

## Business

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LONDON: In this handout photograph received from the BBC yesterday, Britain's Chancellor of the Exchequer Philip Hammond gestures during a television interview at the BBC studio in London. — AFP

# Hammond to quit if Johnson becomes PM

## 'Cannot support a leader happy to take Britain out of EU without a deal'

LONDON: Finance minister Philip Hammond said yesterday he would resign if Boris Johnson became Britain's new prime minister because he could not support a leader happy to take the country out of the European Union without a deal.

Hammond's decision underlines the strength of feeling in parliament against a no-deal Brexit, which some lawmakers and many businesses say would be catastrophic for the economy.

A loyal Conservative who has served in a number of ministerial roles, Hammond is an unlikely rebel. He said his fears over a no deal had forced him to vote against the government for the first time in his 22-year political career last week. Britain's new prime minister is tipped to be former London mayor Johnson, who has promised to leave the EU "do or die" by an Oct 31 deadline. That leaves him facing a tricky Brexit challenge from the moment he takes office on Wednesday.

Hammond has become an increasingly fierce critic of

Johnson's Brexit strategy-leaving the European Union with or without a deal on October 31 — and would never have expected to remain as chancellor of the Exchequer in a Johnson government. But the fact that the second-most senior figure in the government is making a point of resigning rather than wait to be moved on in the incoming prime minister's reshuffle is a significant gesture—and an indicator of the opposition Johnson could face in pursuing his Brexit strategy. "I'm sure I'm not going to be sacked because I'm going to resign before we get to that point," Hammond told BBC television.

"Assuming that Boris Johnson becomes the next prime minister, I understand that his conditions for serving in his government would include accepting a no-deal exit on the 31st of October. That is not something that I could ever sign up to. It's very important that the prime minister is able to have a chancellor who is closely aligned with him in terms of policy, and I therefore intend to resign to Theresa May before she goes to the palace

to tender her own resignation on Wednesday."

Johnson has said he would ramp up preparations for a no deal if he becomes prime minister to try to force the EU's negotiators to make changes to the deal that Prime Minister Theresa May sealed with Brussels and UK lawmakers voted down. But parliamentary opposition to a no deal is growing and the EU is refusing to budge over that Withdrawal Agreement.

"I am sure I am not going to be sacked because I am going to resign before we get to that point," Hammond told the BBC's Andrew Marr Show, adding he would resign to May before she tenders her own resignation to the Queen on Wednesday. "Assuming that Boris Johnson becomes prime minister, I understand that his conditions for serving in his government would include accepting a no-deal (EU) exit on the 31st of October. That is not something I could ever sign up to."

Hammond, who according to sources close to Johnson often infuriated the former mayor who felt the finance

minister was "talking Britain down", said he did not believe his former colleague could win a deal with the EU by the deadline. He instead advised the new prime minister to ask the EU for a little longer if there were signs that the two sides could agree on a compromise position - something Johnson's rival for the premiership, Jeremy Hunt, has said he is open to.

If not, Hammond said he would work with other lawmakers to make sure Britain was not taken out of the EU without a deal against parliament's wishes - a pledge welcomed by the Brexit policy head of the opposition Labour Party, Keir Starmer.

"Yes, (I will campaign) to stop no deal happening on Oct. 31 without the consent of parliament," Hammond said. "I want to be a loyal supporter of the next Conservative government and if (it) can deliver a negotiated Brexit deal that protects our economy then I will strongly support that government. And I hope I will be able to." — Agencies

## US firms find ways to skirt Trump's tariffs

NEW YORK: Big US companies are accelerating efforts to move more of their supply chains from China to neighboring countries in light of Trump administration tariffs. Companies in sectors such as technology, clothing and footwear are exporting more goods from emerging giants including Vietnam and Malaysia, data show. At the same time, the shift has exposed the murkiness of trade export rules, putting a premium on lawyers expert in the minutiae of US customs rules.

"We have a lot of questions from our members," said Sage Chandler, vice president of international trade at the Consumer Technology Association. "Companies are trying to find ways to avoid having to pay 25 percent."

Some companies may be pushing the envelope a little too much, violating US rules against "transshipments," the routing of China-made goods through other countries to evade tariffs, legal experts say.

### Speeding shift from China

President Donald Trump since last year has slapped 25 percent duties on \$250 billion worth of Chinese imports and threatened additional levies on all other Chinese items coming to the United States—though the two sides agreed last month to hold their fire for now. Trump's trade measures have led some multinationals to fortify their North American operations and others to transfer some manufacturing capacity from China to any number of countries, including Vietnam, Cambodia, Malaysia, the Philippines, Bangladesh, India and Ethiopia. Exports of computers and electronics from Vietnam to the United States have risen 71.6 percent in the first five months of 2019 compared with the year-ago period, according to government data. The pattern has also held for other machines and equipment, with exports from Vietnam rising 54.4 percent over that period.

Even before Trump targeted China on trade, US companies had been reducing their dependence on China because of increasing production costs and elevated transport expenses compared with other Asian countries.

But the trade war has sped up those moves. Ralph Lauren has "accelerated the diversification of our supply chain to miti-

gate the long-term impact of any potential tariff outcomes," said a spokesperson for the clothing company, adding that tariffs have so far not hit the company's goods.

Xcel Brands, which owns Isaac Mizrahi, Judith Ripka and other fashion houses, will cease manufacturing in China in 2020, a big shift from two years ago when the country was the source of 100 percent of its merchandise. The company has moved clothes-making operations to Vietnam, Cambodia and Bangladesh, and is exploring adding capacity in Central America, Mexico and Canada.

This retooling, which was in the works prior to the tariffs, could boost profit margins, said Xcel chief executive Robert D'Loren. The trade war with China "accelerated our sourcing diversification efforts," he said. A decade ago, more than 90 percent of US footwear was made in China. But today, the figure is 69 percent, said Matt Priest, president of Footwear Distributors and Retailers of America.

### Problem solved?

Yet shifting production outside of China to other Asian centers is not necessarily a panacea. Many of these countries lack the roads, airports and other vital infrastructure of the world's second-



SHANGHAI: This aerial photo taken shows the Tesla factory under construction in Shanghai. The electric-car manufacturer is building its first overseas car factory in Shanghai to ramp up annual production, tapping into the world's biggest auto market and avoiding some of the impact of Sino-US trade tensions. — AFP

biggest economy. And there is no guarantee that the emerging manufacturing venues will be safe from US tariffs down the road. Companies can also run afoul of US law if goods are made in China and then sent to an intermediate destination to

dodge US tariffs.

"I have noticed an upswing in the number of tariff evasion cases that have been made public and also in the number of inquiries my firm has received," said Jeff Newman, a Boston attorney. — AFP