

# G20 ministers struggle to find consensus on trade, climate

AFP, Baden-Baden, Germany

Finance ministers from the world's biggest economies were battling Saturday to halt a bid by US President Donald Trump's administration to roll back hard-fought pledges on trade and climate.

Representatives from G20 nations have gathered in the picturesque western German spa town of Baden Baden since Friday for a meeting clouded by concerns over Trump's "America First" policy and scepticism towards climate change.

Trump, whose tough protectionist talk helped win him the presidency, has withdrawn the US from a trans-Pacific free trade pact and attacked export giants China and Germany.

On Thursday, he also revealed a budget plan that would make good on a campaign pledge to drastically scale back environment-related funding.

That stance has grated Washington's partners, who are trying to persuade US Treasury Secretary Steven Mnuchin to renew a long-standing G20 anti-protectionism commitment and uphold an international deal on climate won only after years of painful negotiations.

But talks have so far failed to produce a breakthrough for consensus, and the clock is ticking down to the close of the two-day session when a final statement is due to be published.

A source close to the negotiations said that "there will be nothing on climate in the communiqué -- a sign of the discord".

"The US says that on this issue, the position hasn't been clearly defined in Washington and they need time," added the source.

On trade, Washington is calling into question the current international trade regulation system under the World Trade Organisation -- a move which the source said is "unacceptable".

French Finance Minister Michel Sapin said leaders would be asked to step in when they meet in Hamburg if no agreement can be found.

"Our heads of states are meeting in a few weeks. On subjects that are so important, it's not up to the finance ministers to block or to walk back on the issue, there will not be any backsliding on such fundamental issues," he said.

Carried to power on the back of a political storm over deindustrialisation in vast areas of the US, Trump vowed in his inauguration speech to "follow two simple rules: buy American and hire American."



Chinese Finance Minister Xiao Jie and Britain's Chancellor of the Exchequer Philip Hammond arrive for the family photo at the G20 Finance Ministers and Central Bank Governors Meeting in Baden-Baden, Germany on March 17.

Trump himself insisted at a tense Washington press conference Friday following his first meeting with German Chancellor Angela Merkel that "I'm a free trader but also a fair trader". He also rejected a description of his policies as "isolationist".

But the differences between the two were laid bare as Merkel took the opportunity to push back against Trump's calls for individual trade deals with European countries, suggesting instead that the White House "come back to the table and talk" about a stalled US-European Union pact.

Both China and Germany have found themselves in the crosshairs of US criticism over their massive trade surpluses.

In a reversal of roles, Beijing has been defending free trade and urging Washington to refrain from protectionist measures.

Chinese President Xi Jinping and Merkel also took the unusual step of stressing their commitment to free trade ahead of the G20 meeting.

After speaking by telephone, the two leaders of

the world's biggest exporters said in a statement issued in Berlin that they would "together fight for free trade and open markets".

On Thursday, following talks with German Finance Minister Wolfgang Schäuble, Mnuchin said Washington had no desire to fight "trade wars" with other economic powers.

But there is a "desire to deal with where there is imbalance in certain trade relations. We have a means to address that," Mnuchin said, referring to White House advisors' belief that Chinese and German goods are priced too low in the US because their currencies are too weak against the dollar.

For EU economy commissioner Pierre Moscovici, it was important to bear in mind that "we are not here to talk about the domestic policy of this or that member state, we are here to talk about what we can do together".

"It is essential that we affirm that common principles here so that the process can continue to advance," he told AFP.

# Germany vows legal action if Trump taxes imports

AFP, Baden-baden, Germany

Germany could take the United States to court if Washington goes ahead with plans to tax imports, Economy Minister Brigitte Zypries said Friday, hours before Chancellor Angela Merkel's first meeting with Donald Trump.

"I'm betting partly on reason and partly on the courts" to prevent a damaging trade war, Zypries told Deutschlandfunk public radio.

The minister's combative stance comes ahead of Merkel's first meeting with Trump in Washington and a gathering of G20 finance ministers in Baden-Baden, western Germany, set to be dominated by the US president's "America First" policy.

Trump has targeted the German luxury carmaker BMW by name with threats of a 35 percent border levy if it goes ahead with construction of a plant in Mexico.

If a US border tax was found to breach World Trade Organization rules, "it wouldn't be the first time that Mr Trump has failed before the courts," Zypries said, in a jab at repeated rejections by US judges of executive orders banning immigration from majority-Muslim countries.

In 2016, the United States was

Germany's biggest export customer, importing 107 billion euros of goods while selling back just 58 billion euros' worth.

Trump's pledge to bring manufacturing jobs back to American shores has led the president and his advisors to attack major exporting nations like Germany and China, accusing them of manipulating their currencies to make their goods less expensive. But Germany says that its products are simply better and that the US should focus on producing more competitive manufacturers.

