

Business

UK's demands for US trade talks set to test special relationship

Trade mandate hints Britain could reconsider digital tax

LONDON: Britain unveiled its mandate for trade talks with the United States yesterday, with Prime Minister Boris Johnson vowing to drive a hard bargain in negotiations that are set to test the "special relationship" between the two countries. After leaving the European Union in January, Johnson wants to pursue a trade deal with Washington to try to not only champion Britain's new independence but also to put pressure on the bloc in separate talks on a future relationship.

As a negotiating team heads to Brussels to start those discussions, the government set out its mandate for talks with the United States, warning that London would walk away if its demands are not met.

Britain said it wanted to achieve "huge gains" by removing barriers to trade but that its much-loved National Health Service (NHS) would not be on the table in talks, and that its food standards would be maintained. That could set the two sides on a collision course, putting additional pressure on a relationship already strained by London's decision to allow China's Huawei a limited role in its 5G mobile network and a proposed digital services tax.

"We have the best negotiators in the business and of course, we're going to drive a hard bargain to boost British industry," Johnson said. "Most importantly, this transatlantic trade deal will reflect the unique closeness of our two great nations."

The negotiating mandate hinted that Britain could reconsider the introduction of a digital tax in April which has been criticized by Washington. The government said its analysis showed a deal with the United States could boost transatlantic trade by 15.3 billion pounds (\$19.61 billion), and add 3.4 billion pounds to the British economy.

Britain's overall economy is worth around \$2.7 trillion.

The United States is currently Britain's biggest trading partner after the EU, accounting for nearly 19 percent of all its exports in 2018 and 11 percent of imports. By comparison, the EU accounted for 45 percent of all UK exports and 53 percent of UK imports.

Scottish salmon for Stetson hats

The government said manufacturers of cars, ceramics, food and drink, and professional services including architects and lawyers, would be among the biggest winners from the trade deal. "Trading Scottish smoked salmon for Stetson hats, we will deliver lower prices and more choice for our shoppers," Johnson said.

Both sides hope a deal can be reached as soon as this year, but there are many hurdles. The government reiterated that the NHS was "not for sale"—addressing criticism that a deal could let private U.S. healthcare providers into Britain's state-funded health system.

It also vowed to uphold high standards on food safety and animal welfare amid fears from farmers that the government is ready to allow US-produced chlorine-washed chicken and hormone-treated beef into Britain. "In a trade deal with the US, we will not diminish our food safety standards and we will also not put the NHS on the table," British trade minister Liz Truss said. "If we don't get the deal we want we will be prepared to walk away."

Washington's negotiating objectives, published last year, include pressing for full market access for US pharmaceutical products and medical devices, which would require changes to the NHS pricing restrictions and could increase the cost of drugs. Britain's Chief Trade Negotiation Adviser, Crawford Falconer, who previously



LONDON: US Ambassador to the UK, Robert 'Woody' Johnson arrives at the Cabinet Office on Whitehall in central London yesterday. Britain on Monday will detail its red lines in imminent negotiations with the United States over a free trade deal, vowing to safeguard its health service, food safety and animal welfare. —AFP

worked as New Zealand's chief negotiator, will represent the government in the talks.

Britain also plans to begin negotiating deals with Japan, Australia and New Zealand in the coming

months, alongside talks with the EU on future relations. The government said its aim is to have 80 percent of external trade covered by free trade agreements by 2022. —Reuters

What Britain wants from a trade deal with US

LONDON: Britain outlined its negotiating mandate for talks with the United States yesterday, with the hope of reducing tariffs while shielding the public health service and protecting food and animal welfare standards. Here are some key sections from the mandate document:

National health service

The government said the role of the National Health Service (NHS) will not be on the table in the talks. "The price the NHS pays for drugs will not be on the table," the document said. "The services the NHS provides will not be on the table. The NHS is not, and never will be, for sale to the private sector, whether overseas or domestic."

