Trump threat to 'decouple' US and China hits trade, investment reality

Chinese imports of US goods rising, US investment in China continues

WASHINGTON: Conflicting talk from Trump administration officials about "decoupling" the US economy from China is running into challenging reality: Chinese imports of US goods are rising, investment by American companies into China continues, and markets are wary of separating the world's biggest economies.

White House trade adviser Peter Navarro gave Asian markets a scare on Monday night by telling Fox News Channel that the US-China trade deal was "over." US stock futures dropped, the dollar rose, and volatility indices climbed.

Navarro quickly backtracked on Monday night, saying he was referring to a lack of trust between the United States and China over the coronavirus outbreak. President Donald Trump also quickly tweeted that the deal was intact.

On Tuesday, National Economic Council Director Larry Kudlow praised Beijing, telling Fox Business Network "they've actually picked up their game" when it comes to the trade deal.

The damage-control efforts by the Trump administration come after Trump said last week that "a complete decoupling from China" was an option, overruling US Trade Representative Robert Lighthizer, who had told lawmakers that decoupling was not realistic. The Trump re-election campaign has made being "tough on China" a key part of his platform.

The White House has blamed Beijing for the spread of the coronavirus that has killed more than 120,000 Americans, more than any other country.

But part of that message - that the United States is able and willing to walk away from its largest supplier - is challenged by on-the-ground realities.

US-China trade is actually increasing, after the coronavirus caused major drops shortly after the trade deal was signed in January. US exports to China rose to $8.6 billion in April, up from a 10-year monthly trough of $6.8 billion in February, according to US Census Bureau data. Imports from China shot up to $31.1 billion from $19.8 billion in March, which marked the lowest monthly total in 11 years.

US Department of Agriculture data showed that soybean exports to China rose to 423,891 metric tons in April, more than doubling the 208,505 tons imported in March. US officials, including Lighthizer and Secretary of State Mike Pompeo, have recently affirmed China's commitment to meet the terms of the Phase 1 trade deal, which calls for China to boost purchases of US farm and manufactured goods, energy and services by $200 billion over two years.

Markets are wary of decoupling

Lighthizer said last week that about $10 billion in Chinese purchase commitments had been made under the deal, including $1 billion worth of cotton. A person familiar with both US and Chinese thinking on the trade deal said that Navarro's comments appeared to be a "slip of the tongue," reflecting his personal hawkish views on China and not administration policy. The person also said that Chinese officials have indicated that June imports from the United States were expected to show a dramatic increase after falls in recent months due to the outbreak.

