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WASHINGTON: Federal Reserve Board Chairman Jerome Powell speaks at a news conference after a Federal Open Market Committee meeting. —AFP

Trump bashes 'stubborn child' Fed

US to mark its longest period of expansion on record

WASHINGTON: US President Donald Trump on Monday lashed out at the Federal Reserve, accusing the central bank of standing in the way of major economic expansion by refusing to cut interest rates. The president's Twitter outburst was only his latest episode of rock throwing at policymakers who are meant to be shielded from political pressure but who have contended with his barbs since last year.

However, economists say it is in fact in large part because of Trump's own trade policies that the central bank is now considering cutting rates for the first time in a decade as the risks of recession grow. "Despite a Federal Reserve that doesn't know what it is doing... we are on course to have one of the best Months of June in US history," Trump tweeted. "Think of what it could have been if the Fed had gotten it right.

(...) Now they stick, like a stubborn child, when we need rate cuts & easing, to make up for what other countries are doing against us. Blew it!" According to Trump, if not for the Fed, the US economy would be expanding by an annual rate of four or five percent while the Dow Jones Industrial Average, a marquee of Wall Street success, would be "thousands of points higher." With 10 years of growth, the world's largest economy next month will mark its longest period of expansion on record. At the same time, it has begun to give off mixed signals.

On one hand, surveys of consumer confidence and business activity are running hot, unemployment is still near 50-year lows, and consumer spending has been strong in recent months. But other more worrisome signs are afoot, as the boost from 2017's tax cuts fades

along with that of last year's fiscal stimulus. Growth in the second quarter is forecast to be about half the pace of the first, manufacturing has continued to weaken and business investment has declined.

And Trump has threatened to jack up tariffs on another \$300 billion in Chinese imports, which could send shockwaves through the global economy. As a result, the Fed last week left benchmark US lending rates untouched for the fourth time this year and the bank is signaling it could cut soon rates exactly as Trump wants. But, rather than aiming to unleash pent-up US economic might, a cut will be warranted if the economic outlook deteriorates, according to Fed Chairman Jerome Powell. Persistent trade friction and slowing global growth, among other factors, had "strengthened" the

case for looser monetary policy, he said. Oxford Economics on Monday predicted the Fed will in fact cut rates three times by next year, noting that "with fiscal stimulus dissipating and global growth waning amid elevated trade tensions, the risk of a pronounced slowdown into 2020 is non-negligible."

The specter of higher and higher tariffs has weighed on investment decisions, dented confidence and helped slow global manufacturing. Douglas Holtz-Eakin, a Republican economist and former director of the Congressional Budget Office, told AFP the US economy has seen a sudden and unexplained bout of weakness in the first half or 2019. "The biggest thing that's happened in there is a whole series of tariff moves by the president," said Holtz-Eakin. "That's the only real policy move we've had."

The United States has not seen back-to-back quarters of GDP growth greater than five percent since 1999, a time when the Fed had interest rates around five percent — or twice what they are now. And many economists say returning to such levels is simply not in the cards, given the country's aging population and sluggish productivity growth. Holtz-Eakin, who publicly argued in favor of congressional Republicans' 2017 tax cuts, doubted the Fed was blocking the breakout of growth that Trump described, describing five percent growth as "implausible." "When the prior administration had rates at zero percent for a decade, why didn't the economy grow at seven percent?" he said. "This is convenient logic but I don't think it is grounded by anything in fact." —AFP

India warns foreign e-commerce firms like Amazon, Flipkart

NEW DELHI: India has told foreign e-commerce firms such as Amazon and Walmart's Flipkart that they must ensure compliance with new foreign investment rules aimed at deterring them from providing steep online discounts, three sources familiar with the discussions told Reuters. Commerce Minister Piyush Goyal has said that while the government was prepared to listen to concerns about its new foreign direct investment rules (FDI), it was committed to protecting small traders from predatory behavior by foreign-funded companies, the sources said.

The comments were made by Goyal during a closed-door meeting on Monday with several e-commerce companies. It comes in a week when U.S. Secretary of State, Mike Pompeo, is due to visit New Delhi - he is expected to arrive late on Tuesday - and trade tensions have heightened between the two countries.

