Ottawa 'disappointed' by US move to double Canadian lumber tariffs

Long expected decision could further drive up prices in US

OTTAWA: Washington will double compensatory and anti-dumping tariffs on Canadian lumber, a move long expected but that has nonetheless disappointed Ottawa and could further drive up prices in the United States. Most Canadian companies that export softwood lumber to the United States will have to pay 17.9 percent duties, up from the current 8.99 percent, according to documents from the US Commerce Department and the Canadian government.

"Canada is extremely disappointed that the United States has decided to increase to 17.9 percent the unfair duties it imposes on most producers of Canadian softwood lumber" and "calls on the United States to put an end to it," said Canadian international trade minister Mary Ng in a statement.

When contacted by AFP for comment, the US Department of Commerce did not respond.

The decision will go into effect once it has been published in the Federal Register, the official list of US federal rules and public notices, which could happen next week. The tariffs are reviewed annually, and Washington had published preliminary results in May. The Quebec Forest Industry Council (QFIC) expects "additional upward pressure on the North American price of wood as well as on the Quebec forest industry," according to a press release.

"US consumers are the ones paying the price," QFIC CEO Jean-Francois Samray said, indicating that "the United States cannot meet its domestic demand."

The US National Association of Home Builders (NAHB) is concerned that "doubling the tariffs will only exacerbate market volatility, put upward pressure on lumber prices and make housing more expensive." "Home builders are grappling with lumber and other building material supply chain bottlenecks that are raising construction costs," the association said. Lumber prices have surged since the start of the pandemic. The United States is currently experiencing its worst inflationary surge in 30 years.

The US Lumber Coalition, on the other hand, welcomed the "commitment to strongly enforce the US trade laws against unfairly traded Canadian lumber imports."

The dispute over lumber tariffs has plagued relations between Washington and Ottawa for 35 years.

US producers accuse their Canadian counterparts of selling wood below the market price to promote exports. The case was brought before the World Trade Organization (WTO), which ruled in favor of Canada in August 2020, but the United States appealed the decision the following month.

The United States and Canada are bound, along with Mexico, by a trade agreement: the USMCA free-trade bloc, which replaced NAFA on July 1, 2020. Canada is the world's largest exporter of softwood lumber, according to the country's government. The United States is its largest market. — AFP

OTTAWA: Most Canadian companies that export softwood lumber to the United States will have to pay 17.9 percent duties, up from the current 8.99 percent, according to documents from the US Commerce Department and the Canadian government. — AFP

Why are so many energy providers going bust in UK?

LONDON: Britain's domestic energy providers suffered a string of bankruptcies in recent months, with Bulb the latest to see the lights go out this week. The number of UK suppliers has almost halved since August, ravaged by sky-high global wholesale costs-and local factors like the so-called energy cap.

Soaring fuel bills are also translating into surging inflation, which makes it increasingly hard to pass on spiraling costs to consumers as the cold winter approaches.

What is UK sector impact?

A total of 25 British suppliers have gone bust since August, plagued by surging wholesale prices for gas and electricity. The dramatic collapse has left just 28 providers still standing, according to regulator Ofgem.

The nation's seventh-biggest supplier, Bulb, went bust on Monday, triggering special intervention to protect the near 1.7 million households it serves. The government has set aside nearly £1.7 billion ($2.3 billion, 2.0 billion euros) to ensure Bulb stays on.

Under a separate bankruptcy process, customers from other smaller failing suppliers have been taken on by larger rivals. Analysts fear consumers will ultimately pay via even higher fuel bills-hurting the poorest households the most.

Why is UK so hard hit?

Europe has also been adversely affected as energy prices have vaulted higher on resurgent post-pandemic demand, the arrival of the colder northern hemisphere winter, and stubborn fears over key Russian supplies. Some providers have also gone bust or restructured activities in France and Germany.

However, Britain is more vulnerable due to its greater reliance on natural gas and insufficient gas storage facilities. The government is meanwhile

LONDON: Many Britons are turning down their thermostats to save money in the face of soaring energy costs.—AFP

seeking to ramp up renewable and nuclear power to help meet its 2050 net zero carbon target.

Yet recent calm weather has hampered output from its growing wind sector. "The UK is more dependent on gas for power generation than many European countries and is also less integrated into a supranational energy market," said economics professor Veronika Grimm at Nuremberg's Friedrich-Alexander University. "In Europe, for example, price increases were cushioned by the common electricity market-but here, too, the burdens were noticeably high," she told AFP.

Liberalization to blame?

The liberalization of Europe's domestic energy market in recent decades, particularly in Britain in the 1990s, has been highlighted by experts as a key factor behind the turmoil. That stimulated competition and encouraged many new smaller entrants, who lacked the financial clout to survive sky-high wholesale costs on a sustained basis. "There has been a very strong focus on competition and market entries," added Grimm.

"Now there are many small companies in the market that cannot cope with temporary pressures such as the current price increases."

