

Business

# Trump, Xi send positive signals on deal to defuse US-China trade war

## Trump says deal 'potentially very close'

BEIJING: The leaders of the United States and China on Friday both underscored their desire to sign an initial trade deal and defuse a 16-month tariff war that has lowered global growth, providing a welcome boost to financial markets. Chinese President Xi Jinping, in rare comments on the trade tensions with Washington, said Beijing wants to work out an interim or 'phase one' trade pact, but is not afraid to retaliate when necessary. Hours later, US President Donald Trump said a trade accord with China is "potentially very close," although he insisted that any deal would have to be weighted to favor the United States after years of trade imbalances with China. Speaking on Fox News Channel's "Fox & Friends," Trump also urged China and Hong Kong to calm the situation in Hong Kong, wracked by months of pro-democracy protests, calling it a complicating factor in the trade talks.

The S&P 500 and Dow Jones indexes eked out gains on Friday after the comments by Trump and Xi, reversing losses triggered earlier in the week by reports that a truce could slip into next year. Economists say the prolonged dispute between the world's two largest economies is lowering global growth, disrupting supply chains, curtailing investment and curbing business confidence. "We want to work for a 'phase one' agreement on the basis of mutual respect and equality," Xi told representatives of the New Economy Forum organized by Bloomberg LP, according to a pool report.

"When necessary we will fight back, but we have been working actively to try not to have a trade war. We did not initiate this trade war and this is not something we want." Global financial markets retreated this week on fresh fears that the trade talks could founder, unnerved by reports that Trump could sign into law two bills backing protesters in the Chinese-ruled city of Hong Kong. Trump did not make clear his intentions during the Fox News interview, saying, "We have to stand with Hong Kong but I'm also standing with President Xi."

Concerns of a broader deterioration in Sino-U.S. ties

weighed on markets this week. US Navy warships twice sailed near islands claimed by China in the South China Sea in recent days, angering Beijing. Completion of a phase one trade deal could slide into next year, trade experts and people close to the White House have told Reuters, with Beijing asking for more extensive tariff rollbacks and Washington countering with increased demands of its own. Trump said he was troubled by Xi's insistence on "equality," countering that the United States had suffered for years due to large Chinese trade surpluses.

"I told President Xi, 'This can't be like an even deal. We're starting off from the floor and you're already at the ceiling,'" Trump said in the Fox News interview. China's official Xinhua news agency quoted Xi as saying ties between Washington and Beijing were at a pivot



### Xi seeks mutual respect, equality

otal moment. "Both the United States and China should strengthen their communication over strategic issues and avoid misunderstanding and misjudgment," it quoted Xi as saying during a meeting with former US Secretary of State Henry Kissinger in Beijing.

#### More trade talks?

China has invited top US trade negotiators for a new round of face-to-face talks in Beijing, the Wall Street Journal said, citing unnamed sources. It added that Beijing hoped the talks could take place before next Thursday's US Thanksgiving holiday. US officials have



LOS ANGELES: The Land Rover Defender 110 car on display during the AutoMobility LA event, at the 2019 Los Angeles Auto Show in Los Angeles, California. The four-day press and trade event precedes the Los Angeles Auto Show, which runs November 22 through December 1. — AFP

indicated willingness to meet but have not committed to a date, it added, and they would be reluctant to travel for the discussions unless China made clear that it would make commitments on intellectual property protection, forced technology transfers and agricultural purchases. Trump told reporters at the White House the US-China trade deal was coming along well, adding, "The question is whether or not I want to make it."

Former US Trade Representative Charlene Barshefsky said she assumed China would insist on some tariff relief in the phase one deal. "Otherwise, this is an entirely one-sided exercise, and I've never known the Chinese to negotiate one-sided deals to their disadvantage," she said at a group interview on the sidelines of the Bloomberg forum. Officials from Beijing had sug-

gested Xi and Trump might sign a deal before Dec 15, when US tariffs on about \$156 billion in Chinese goods are set to take effect, including holiday gift items such as electronics and Christmas decorations.