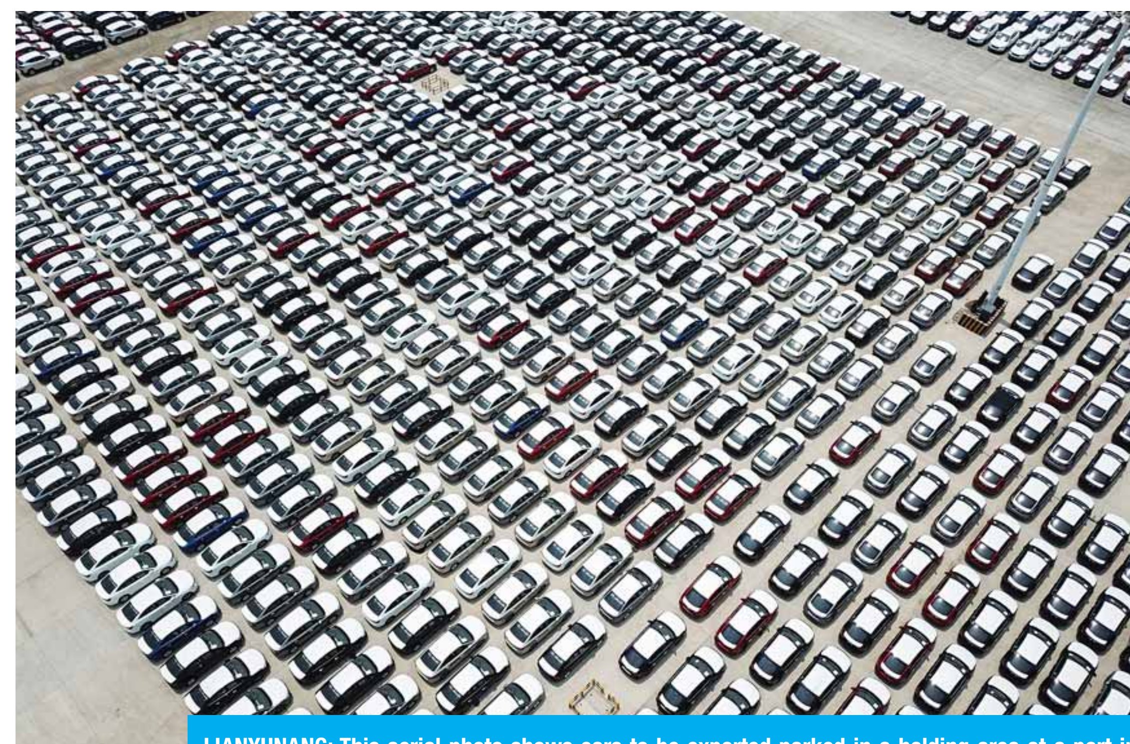
Strong investment

US companies had announced $2.3 billion in new direct investment projects in the first quarter of 2020, only slightly down from last year's quarterly average despite the coronavirus, the Rhodium Group said in a recent study indicating that U S companies are not significantly reducing their China footprint.

Bill Reinsch, a senior adviser and trade expert at the Center for Strategic and International Studies, said it took over 20 years for the US and Chinese economies to grow together, and decoupling cannot be accomplished easily.

Some companies are leaving, not because of Trump, but because of rising Chinese wage rates and Chinese policies that have disadvantaged foreign-owned businesses, he said.

"If you're in China to serve the Chinese market, you're going to stay because you can't serve it as well from the outside," Reinsch said. "The president can't simply order everybody to come home. Businesses will make rational, economic decisions." —Reuters



LIANYUNANG: This aerial photo shows cars to be exported parked in a holding area at a port in Lianyungang in China's eastern Jiangsu province. —AFP

Apple, Google, Amazon slam Trump visa ban

SAN FRANCISCO: US President Donald Trump has suspended the entry of some foreign workers in a bid to boost domestic hiring, sparking opposition from corporate America and tech sector executives including Google's Sundar Pichai and Tesla's Elon Musk.

The visa suspension, effective June 24, will last until the end of the year and is expected to open up 525,000 jobs for US workers. Alphabet Inc's Google:

Pichai, Alphabet's chief executive officer, said in a tweet, "Immigration has contributed immensely to America's economic success, making it a global leader in tech, and also Google the company it is today. Disappointed by today's proclamation - we'll continue to stand with immigrants and work to expand opportunity for all."

Susan Wojcicki, the chief of Alphabet's YouTube, tweeted: "Immigration is central to America's story, and it's central to my own family's story. My family escaped danger and found a new home in America ... at Youtube, we join Google in standing with immigrants and working to expand opportunity for all."

Google had 2,678 H1B visa approvals in 2019, according to US Citizenship and Immigration Services.

Amazon.com Inc

"Amazon opposes the Administration's short-sighted decision to pause high-skill visa programs. Welcoming the best & the brightest global talent is critical to America's economic recovery. We will continue to support these programs & efforts to protect the rights of immigrants," the company said. The company had the most number of H1B visa approvals at 3,026 in 2019.

Apple Inc

"Like Apple, this nation of immigrants has always found strength in our diversity, and hope in the enduring promise of the American Dream. There is no new prosperity without both. Deeply disappointed by this proclamation," Chief Executive Tim Cook said in a tweet. Apple had 1,136 H1B visa approvals in 2019.

Box Inc

"This is unbelievably bad policy on every level. It will only mean more jobs move outside the US, and in no way makes America better or more competitive," CEO Aaron Levie tweeted. Box had 21 H1B visa approvals in 2019.

Facebook Inc

"President Trump's latest proclamation uses the COVID-19 pandemic as justification for limiting immigration. In reality, the move to keep highly-skilled talent out of the US will make our country's recovery even more difficult. America is a nation of immigrants and our economy and country benefit when we encourage talented people from around the world to live, work, and contribute here. That's more true now than ever," the company said. Facebook had 1,518 H1B visa approvals in 2019. —Reuters

Argentina faces double whammy of virus, recession

BUENOS AIRES: After stuttering through two years of recession and three months of grim coronavirus lockdown, many businesses in the Argentine capital Buenos Aires have had enough and are closing their doors.

"I made the decision to auction off the contents and with the capital that comes from the sale, pay the staff and get rid of the business," Ricardo Klausner told AFP at the door of his restaurant Latekla.

"The quarantine gave me time to mourn and today I actually feel very relieved." Workers were taking out crates of glasses and crockery, chairs and an industrial kneading machine from the restaurant Klausner operated for 26 years in downtown Buenos Aires, employing seven people.

"We had one of the worst Christmases in history in terms of consumption. The summer was also very bad and then we started with the pandemic. Once the coronavirus ends, the crisis will continue.

"People cook at home, save, take care of their money, because they don't know what the future holds for them," Klausner said. According to a survey by the Federation of Commerce and Industry of Buenos Aires, at least 18 percent of the 110,000 businesses in the capital have shut down since the coronavirus began.