Britain's energy providers have also been hurt by government moves to cap prices in an attempt to ease consumer pain. Ofgem in October raised the energy cap, which limits providers' standard variable tariffs, and this is set to rise even higher in April. —AFP

New German govt faces public spending paradox

BERLIN: Germany's new government has pledged to spend big on the economy, climate change and social security-but without raising taxes or taking on more debt, leaving many asking where the money is going to come from. "We have decided that this will be a decade of investments," future chancellor Olaf Scholz said on Wednesday as his Social Democrats (SPD) presented their coalition deal with the Greens and the liberal FDP.

But Scholz, who is finance minister in Angela Merkel's outgoing coalition between the SPD and the conservatives, also admitted that "the modernization of our country will not come for free".

The new government faces some tough challenges as it prepares to take office in December, from meeting the Paris climate agreement to safeguarding the economy as the country is engulfed by a fourth coronavirus wave. Economists predict that to meet these challenges, the country will have to spend around 50 billion euros a year, as well as pouring extra cash into pensions and health insurance to cater for an ageing population.

The center-left SPD and the Greens had initially pushed for more flexibility on fiscal policy. But the pro-business FDP, which takes a tough stance on public finances, did not budge. And it will be the FDP's hawkish leader, Christian Lindner, in charge of the finance ministry in the new government.

Debt brake

Lindner is unlikely to be welcomed with open arms in Europe as the EU 27 embark on reform of the Stability and Growth Pact (SGP), which dictates the bloc's rules on debt and public deficits. The coalition contract states that the SGP must be made "simpler" and must guarantee "a sustainable level of debt"-hardly a sign of any "readiness to soften the pact", according to Holger Schmieding, an analyst for Berenberg Bank. The agreement also pledges a return to the so-called debt brake-a rule enshrined in the constitution that limits Germany's public deficit to 0.35 percent of GDP that was lifted to help fight the coronavirus pandemic-as soon as 2023.

"We know what we want and we know exactly how to pay for it," insisted Robert Habeck, co-leader of the Greens, expected to head a new "super ministry" in charge of climate and the economy.

Germany has taken on 370 billion euros of new debt during the pandemic, and public debt has risen from 59.7 percent of GDP to a predicted 75 percent this year. Tax revenues in the coming year could yet be crimped by further shutdowns over a raging fourth wave of the pandemic. Germany's Bundesbank is now expecting output to be flat in the fourth quarter.

For the full year, the government forecasts that GDP will come in at 2.6 percent rather than the 3.5 percent previously predicted. Analysts believe that the coalition could take advantage of the eased debt rule in the coming year to make their investments. If the debt brake is reapplied in 2023, the government still has one year to take a "a big sip from the bottle", said Jens Boysen-Hogrefe, an economist at the

BERLIN: Christian Lindner, the head of Germany's Free Democratic Party (FDP), who will become finance minister in the new government, is expected to keep his tough stance on public finances. —AFP

IfW Institute in Kiel.

'Squaring a circle'

This will be enabled partly by "new accounting rules for energy and climate funding", whose deficits will no longer count towards the debt brake, Boysen-Hogrefe added. The coalition also plans to allocate additional resources to energy and climate spending "from previously budgeted and unused funds". Other tricks will include increasing the repayment period for loans taken out during the pandemic from 20 to 30 years, and tweaking the methods used to calculate debt to allow more borrowing.

But Jens-Oliver Niklasch, an economist at the LBBW bank, said the parties would eventually have to "square a circle" to make the numbers add up. Ahead of September's election, economist Marcel Fratzscher, president of the Berlin-based DIW economic research institute, told AFP he believed it would be "impossible to return to the debt brake without massive tax increases". —AFP

Telecom Italia CEO resigns after KKR buyout bid

VENICE: Telecom Italia Chief Executive Luigi Gubitosi has resigned, news reports said Friday, amid increasing pressure on the top management by shareholders, including France's Vivendi. The departure of Gubitosi, who has been at the helm of the struggling telecom company since May 2018, comes in the wake of a nearly 11 billion euro buy-out offer from US private equity firm KKR.

TIM's current president, Salvatore Rossi, will take on Gubitosi's duties in the interim, reported Italian news agency AGI. A former executive of Fiat and Alitalia, Gubitosi in recent years has not been able to reverse the declining share price of Italy's largest telecom firm.

The move came nearly a week after the "friendly" public tender offer by New York-based Kohlberg Kravis Roberts, for the entire share capital of TIM. KKR said its offer would be for an initial .505 euros per share, valuing the Italian operator at around 10.8 billion euros ($12.2 billion).

TIM's board met on Friday for six hours, AGI said, after calling an emergency meeting Sunday. It said then that KKR's proposal was subject to about four weeks of due diligence and would require the backing of a majority of shareholders. Any buyout of TIM would need the approval from Italian government stakeholders, as TIM's network is considered a national strategic asset.

KKR already has a 37.5 percent stake in FiberCop, a joint venture with TIM and Italian internet provider Fastweb to provide fiber optic broadband across Italy. TIM's management has been increasingly dogged by shareholder discontent, the largest of which is from Vivendi, over disappointing company results and flagging shares, according to recent news reports. —AFP