In Beijing on Wednesday, Vice Premier Liu He, China's chief negotiator in the trade talks, said he was cautiously optimistic on a phase one deal. Bloomberg News said, citing people who attended a dinner event ahead of the forum. "The two countries should really ink the deal the sooner the better, at least a truce, and that will inject some certainty into the market and the economy," Hu said. "Based on this, we can clear out a consensus on complicated structural problems, and strive for a comprehensive final agreement." — Reuters

## Europe urged to 'innovate, invest'

FRANKFURT AM MAIN: Christine Lagarde has urged European countries to "innovate and invest" more to support growth at a time of global uncertainty, in her first major policy speech as president of the European Central Bank. The ECB's ultra-loose monetary policy would "achieve its goal faster and with fewer side effects" if euro area governments supported it with fiscal policy, Lagarde told a banking conference in Frankfurt.

The eurozone economy is expected to grow just 1.1 percent this year—"much lower than previously forecast", she said, as "trade tensions and geopolitical uncertainties" take their toll. "Europe needs to innovate and invest to respond to these challenges and preserve its competitiveness in the longer run," said Lagarde, whose previous job was head of the International Monetary Fund.

She called for an investment drive across the 19-nation currency bloc that should be "more productive, more digital and greener". The speech by Lagarde, who took on her new role as the ECB's first female chief at the start of the month, was highly anticipated by markets keen for a hint of her future policy stance. "For the time being, Lagarde meets the expectations that she could become the leading economic and political voice for Europe rather than quickly shaking up the ECB," said ING Diba bank analyst Carsten Brzeski.

#### 'Global shift'

Lagarde's comments echoed those by the Organization for Economic Co-operation and



President of the European Central Bank (ECB) Christine Lagarde

Development (OECD) which had on Thursday likewise urged governments to loosen the purse strings. Warning that the global economy was headed for its weakest economic growth "since the global financial crisis", it said governments had not invested enough to improve their long-term infrastructure, advance new technologies or combat climate change. Hobbled by the US-China trade conflict and Brexit turmoil, the OECD now expects economic activity to grow at around 3.0 percent in 2020-2021 — down from a 3.5 percent rate projected only a year ago.

Elsewhere on Friday, a closely watched survey by the firm IHS Markit found that the eurozone's economy was seen to have "near-stalled" in November after successive months of manufacturing decline. In her speech, Lagarde homed in on the weakening manufacturing sector as she

stressed the importance of strengthening domestic economies. "We are starting to see a global shift-driven mainly by emerging markets—from external demand to domestic demand, from investment to consumption and from manufacturing to services," she told the Frankfurt audience.

#### New start

Lagarde has previously suggested she would stick closely to predecessor Mario Draghi's accommodative monetary policy mix of cheap credit, record-low interest rates and massive bond purchases to stimulate the economy and drive up stubbornly low inflation. But Lagarde, a lawyer and not an economist by training, has also pledged to make her mark with a push for more action on climate change, gender equality and making the ECB's language more jargon-free.

On Friday, the former French finance minister said she would launch "a strategic review" of the bank's monetary policies. Lagarde's arrival at the ECB comes as its governing council was divided as never before over Draghi's final stimulus package in September. The measures saw the bank restart a monthly government and corporate bond buying program and cut a key rate deeper into negative territory.

But the measures drew howls of protest from some council members who said they were too heavy-handed and would deepen the pain for eurozone banks already struggling to make a profit amid historically low interest rates. One of Lagarde's first orders of business as ECB president was to whisk the 25-member council away from the bank's glass-and-steel headquarters for a "retreat" in a plush hotel outside Frankfurt to heal the rift. Lagarde will hold her maiden ECB press conference on December 12 after chairing her first governing council policy meeting. — AFP

## Bondholders jockey for lead ahead of Argentina talks

LONDON: Several factions of Argentina's bondholders are jostling for influence ahead of restructuring talks with incoming president Alberto Fernandez as Latin America's third-largest economy tries to avert a default, more than a dozen sources familiar with the process said. Argentina is once again buckling under the weight of its sovereign debts, which total around \$100 billion, and Fernandez needs to urgently agree a deal with creditors to ease the burden and give his government space to try to revive the economy.