When Trump complained that he saw more Mercedes in New York than Chryslers in Germany, Vice-Chancellor Sigmar Gabriel retorted that "the US will have to build better cars."

Zypries acknowledged that Germany's trade surplus was a "problem" but said that Berlin was acting to reduce it -- and that for now, "the Americans need our machines and industrial plants."

Alongside cars, capital goods like machine tools are one of Germany's biggest manufacturing sectors.

Zypries predicted that Trump's advisors would warn him that "the Americans would be cutting off their nose to spite their face if they slap such taxes on imports."

# EU reinstates fine on air cargo cartel

AFP, Brussels

The European Commission on Friday reinstated a near 800-million-euro (\$845 million) fine against leading global airlines, including Air France-KLM and British Airways, for their role in an air cargo cartel.

A top EU court threw out the penalty in 2015 but the Commission said its ruling would ensure anti-competitive behaviour in a key industry did not go unpunished.

"Working together in a cartel rather than competing to offer better services to customers does not fly with the Commission," EU Competition Commissioner Margrethe Vestager said in a statement.

"Today's decision ensures that companies that were part of the air cargo cartel are sanctioned for their behaviour," she added.

In 2010, the Commission, the European Union's executive arm, fined 11 top airlines

790 million euros for running a price-fixing cartel between 1999 and 2006.

The companies were Air Canada, Air France-KLM, British Airways, Cargolux, Cathay Pacific Airways, Japan Airlines, LAN Chile, Martinair, Qantas, SAS and Singapore Airlines.

Another cartel member, Lufthansa, and its subsidiary, Swiss International Air Lines, received full immunity from fines after they cooperated with the investigation.

The Commission adjusted the fine slightly to 776 million euros in Friday's statement, with Air France-KLM the worst hit, having to pay 310 million euros followed by British Airways on 104 million euros.

"The decision confirms that the Commission will not let cartels go unpunished. Cartels are illegal and cause consumers and business to suffer," the statement said.

# Investment banks ditch the diet and look to expand: study

REUTERS, London

After several years of restructuring and regulatory pressure, investment banks have reached a turning point after Donald Trump became American president and can look to grow again, according to a study published on Friday.

"The world has turned upside down post the US elections," said the joint annual study by Morgan Stanley and management consultants Oliver Wyman.

"This is the first year since we've been producing this paper that we're looking to see a significant shift to the positive in terms of revenue growth, operational leverage and return on equity," said Magdalena Stoklosa, head of European financials research at Morgan Stanley.

Globally, investment banks have been on an "intensive diet" since 2011 and have shrunk their balance sheets on aggregate by a third, according to the analysis produced in the 7th edition of the "Blue Paper".

With the global economy appearing to be on a stable footing, the Federal Reserve raising interest rates and political rhetoric pointing to a pause on new banking regulation, growth beckons for an industry reshaped by the global financial crisis.

In three years' time, return on equity could reach 13 to 14 percent across the industry from 10 to 11 percent currently, the study said. Regulatory costs are expected to peak in 2017 and decline by as much as 40 percent by the end of 2020.

However, European banks, lagging in their restructuring programs, are expected to continue to underperform their rivals on the other side of the Atlantic.

US banks could see return on equity rising to 15 percent from 11 percent currently, from a combination of revenue growth and removing costs over the next three years.

European banks are forecast to improve their return on equity to 11.5 percent from 7.5 percent currently, with 75 percent of that uptick driven by cost cutting and only 25 percent by revenue growth.

US banks are sitting on \$83 billion of excess capital, which could be used to invest in profitable business lines or paid out in share buybacks or dividends, whilst European banks have a mere \$1 billion of excess capital to play with.

Fixed income, currencies and commodities revenues, which faced the brunt of regulation, are forecast to grow 2 percent over the next five years to \$119 billion after shrinking to \$109 billion from \$140 billion over the previous five.

"Unlocking excess capital and collateral turns secular headwinds to tailwinds, powering a sustainable inflection in the global FICC pool for the first time in a decade," the study said.

"Our bull case 'Dares to Dream'. If the US administration's tax reform, fiscal stimulus, and deregulation agenda is achieved, we would expect much stronger revenue growth and more capital release," the study said.

# EBRD to resume lending in Uzbekistan after decade-long hiatus

AFP, Bishkek, Kyrgyzstan

The European Bank for Reconstruction and Development (EBRD) said Friday it was set to resume lending in ex-Soviet Uzbekistan Friday after a rights row wrecked their ties more than a decade ago.

The EBRD said in a statement that it was looking at "increasing its investment activity" in the Central Asian country, indicating a thaw in relations between the bank and the country's leadership under new Uzbek president Shavkat Mirziyoyev.

"I think there is a very strong commitment (to economic reform) from the top down," EBRD President Suma Chakrabarti told AFP during the bank's visit to the tightly controlled country this week.

"The president has made that clear with the new development strategy which is about the state doing a lot less and the private sector doing a lot more."

