Starbucks China, told AFP.

Competition has also prompted Starbucks to focus on its more upmarket Reserve brand of rarer coffees from around the world, said Hu Yuwan, an analyst at Daxue Consulting in Shanghai. But the US chain has recently started doing discounts, Hu said, adding the coffee rivalry reminded her of the discount wars between Uber and its local rival Didi Chuxing, which later dislodged the American ride-hailing giant from the Chinese market. Schakel – who is also Luckin’s chief financial officer – says the startup can afford to burn money to grab market share over the next few years. “Are we competing with Starbucks? Probably to some extent. We don’t care whether the demand is coming from new coffee drinkers or from Starbucks coffee drinkers,” he said.

China’s first coffee unicorn

Luckin’s caffeine-fueled expansion has been funded by investors including Centurium Capital, a private equity fund founded by the former China head of Warburg Pincus, and GIC, Singapore’s sovereign wealth fund. The company raised about \$400 million in two rounds of funding last year and says it has been valued at \$2.2 billion, making it the first coffee unicorn to come out of China. Schakel declined to comment on rumors that Luckin was seeking a listing on the Hong Kong stock exchange. But China’s landscape is littered with start-ups that have gone belly-up after bleeding money on discounts and aggressive advertising. “Am I worried whether we are going to go down that path? Absolutely not,” Schakel said. “Even if we sell our products at a discount at the right scale (it can) be profitable.” — AFP

followers of Maduro’s predecessor Hugo Chavez to break for him, added Ramsey.

International Pressure

International pressure on Caracas has been growing since Maduro’s reelection last May, but it surged with the arrival in power of the far right in Brazil: New President Jair Bolsonaro agrees with his US counterpart Donald Trump that Maduro is a “dictator”. Bolsonaro, whom Maduro called a modern-day Hitler, Thursday met at Planalto Palace with Miguel Angel Martin, president of the Supreme Court of Justice of Venezuela in exile, appointed by the opposition majority Assembly. A top adviser of Organization of American States chief Luis Almagro also was present.

Meanwhile, Brazilian Foreign Minister Ernesto Araujo met with Venezuelan opposition members and representatives of the United States and the Lima Group, a bloc of countries critical of Maduro. After the meeting, the Foreign Ministry issued a statement on Brazil’s willingness to support a Guaido “interim presidency”. Though Maduro has a few allies in Latin America and around the world, most of the international community would welcome a democratic transition in Venezuela, according to Shifter. “This process needs to be managed skillfully and be very clear-eyed about the obstacles that stand in the way,” he said. — AFP

Chips are down as US moves toward new ban

US authorities have begun an effort to ban all forms of internet gambling, reversing course from a 2011 decision and imperiling a burgeoning online wagering sector in several American states. The Justice Department earlier this month released a legal opinion stating that any form of online betting, not just sports betting, would be a violation of the federal Wire Act. That could shut down online poker, casino and lottery offerings launched in a handful of states since a 2011 decision by the Obama administration to refrain from prosecuting any online betting that is not sports-related.

“It could have a significant impact but it will depend on whether the DOJ strictly enforces its new interpretation,” said Jennifer Roberts, associate director of the International Center for Gaming Regulation at the University of Nevada-Las Vegas. Roberts said a very strict interpretation could shut down fantasy sports leagues that have grown in recent years and potentially any online wagering even if confined to a single state where betting is legal. “Even if the betting takes place in a jurisdiction where it’s legal, if the communication is routed into another state that could trigger the Wire Act,” Roberts told AFP.

The Wire Act is a 1961 law that bars the use of telecommunications for gambling as part of an effort to crack down on organized crime. Since the 2011 interpretation, various forms of online gambling have begun in Nevada, Delaware, New Jersey and Pennsylvania, with a handful of other states considering legalization. While there is no comprehensive breakdown of US online gambling revenues, total wagers were up near 22 percent to \$298 million last year in New Jersey, which has the largest internet segment.

90-day window

In the latest opinion, the Justice Department stopped short of indicating how far it would go in enforcement. But in a January 15 memo, deputy attorney general Rod Rosenstein said prosecutions could begin after 90 days. “A 90-day window will give businesses that relied on the

2011 ... opinion time to bring their operations into compliance with federal law,” Rosenstein said. “This is an internal exercise of prosecutorial discretion; it is not a safe harbor for violations of the Wire Act.”

For many years, online gambling was opposed by the US casino industry, but recently some traditional gaming operators have joined the move to internet wagering. Casino operators including Caesars Entertainment and Golden Nugget now take online bets where legally allowed, making it as easy to wager as tapping on a smartphone.

Betting on the future

The new Justice Department policy follows a lengthy lobbying campaign by the Coalition to Stop Internet Gambling, a group backed by Las Vegas casino owner Sheldon Adelson, a prominent backer of President Donald Trump.

The group applauded the new policy guidance, repeating its concerns that online wagering could get consumers, including minors, hooked on gambling. “Countries around the world offer a perilous preview of where our nation was headed absent today’s action from the federal government,” the coalition said in a statement. “In the UK, which is the epicenter of the epidemic... over half of 16-year-olds have gambling apps on their smartphones. Further, the iGaming industry obtains more than half of its profit from problem gamblers.”

Senator Lindsey Graham, head of the Judiciary Committee, also welcomed the decision. “Restoring the original interpretation of the Wire Act takes great strides to protect children and society’s most vulnerable,” Graham said in a statement. But Michelle Minton, a senior fellow at the Competitive Enterprise Institute, said the move would just force gamblers to go to illegal sites with fewer scruples. “Prohibition has never worked,” Minton said. “It just turns law-abiding citizens into lawbreakers and reduces the level of trust in government.”

Minton said the new legal opinion is likely to create further confusion, and may dissuade states from authorizing new internet gambling operations. It is likely to lead to spate of legal challenges over online betting in various state, she added. “They may choose to not prosecute, knowing it will never hold up in a court of law, and as a result the uncertainty in the law would persist,” she said. “My bet is that there won’t be prosecutions.” — AFP