Hotels, gyms, car wash services and hairdressers have yet to be given permission to open up, and restaurants have only been authorized for deliveries, which has reduced their profits by 25 percent, according to FECOBA. "By the time it is decided to resume activity, 25 - 35 percent of businesses will have disappeared, leaving a string of unemployed, having been made defunct by the state because it was impossible to pay taxes," said Fabian Castillo, FECOBA's president.

Desolate nights

The streets around the Plaza Cortazar in the Palermo Viejo neighborhood in the heart of Buenos Aires, look desolate these nights. The trendy bars and restaurants that used to overflow with customers now have their blinds down and there is little traffic.

For Santiago Olivera, who owned the Bad Toro Bar for nine years, it was impossible to go on. "The costs of this place were very high and we are coming from two years of fairly bad consumption. Three months without making any money was the last straw."

Olivera pointed out that because it was closed, he was only charged half the rent. "But we are still getting tax and service bills as if we were open. On top of that, a government decree prohibited us from reducing or suspending employees, which is why we find ourselves closed for three months and with a full complement of staff."

BUENOS AIRES: Argentine Economy Minister Martin Guzman taking part in a video conference organized by the Council of the Americas (COA) and the Americas Society (AS), from his office in Buenos Aires, on Tuesday in which he referred to the restructuring of the Argentine debt, its creditors and the COVID-19 novel coronavirus pandemic. —AFP

Five other businesses in his street have decided against reopening, he said. Argentina's economy has been limping through recession since 2018, exacerbated this year by the effects of the coronavirus pandemic. Authorities estimate GDP will fall 6.5 percent.

The government is currently locked in complex negotiations on restructuring $66 billion of its debt, which soared to $324 billion overall last year—the equivalent of around 90 percent of its GDP.

Around 35 percent of its 44 million people live below the poverty line. —AFP

Indonesia's GoJek to cut jobs as virus takes toll

JAKARTA: Indonesian app giant GoJek said it will cut hundreds of jobs and ditch at-home massage and cleaning services as the global pandemic slashes demand for face-to-face businesses, after Singapore-based rival Grab also announced layoffs.

Starting as a ride-hailing service in 2010, GoJek launched an app five years later with a wide range of offerings, including deliveries, takeaway food and financial services, that could be ordered via smartphone. The company attracted investments from tech giants including Google, Facebook and Tencent.

But on Tuesday it said it would cut 430 posts—or about nine percent of its full-time staff—as it cancels massage, house cleaning and GoFood Festivals, which supplies vending space for food sellers. "These businesses are dependent on close human interaction, and have seen a significant downturn over the past few months as the COVID-19 pandemic has affected consumer habits," the firm said in a statement.

"These will be the only COVID-19-related layoffs," it added.

However, GoJek said its logistics and grocery delivery businesses had surged since the pandemic hit. The firm—which claims some 170 million users in Indonesia and has expanded to other Southeast Asian markets—employs freelancers for many of its services, including ride-hailing drivers. It did not respond to requests for comment on how many of its freelance staff would be affected by the cuts.

Last week, rival Grab announced that it would dismiss 360 employers, or about five percent of its full-time workforce. In May, US-based ridesharing giant Uber said it was slashing a quarter of its global workforce—about 3,000 employees—and trimming investment to survive the financial hit to its business from the disease crisis. —AFP

JAKARTA: Indonesian drivers of ride-hailing service Gojek and Grab wait for passengers in Jakarta yesterday. —AFP

Markets mixed as investors track 2nd wave

HONG KONG: Equities were mixed yesterday in Asia after a healthy run-up the day before as traders weigh positive data suggesting economies are recovering against signs of a second wave of infections and the reintroduction of some lockdowns. While governments and central banks have provided a wall of cash to support markets, investors are walking a tightrope between hopes the easing of restrictions will lead to a rebound and the possibility that looser measures will inflame the pandemic again. After a rally across most regional bourses Tuesday, Wall Street and Europe followed suit after figures pointed to a big improvement in eurozone private-sector activity in June as well as a jump in US new home sales.

Meanwhile, several countries continued to loosen up, including in Britain where pubs, restaurants, hotels and cinemas were told they could open again from July 4. "Through the lens of survey data, at least for now, the world's essential economies are seeing a V-shaped and coordinated rebound that looks set to (continue) through the summer in the northern hemisphere," said Stephen Innes at AxiCorp. "Fingers crossed a second wave super spread does not land in our lap."

However, there are growing concerns of a relapse in some countries that had been opening up, with Tokyo governor Yuriko Koike yesterday warning a number of new cases had been found at one workplace.

That comes after Germany reimposed containment measures in two western districts—home to almost 640,000 people—after an outbreak at a slaughterhouse infected more than 1,500 workers.

Portugal has also announced new restrictions in and around Lisbon. And leading US health officials headed by top infectious disease expert Anthony Fauci warned of "historic" challenges, adding: "COVID-19 activity will likely continue for some time." —AFP