Several investors told Reuters they are growing increasingly annoyed by a lack of clarity on the plans of the new government, which is set to take over on Dec. 10. Fernandez has not yet named his economic team or said how he will deal with the debts, which have become painfully costly after a collapse of the peso.

"The general frustration is how slow the incoming administration has been to name people and get the ball rolling," a source at a large fixed income investor that holds Argentine debt said, adding that with more clarity things could change "fairly quickly". Fernandez this week told the International Monetary Fund's (IMF) head Kristalina Georgieva he has a "sustainable" plan to meet creditor obligations as well as maintain growth, without giving details. A media representative for Fernandez did not immediately respond to a request for comment on Friday.

A creditor committee of at least 20 members was formed last month as bondholders look for ways to avoid losses, which could reach tens of billions of dollars, on their holdings. A second group is now being assembled, led by US-based emerging markets-focused investment manager Gramercy, three sources said, amid differences over the way forward. A third group of mostly hedge funds holding bonds restructured after a prior Argentine default was also being brought together, sources said.

Gramercy has previous experience in Argentina, where its distressed debt chief investment officer Robert Koenigsberger was involved in debt talks in 2009. Several bondholders said a range of proposals for bundling creditors were circulating, although some said they would rather stick to a larger single group controlling a bigger debt slice. The process of organizing creditors is still in the early stages and it is not clear how much of Argentina's debt each grouping represents at this stage.

Gramercy's proposal, which also involves emerging markets investment manager Macrosynergy Partners, has put together a number of possible scenarios, three sources familiar with the plans said. One of these includes an extension of maturities to ease the pressure on Argentina's struggling finances, but no write-down. "The group's preferred scenario is to get a five-year extension, but there is no haircut," one of the sources said. — Reuters

## Bombshell GM lawsuit has bribes, backdoor schemes

NEW YORK: General Motors' bombshell lawsuit against Fiat Chrysler reads like a crime novel, with jaw-dropping bribes, a custom-made Italian watch, and splurges on a luxury wedding and \$7,000 feasts at upscale restaurants. Meanwhile, FCA's deceased CEO is portrayed as the mastermind behind a Machiavellian plot to essentially take control of the United Auto Workers union and force GM into a merger and consolidate his power.

FCA aimed to keep labor brass "fat, dumb and happy," as the US Justice Department has said of a bribery scheme that centered on a fund set up to provide worker training but instead padded the pockets of union leaders. The lawsuit comes as GM tries to pivot away from a bruising 40-day strike that ended in late October that effectively shut down its US operation, and further weighed on the company's public image following controversial factory closures.

The suit, filed in federal court on Wednesday, recasts key events in the auto industry over the last decade and adds to pressure on the UAW as it continues efforts to recover from the federal investigation that has taken down multiple officials, including its president, Gary Jones, who resigned Wednesday — after the union moved to oust him.

FCA has dismissed the allegations, saying they are an attempt to undermine its merger with French giant PSA. The lawsuit depicts the late FCA chief executive



TURIN: In this file photo, the logos of automobile companies (left to right) Abarth, Lancia, Fiat, Alfa Romeo and Jeep are pictured at the entrance to the Fiat Chrysler Automobiles (FCA) at the Fiat Mirafiori car plant in Turin, Italy. — AFP

Sergio Marchionne as the architect of a scheme to manipulate UAW labor talks in order to raise costs for GM so much it would be forced to join forces with FCA, creating a global auto behemoth led by Marchionne.

The colorful narrative includes accounts of Marchionne's relentless chase of GM, meetings between union brass and GM Chief Executive Mary Barra, descriptions of a bogus hospice organization to hide FCA bribes and a photograph of a Venice wedding of a union leader allegedly paid for by FCA. Barra, speaking at an investor conference Thursday, said "we

had to take action" as more details about the scandal emerged and as the company realized it was not dealing with a level playing field.

GM said it is seeking to recover the "billions of dollars" it lost as a result of FCA's influence on the UAW. Barra also laid down a tough line on labor relations in general. "There's a lot of conversation about job security and job security is not something you negotiate," she said. "Job security is something that you earn and making sure they all understand it in their role I think is something we'll double down on as we go forward." — AFP