Friday Times

Business

Friday, August 7, 2020

TikTok grab could extend or dent US online dominance

Trump likely to approve Microsoft deal

WASHINGTON: A tie-up of TikTok with Microsoft could extend American dominance of the online and social media world. But it may have some unintended, negative consequences too for US firms and the open internet. The deal being negotiated with the administration of President Donald Trump would carve out parts of the popular video app for Microsoft, which would gain a foothold in the fast-growing, youth-focused social media environment and join the ranks of rivals like Facebook.

Such a deal "would strengthen American preeminence in technology by moving a major consumer product from Chinese ownership," said Darrell West, director of the center for technology innovation at the Brookings Institution. "But it also could encourage data nationalism by fueling calls in many nations for local control over internet platforms and data storage within their own national borders."

Other analysts said the deal could have far-reaching effects for the idea of an open internet, a longstanding position of Washington in contrast with that of China and other authoritarian regimes which restrict online content. "It would cross a Rubicon in terms of internet governance," said Graham Webster, editor of the DigiChina Project at the Stanford University Cyber Policy Center. "This would result in the US appearing to support the longstanding Chinese position, which is that if they don't like the way another country's companies operate, they can ban or seize them. That would be a huge step."

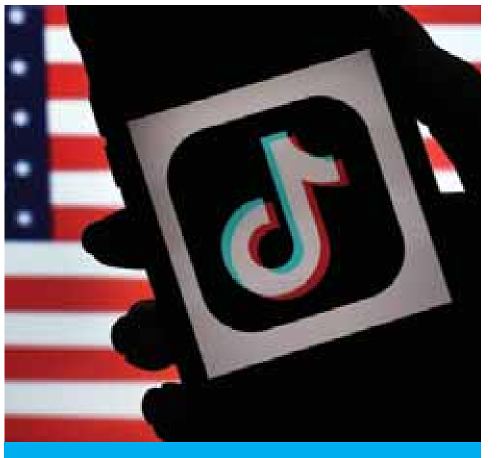
Microsoft entry

Microsoft said it has been in talks with TikTok parent firm ByteDance to acquire TikTok's operations in the United States, Canada, Australia and New Zealand and address Washington's concerns about data security in light of claims that the social platform could become an espionage tool.

Trump said he is likely to approve such a deal, and set a mid-September deadline after which he would ban TikTok in the United States. Any deal would give Microsoft a large chunk of the estimated billion-user TikTok base and technology which has helped make the app wildly popular with young smartphone users.

The talks come against a backdrop of growing dominance in much of the world of US-based Big Tech firms in social media, online search and advertising, cloud computing and other sectors which have become more important during the coronavirus pandemic.

Patrick Moorhead, analyst with Moor Insights & Strategy, said the US may be justified in its move because of China's limits on US firms operating in that country. "China has been imposing these rules on us for the last 25 years," he said. "If you are an American company setting up in China you need a 49 percent local owner and you need to give up intellectual property. A Chinese firm in US doesn't need a US owner sponsor, you just open up shop. The US wants symmetric trade rules."— AFP



In this file illustration photo, the social media application logo TikTok is displayed on the screen of an iPhone on an American flag background in Arlington, Virginia. — AFP

US sees deep private hiring slump in July

WASHINGTON: US private sector hiring slumped in July, the latest sign of the shaky footing of the world's largest economy as it struggles with a protracted coronavirus outbreak. Payroll services firm ADP reported on Wednesday the United States added just 167,000 private sector jobs in July-nowhere near analyst' expectations of a 1.6 million rise in a month when many states rolled back reopening measures as they faced a surge in new COVID-19 infections.

"The labor market recovery slowed in the month of July," said Ahu Yildirmaz, vice president of the ADP Research Institute. "We have seen the slowdown impact businesses across all sizes and sectors."

The report, along with data in a separate survey from the Institute for Supply Management (ISM), was a bleak omen ahead of two new Labor Department data releases in the coming days, including the July unemployment rate on Friday and weekly new jobless claims data, the latter of which has started rising again in recent weeks after falling for months.

In an appearance on CNBC, Federal Reserve Vice Chair Richard Clarida acknowledged "some of the growth momentum has slowed" after key sectors bounced back in May and June following the shutdown of much of the US economy to stop the coronavirus from spreading. "We'll get a bounce-back in the third quarter... but it will take some time before we get back to the level of economic activity of February before the virus struck," Clarida said, predicting recovery may stretch through the end of next year.

The ADP numbers come as Congress continues negotiating on a new aid package to bolster the economy after tens of millions of people lost their jobs after the lockdowns began in mid-March.

A production line employee works at the AMES Companies shovel manufacturing factory in Camp Hill, Pennsylvania, US.—Reuters

ADP reported mid-sized firms saw employment decline by 25,000, while large companies with 500 or more employees added the most jobs with 129,000, and small businesses with less than 50 added 63,000.

Among sectors, goods-producing employers saw nearly flat hiring with 1,000 jobs added. The services industry added 166,000 jobs, with professional and business employers as well as education and health gaining the most. The ISM services index released Wednesday saw its second consecutive month of growth in July, ticking up above expectations to 58.1 percent and bolstering the case that the hard-hit sector is improving. Any rating above 50 percent equals growth, and business activity improved slightly to 67.2 percent while new orders jumped 6.1 points to 67.7 percent.

The supplier deliveries index, which is inverse, declined slightly to 55.2 percent indicating "deliveries are now more closely correlating to the current supply and demand," the survey's chair Anthony Nieves said. "Respondents remain concerned about the pandemic; however, they are mostly optimistic about business conditions and the economy as businesses continue to reopen," he said. But the growth wasn't enough to support employment, which declined one point to 42.1 percent.—AFP

Despite debt deal, Argentina's woes remain

BUENOS AIRES: Argentina's President Alberto Fernandez has reached a deal with creditors to restructure a $66 billion debt following months of wrangling, but analysts say that won't be enough to solve the crisis-wracked country's economic woes. The government is now expected to focus on renegotiating the repayments of its $44 billion loan from the International Monetary Fund as well as other multi-billion dollar debts. Fernandez celebrated Tuesday's "impossible" resolution, achieved despite the added financial pressure imposed by the coronavirus pandemic, saying the "horizon is clear" to reach further agreements.

But analysts are not convinced that Argentina is in the clear yet. "It takes the pressure off, but it's not enough," said economist Mariana Dal Poggetto, director of consultants EcoGo. The bonds related to Tuesday's agreement, issued under foreign legislation, represent roughly a fifth of the country's $324 billion debt, which amounts to around 90 percent of its GDP. As well as its IMF loan, Argentina must resolve the situation surrounding a $41.7 billion debt issued under national legislation whose payments have been deferred until December 2021.

The country has been in recession since 2018 and the IMF expects its GDP to shrink by almost 10 percent this year, due to effects of the pandemic. Already more than a third of the country's population of 44 million live in poverty, and annual inflation stands at 40 percent. Argentina is due to repay the $44 billion to the IMF over the next four years, "which is untenable," according to Capital Economics analyst Nikhil Sanghani.

The government "needs to clear things up with the International Monetary Fund and consolidate the fiscal front," added Dal Poggetto. But Argentina is increasing its fiscal deficit due to an ambitious plan of subsidies the center-left government has implemented to help the most vulnerable in society.—AFP