Boost to UK economy

The government said its analysis showed a deal with the United States, which involved full tariff liberalization

and a 50 percent reduction in non-tariff measures, would increase the size of the British economy by 0.16 percent. The document said if there is a substantial tariff liberalization and a 25 percent reduction in non-tariff measures the boost to the economy will be a more modest 0.07 percent

Food and animal welfare standards

The government said it would maintain high standards for consumers and workers, including on food and animal welfare. "Any agreement will ensure high standards and protections for consumers and workers, and will not compromise on our high environmental protection, animal welfare and food standards," the document said.

Financial services

Britain said it wants to expand opportunities for UK financial services but the impact of a trade deal on the UK's most important economic sector is "uncertain".

Access for goods and services

The government said it wants to reduce tariffs on goods and win improved access for service companies. The aim for goods is to "secure broad liberalization of

tariffs on a mutually beneficial basis, taking into account UK product sensitivities, in particular for UK agriculture."

The government also wants to "secure ambitious commitments from the US on market access and fair competition for UK services."

Digital tax

The government said it would consider opposition to its plan to impose a new digital tax on big tech companies like Google, Facebook and Amazon as part of its ambition to agree a free trade deal. "We note comments regarding digital taxation and will consider this as part of our policy development," the document said.

Investor rights

The government said any system to protect US companies' interests in the country after a free trade agreement - typically a sensitive issue for civil society groups worried about the power of multinationals - would have to be fair and transparent. "The government also notes the range of perspectives regarding the potential inclusion of investment protection and an associated Investor State Dispute Settlement (ISDS) mechanism," the document said. —Reuters

Lebanon prosecutor grills bankers over capital flight

BEIRUT: A Lebanese prosecutor yesterday grilled bankers over more than 2 billion dollars in capital flight in past months despite strict banking restrictions in the crisis-hit country, judicial sources said.

Banks have since September imposed increasingly tight limits on dollar withdrawals and transfers abroad as part of measures to tackle a severe liquidity crisis. But bankers stand accused of having sent millions of dollars abroad despite those limitations since mass anti-government protests erupted on October 17.

Lebanese banking association head Salim Sfeir, as well as representatives from 14 banks, appeared before financial prosecutor Ali Ibrahim, the sources said. They testified "over the transfer abroad of 2.3 billion dollars during the two months since

the start of the popular uprising", they said.

They were questioned over "the causes of the transfers abroad of the money of bank owners, which reduced liquidity in the internal financial markets". They were also asked why other depositors were unable to make transfers abroad for trade or to pay tuition fees.

Bankers were asked to justify "the inability of depositors to withdraw from their US dollar accounts... while that restriction did not apply to the powerful". Lebanon is currently facing its worst economic crisis since its 1975-1990 civil war. The value of the Lebanese pound has plummeted on the black market, prices have risen, and many businesses have been forced to slash salaries, dismiss staff or close.

Lebanon is one of the most indebted countries in the world, with a public debt equivalent to 150 percent of its GDP. The country is now under pressure to pay a \$1.2 billion Eurobond maturity on March 9. Economists warn payment on time would eat away at plummeting foreign currency reserves, while bankers say a default would damage Lebanon's reputation with lenders.

Bank of America Merrill Lynch in a November report estimated that around



50 percent of Eurobonds were held by local banks, while the central bank had around 11 percent.

Foreign investors owned the remainder, or around 39 percent, it said. But these figures may have changed, with local media reporting that local banks have recently

sold a chunk of their Eurobonds to foreign lenders. The judicial sources said those summoned yesterday were also asked about those sales, but they did not provide further details on their answers. Representatives of other banks are to be called in later this week. —AFP

Macau casino takings plunge 88% after virus closures

MACAU: Macau's casino industry suffered its worst monthly downturn on record in February after city-wide closures aimed at stopping the spread of the deadly coronavirus. The former Portuguese colony took the unprecedented step in early February of shutting much of its lucrative entertainment sector for two weeks—including casinos, nightclubs and many bars.

Takings for the month plunged 87.8 percent from the previous year, according to figures released by gaming authorities late Sunday.

