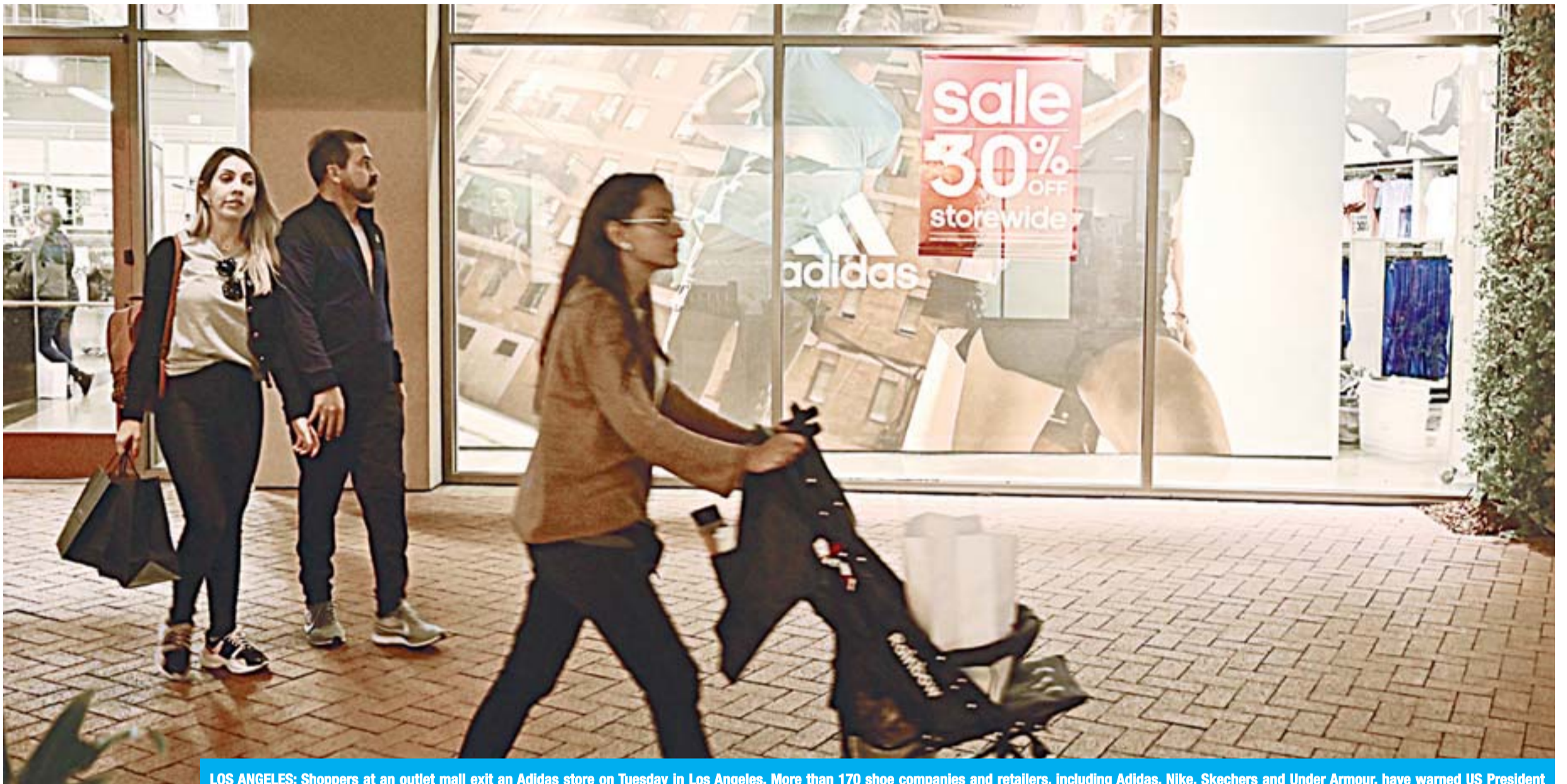


Business

THURSDAY, MAY 23, 2019

12 KUFPEC subsidiary signs new exploration deals in Pakistan**13** Japan exports fall again as US trade policy threatens outlook**14** Toyota bags two prestigious titles at Middle East Car of Year awards 2019

LOS ANGELES: Shoppers at an outlet mall exit an Adidas store on Tuesday in Los Angeles. More than 170 shoe companies and retailers, including Adidas, Nike, Skechers and Under Armour, have warned US President Donald Trump against a trade war with China, warning of the "catastrophic" effects his proposed 25 percent tariffs will have on the US economy, consumers and companies. —AFP

China must prepare for difficult times: Xi

Mobile carriers delay launch of Huawei handset; US firms face retaliation

BEIJING/WASHINGTON: China must prepare for difficult times as the international situation is increasingly complex, President Xi Jinping said in comments carried by state media yesterday, as the US-China trade war took a mounting toll on tech giant Huawei.

The world's two largest economies have escalated tariff increases on each other's imports after talks broke down to resolve their dispute, and the acrimony has intensified since Washington last week blacklisted Chinese telecom equipment company Huawei Technologies Co Ltd.

The listing, which curbs Huawei's access to US-made components, is a potentially devastating blow for the company that has rattled technology supply chains and investors, and saw several mobile carriers yesterday delay the launch of new Huawei smartphone handsets.

During a three-day trip this week to the southern province of Jiangxi, a cradle of China's Communist revolution, Xi urged people to learn the lessons of the hardships of the past. "Today, on the new Long March, we must overcome various major risks and challenges from home and abroad," state news agency Xinhua paraphrased Xi as saying, referring to the 1934-36 trek of Communist Party members fleeing a civil war to a remote rural base, from where they re-grouped and eventually took power in 1949.