The EBRD scaled back lending to economically-troubled Uzbekistan in 2004 and had ceased lending in the country by 2007.

Currently the bank, which is the economically depressed region's largest institutional investor, has a small project portfolio in the country worth 8 million euros.

The turning point in the pair's relationship came after former EBRD president Jean Lemierre tore into the country's dismal rights record under late autocrat Islam Karimov during an ill-tempered meeting in Tashkent in 2003.

Mirziyoyev, a former prime minister, came to power after Karimov died from a stroke last year and raised hopes of a thaw by releasing prominent political prisoners and moving to smooth ties with other countries in the region. "Human rights and civil society are still very much part of the discussion," Chakrabarti told AFP.



Ruhul Alam Al Mahub, chairman of Fair Group, Maruf Mizan, head of business, and Abu Mosa Bhuiyan, head of Power Next Ltd, attend the gathering of the dealers of POWER+, a concern of FDL, in Cox's Bazar.

# S&P cuts troubled Toshiba's credit rating

AFP, Tokyo

Standard & Poor's cut its credit rating on Toshiba again Friday, warning that the troubled company's finances were quickly deteriorating owing to huge losses at its US nuclear unit.

The ratings agency slashed its outlook on the Japanese industrial giant by two notches to 'CCC-', pushing it further into junk status after earlier downgrades in December and January.

Loss-hit Toshiba, a pillar of corporate Japan, could be running out of options for turning around its business or securing emergency bank funding, it added.

"There is a growing likelihood that Toshiba will become unable to fulfil its financial obligations in a timely manner or will undertake a debt restructuring we classify as distressed in the next six months," S&P said.

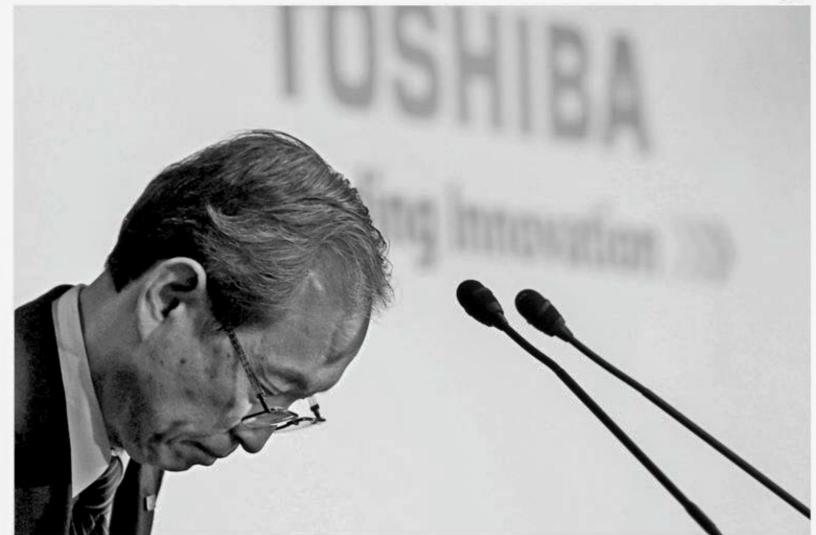
Toshiba's multi-billion-dollar losses are likely to multiply, it added, as it faces the embarrassing prospect of being delisted from the Tokyo Stock Exchange.

"The heavy losses and financial burden related to Toshiba's US nuclear power business will grow further, increasing uncertainty about (its) prospects for restructuring and bank support," S&P said.

The downgrade comes after Toshiba's beleaguered shares rebounded earlier Friday, closing 3.5 percent higher, on reports that Tokyo is mulling using state money to support the spin off of its prized memory chip business.

The government denied the reports. "The specifics of its plan to sell its (memory chip) business have yet to be determined and it will be some time before the proceeds of a sale materialise," S&P said.

Toshiba shares have been hammered this year, losing more than half their value since late December when it first warned of eye-popping



Toshiba Corp CEO Satoshi Tsunakawa bows at the start of a news conference at the company's headquarters in Tokyo on Tuesday.

losses at atomic division Westinghouse Electric -- and pointed to a possible accounting fraud.

The company is probing a whistleblower's claims that one or more Westinghouse executives exerted "inappropriate pressure" on the division's accounts.

This week, Japanese financial regulators gave Toshiba until April 11 to publish its fourth-quarter results, which were originally due in mid-February.

Toshiba had said it needed more time to probe claims of misconduct at Westinghouse

and gauge the impact on its finances before reporting its numbers.

Toshiba has previously warned it was on track to report a net loss of 390 billion yen in the fiscal year to March, as it faced a writedown topping 700 billion yen at Westinghouse.

The crisis comes less than two years after Toshiba's reputation was badly damaged by separate revelations that top company executives pressured underlings to cover up weak results after the 2008 global financial meltdown.