Macau has recorded only 10 COVID-19 infections and has not detected any new cases for almost a month. The vast majority of the 35 million tourists visiting each year are mainland Chinese drawn to the city's casinos. Arrivals have plummeted since the outbreak began, with visitor numbers one-fifth of usual

levels. Still, observers expect the former Portuguese colony would bounce back.

"We do not think COVID-19 will curb gamblers' enthusiasm... so its impact on the industry's sustainable earnings power should be limited," JPMorgan Chase analysts said in a note.

Macau's government has been keen to ensure casinos keep on staff through the downturn and avoid lay-offs. But while authorities allowed gaming venues to reopen on February 18, they said operators concerned about low tourist numbers could apply to remain closed for another month.

Officials have ordered all gamblers and casino staff to wear face masks. First found in the city of Wuhan in central China, the new coronavirus has infected nearly 80,000 people on the mainland and 98 in Hong Kong. It has also killed nearly 3,000 on the mainland and two in Hong Kong.

The only other time Macau's casinos closed their doors was in 2018 when the city was hit directly by a typhoon. Macau depends almost entirely on gaming revenue, raking in more in a single week than Las Vegas makes in a month.

The local government has tried to diversify—promoting Macau as a tourism and culinary destination—



The gaming sector accounts for 80 percent of Macau's government revenue. —AFP

but the gaming sector still accounts for 80 percent of government revenue.

Gaming stocks fell slightly yesterday, with Sands China down 0.7 percent and Galaxy Entertainment down 0.6 percent on the Hong Kong bourse. —AFP

CBs urge G20 to back cheaper payments 'roadmap'

LONDON: Central banks will ask world leaders to back a "roadmap" for cutting the cost of cross-border payments, the Bank for International Settlements said on Sunday.

The BIS wants Group of Twenty (G20) leaders to get behind the plan, which is being drawn up by regulators, central banks and treasury officials from across the world and will lay out steps to improve a payments system hindered by high costs. Political will is needed to create conditions for cheaper cross-border payments that are properly regulated at a time when international "correspondent" banks are pulling out from aiding such payments for local lenders.

Cross-border payments, critical for some emerging economies that depend on remittances sent by migrants abroad, are hampered by low speeds, high costs and cumbersome processes.

The roadmap will look at current costs, sticking points and risks in payments and pinpoint how the private and public sectors can tackle them, the Basel-based BIS, an umbrella group for central banks, said. In a rare move, the BIS devoted its quarterly review to payments in a sign of how Facebook's plans to launch its Libra cryptocurrency has forced central banks to look beyond their wholesale payment networks to changes in the retail sector.

Facebook's planned expansion to retail payments has focused regulatory concern over the role of Big Tech in financial services, stoking debate over who will control money in the future.

As technological changes sweep through the domestic and cross-border payments sectors, central banks must accelerate work to guarantee that new services run safely and efficiently, the BIS said. —Reuters

Lufthansa further slashes flight plan over virus

FRANKFURT: German airline group Lufthansa said yesterday it was extending flight cancellations on Iran and China routes until late April, part of a broader rollback because of the novel coronavirus.

The group's namesake carrier and subsidiaries Austrian and Swiss will not fly to and from mainland China until April 24, Lufthansa said in a statement. Meanwhile Tehran flights will be suspended until April 30. The slashes to the flight plan are part of a wider scheme Lufthansa announced Friday that will ground 23 long-haul aircraft and cut short- and medium-haul services by up to 25 percent. Lufthansa said yesterday it was reducing the frequency of flights between major German hubs like Frankfurt and Munich and Seoul and Hong Kong. And the group is also reducing frequency on routes to cities in Italy, including Rome, Venice, and Milan, with subsidiary Brussels Airlines affected alongside low-cost carrier Eurowings, Austrian and Swiss.

In northern Italy, 11 towns have been placed under quarantine because of the virus outbreak. Even within Germany, the group is slashing flight frequency on domestic routes between major cities. Lufthansa said passengers whose flights were affected by the timetable changes should check the company website for updates. The group has also suspended new hires as part of its measures to cushion the business impact of the virus, which it said yesterday was "not yet possible to estimate". —AFP