"Our country is still in a period of important strategic opportunities for development, but the international situation is increasingly complicated," he said.

"We must be conscious of the long-term and complex nature of various unfavorable factors at home and abroad, and appropriately prepare for various difficult situations."

The report did not elaborate on those difficulties, and did not directly mention the trade war or of the United States. No further trade talks between top Chinese and US negotiators have been scheduled since the last round ended on May 10, the same day President Donald Trump increased tariffs on \$200 billion worth of Chinese goods and took steps to levy duties on all remaining Chinese imports.

Negotiations between the United States and China have stalled since early May, when Chinese officials sought major changes to the text of a proposed deal that the Trump administration says had been largely agreed.

However, Chinese Ambassador to the United States Cui Tiankai, speaking to the Fox News Channel, said on Tuesday that Beijing was still open for talks. Repercussions of the blacklisting mounted for Huawei, with some mobile operators, including the Ymobile unit of Japan's Softbank Corp and rival KDDI Corp putting launch plans for

Huawei's new P30 Lite smartphone on hold.

Another big Chinese tech firm, video surveillance equipment maker Hikvision Digital Technology Co Ltd, could also face limits on its ability to buy US technology, the New York Times reported, citing people familiar with the matter, sending the firm's Shenzhen-listed shares down 5.54 percent.

Retaliation

While China has not said whether or how it may retaliate to the measures against Huawei, state media have taken an increasingly strident and nationalistic tone. US firms said in a survey released yesterday they were facing retaliation in China over the trade war. The American Chamber of Commerce of China and its sister body in Shanghai, said members reported that they faced increased obstacles such as government inspections, slower customs clearances and slower approval for licensing and other applications.

It also said that 40.7 percent of respondents were considering or had relocated manufacturing facilities outside China. Of the almost 250 respondents to the survey, which was conducted after China and the United States both raised tariffs on each other's imports this month, almost three-quarters said the impact of tariffs was hurting their competitiveness.

To cope, about one third said they were increasingly focusing their China operations on producing for Chinese customers and not for export, while one third said they were delaying and cancelling investment decisions.

Long considered a solid cornerstone in a relationship fraught with geopolitical frictions, the US business community has in recent years advocated a harder line on what it sees as discriminatory Chinese trade policies.

The United States is seeking sweeping changes to trade and economic policies, including an end to forced technology transfers and theft of US trade secrets. Washington also wants curbs on subsidies for Chinese state-owned enterprises and increased access for US firms in Chinese markets.

China for years has blocked major US tech firms, including Google and Facebook, from fully operating in its market. Those and other restrictions have fueled calls from within the US business community for Washington to pursue more reciprocal policies. Cui told Fox News Channel that US restrictions on Huawei "are without any foundation and evidence" and could undermine the normal functioning of markets. "Everybody knows Huawei is a privately owned company. It is just a normal Chinese private company," Cui said. "So all the action taken against Huawei are politically motivated." —Reuters

China's big three airlines seek Boeing compensation over 737 MAX grounding

BEIJING: China's three biggest airlines have asked US planemaker Boeing Co to compensate them for losses caused by the grounding and delayed deliveries of 737 MAX jets, just as regulators gather to discuss design changes for the troubled aircraft.

The triple compensation requests come at a sensitive time in Sino-US relations, with a string of tit-for-tat import tariffs culminating in Washington accusing Beijing of backtracking on almost all aspects of a proposed trade deal.

The US administration's latest tariff increase on \$200 billion worth of Chinese imports - and hints of more - has prompted fear that China could retaliate against US companies.

Yesterday, Air China Ltd and China Southern Airlines Co Ltd told Reuters the pair have added their voices to a compensation request from China Eastern Airlines Corp Ltd announced a day earlier.

The latest requests were first reported by Chinese state TV. China was the first country to ground the 737 MAX two months ago after a crash in Ethiopia killed 157 people in March, in the second such incident for Boeing's newest aircraft.

"China has grounded 96 aircraft, which is about 4 percent of its airplanes. The grounding causes huge losses for Chinese airlines," China aviation expert Li Xiaojin told Reuters.

Daily losses are likely to be at least 100,000 yuan (\$14,469.90) per aircraft for each airline, Li estimated.

"The potential costs are huge too. Slower growth in passenger volume across China's major airports for March and April was largely due to the grounding of 737 MAX jets, according to my calculations," Li said. China's state-asset regulator put the number of 737 MAX jets operated by the three biggest Chinese carriers at 53.

Outside of China, carriers that have requested

compensation include Turkish Airlines, United Airlines, Ryanair and Flydubai.

Coordinated effort

Bloomberg last week reported the big Chinese airlines were considering teaming up to seek compensation. On Tuesday, state newspaper People's Daily said China Eastern had not communicated with the other carriers on the topic before making its request. China Eastern confirmed the content of that report to Reuters. Yesterday, however, widely read tabloid Global Times reported that the action appeared to be a "concerted effort".

"China seems to be ready now to put more pressure on Boeing as the company happens to have a genuine safety issue, and the trade friction between the US and China started to go into a downward spiral," Global Times quoted Shen Yuxin, a partner at law firm Freshfields Bruckhaus Deringer, as saying.

The latest compensation requests also come a day before the US Federal Aviation Administration hosts global regulators in Dallas to review 737 MAX software and training proposals from Boeing before regulators decide whether to end the grounding.



RENTON: A Boeing 737 MAX 8 for China Southern Airlines is pictured at the Boeing Renton Factory in Renton, Washington. —AFP

China and the European Union each have their own aerospace industries and so are likely to determine their own conditions for allowing 737 MAX flights to resume, analysts said. The International Air Transport Association has also convened a meeting of airlines with grounded 737 MAX jets today in Montreal. —Reuters