India from Feb 1 imposed new e-commerce FDI rules to help hundreds of thousands of small traders, but small businesses and a right-wing group close to Prime Minister Narendra Modi's ruling party say there are still issues. They allege big online retailers use complex business structures to circumvent federal rules, and still burn billions of dollars to offer discounts. Amazon and Flipkart say they've complied with the rules and deny any wrongdoing. Both companies, and the US government,

protested against the rules in January, saying they would force firms to change their business structures, Reuters has reported.

Goyal during the Monday meeting defended the government's new FDI policy, saying the rules should in no way be violated by any company, both in letter and in spirit. The government will not allow e-commerce firms' discounting practices to affect small shopkeepers, Goyal said, according to three industry executives in attendance. "The minister was clear and direct," said one of the executives.

Flipkart CEO Kalyan Krishnamurthy in a statement said the company looked forward to working with the government and Goyal had engaged "in a candid, positive & progressive" discussion. Amazon said it welcomed the "open & candid discussions & the promise of continuing engagement" with the government, adding it was committed to supporting various Indian government initiatives. In a statement yesterday, the commerce ministry said it had formed a committee to hear grievances on issues related to FDI in e-commerce, adding it will ensure small retailers thrive in the country. It did not detail discussions around the question of steep online discounts.

The government brought in the new policy in February after complaints from small Indian traders who said the e-commerce giants used their control over inventory from affiliated

vendors to create an unfair marketplace in which they offered major discounts. Such practices are now prohibited. The rules led to a brief disruption of Amazon's online operations in February and shocked Walmart, which had just months before invested \$16 billion in acquiring control of India's Flipkart in its biggest ever deal.

The United States government and American firms have voiced concerns about several recent Indian policies. Other than stricter e-commerce rules, India has demanded companies to store more of their data locally. In 2017, the United States lodged a written protest against India's decision to cap medical device prices.

Goyal has had a series of meetings since last week with foreign and Indian e-commerce firms and technology companies with an aim to iron out policy issues. He has also discussed what government press releases describe as "threats" local firms face from "large foreign competition". On Monday, concerns around online discounts available on Amazon and Flipkart were discussed specifically during the meeting, with both companies asked by government officials about how they price products online, the sources said.

Amazon and Flipkart argued they provide logistics support and other services to small Indian retailers who use their e-commerce platforms to boost their businesses, said the third source who attended the meeting. "Goyal said he doesn't want uncertainty for businesses ... he talked about having an inclusive policy that protects interests of all stakeholders," said one of the sources. — Reuters

Johnson urges EU to abstain from tariffs in no-deal Brexit

LONDON: Boris Johnson, the leading contender to become Britain's next prime minister, said yesterday it would be "bizarre" if the EU opted to impose tariffs on British goods in the event of a no-deal Brexit. Johnson, vying with foreign secretary Jeremy Hunt to replace outgoing premier Theresa May, insisted her divorce deal struck with the bloc but repeatedly rejected by MPs was "basically dead".

The ex-London mayor told a radio phone-in that Britain must "get ready to come out without an agreement" and the European Union should match his plan not to impose any tariffs under such a scenario. "It would be very bizarre if the EU should decide on their own — we wouldn't put up tariffs — to impose tariffs on goods coming from the UK," he told LBC talk radio. "It wouldn't be in the interests of their businesses, let alone their consumers."

"It would be a return to Napoleon's continental system," he added, invoking the 19th-century French emperor who attempted to blockade Britain in the Napoleonic Wars. During the radio phone-in, former foreign secretary Johnson delved further into his Brexit strategy if he were to be elected Conservative leader — and therefore prime minister — by party

members next month.

The 55-year-old said he wants to "take the serviceable bits" of May's withdrawal agreement, while scrapping the "backstop" provision — hated by ardent Brexiters — intended to keep the Irish border open. Johnson said he would withhold paying the EU Britain's £39 billion (\$50 billion) bill while the two sides negotiate a free trade agreement during an implementation period prolonging current terms. However European leaders have vowed they will not allow London to cherry-pick only the parts of the divorce deal it likes, and that the backstop must remain in place.

If Brussels maintains that stance, Johnson said he would ask EU leaders to agree to freeze existing arrangements for up to 10 years while they negotiate their future relationship. That could happen under a provision in World Trade Organisation (WTO) rules, but he acknowledged "there has to be agreement on both sides" for such an arrangement. Johnson insisted a way could be found through the political impasse that has led Brexit to be delayed twice already. "Let's be more positive about this," he said. "It's time this country frankly stopped being so down about its ability to get this thing done." — AFP