

How to win the war over trade



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TRADE is more contentious now than it has been for decades.

Since their heyday during the 1980s and 1990s -- which saw the creation of the World Trade Organisation, the birth of North American Free Trade Agreement and China's rapid integration into the global economy -- international trading relationships have fallen into an uneasy state of flux.

From the US' decision to pull out of the Trans-Pacific Partnership, to negotiations over Britain's future relationship with the EU, and even a trans-Atlantic debate about chlorinated chicken, trade is at the heart of public discourse and it is proving divisive.

On the face of it, trade activity looks healthy. The number of containers traversing the world's shipping lanes is rising steadily after a sharp shock during the financial crisis.

Yet the value of the goods they contain is dropping as commodity prices struggle.

Before the crisis trade was grow-

ing faster than GDP. Now, it is not -- buffeted by a dangerous mix of economic and political headwinds.

Some are being tempted by the argument that trade is the primary cause of inequality, and that the system is run by global elites who work against national interests.

This narrative is fundamentally wrong. It threatens global peace and prosperity by encouraging policymakers to resort to protectionism at a time when the world urgently needs more trade liberalisation -- and not less -- to tackle the great socioeconomic issues of today and tomorrow.

All advocates of free and fair trade need to repel this false narrative and regain the initiative, which means doing three things.

The first is to explain that trade exists because people want it to. At its heart is the simple concept of comparative advantage, whereby a community that can produce goods others need is empowered to sell to those buyers and so afford to buy the goods it needs in return.

Maritime trade was how cutlers made my home city of Sheffield into the steel capital of the world, and how those same cutlers were able to buy imported goods such as tea, cotton and rubber.

Digital trade is how we can now buy Hollywood blockbusters from video-on-demand platforms hosted on servers a continent away. Trade is not just about physical goods; it is increasingly about services too, which are being made more tradable by technology.

Trade is essential for prosperity, stability and security.

Manufacturing workers in countries that are relatively open to

trade earn between three and nine times more than their peers in closed economies, according to the Organisation for Economic Co-operation and Development.

Half a century ago Southeast Asia was tearing itself apart, but this year the ASEAN bloc celebrates its fiftieth anniversary.

Through cooperation and commerce the member states have collectively built the world's seventh-biggest economy, and by 2030 we expect ASEAN to rank third.

The second thing we need to do is to acknowledge that the benefits of trade have not been shared evenly, so we must find policy solutions that rebuild trust by supporting wealth distribution and protecting the vulnerable.

Rather than leaving responsibility for the displaced solely to governments, businesses must play a greater role in a world where technology and automation are already revolutionising how we live and work.

Paying tax isn't enough; companies need to collaborate with governments to develop education and labour markets that give workers the skills and protections they need to succeed.

The third thing is to ensure we have the legal and regulatory frameworks that optimise access to trade. This means making procedures, standards and agreements simpler and more consistent so it is easier for companies to conduct cross-border business.

It also means ensuring that capital regulation encourages trade finance by recognising its low-risk profile, enabling financial institutions to fill more of the estimated

\$1.7 trillion gap in unmet demand for trade finance.

Trade is not a panacea for all the world's problems, but its power to create prosperity is enormous. This, fundamentally, is why I take a glass-half-full view of the future.

Some unstoppable trends are already in motion that will advance trade and increase prosperity in the twenty-first century.

E-commerce is empowering businesses to sell to customers in countries without ever setting foot there. Over the next thirty years the expansion of the middle classes in Asia and Africa will lift some three billion people out of poverty.

Asia-led initiatives are building a more integrated global economy, such as the single market of the ASEAN Economic Community and China's Belt and Road Initiative, which has halved the time it takes for goods to travel between the UK and China by rail.

But only by repairing trust in trade, and by creating a better and fairer system, can we take advantage of these trends and seize the opportunities on offer.

This is important work for the German G20 Presidency as it strives to defend the legitimacy of trade as an engine of human progress.

We have an opportunity today to create a new era for trade -- where the negative perceptions are dispelled, where gains are distributed more evenly, and where access is increased on an unprecedented scale. The result will be a better and brighter future for us all.

The writer is HSBC's global head of trade and receivables finance.

Maruti Suzuki will move to electric cars

REUTERS, New Delhi

MARUTI Suzuki India, the country's biggest carmaker, said on Friday it planned to build electric cars as the government strives to electrify all new vehicles by 2030, though it didn't give a timeline for the process.

Maruti Suzuki's chairman said there was still no clear roadmap on how the government aimed to achieve its target and a lot would depend on that.

"We will make electric cars but I can't give you the date just now because it is

as cheap as 250,000 rupees (\$3,800). A lack of charging stations also makes the whole proposition unviable for now.

Maruti's parent, Suzuki Motor Corp, has electric car technology which it can provide, Bhargava said, adding the Japanese company was also in talks with Toyota Motor Corp to form an alliance which may include sharing technologies like hybrid and electric.

Maruti dominates the small car market in India and has been launching more premium vehicles as competition heats up with newer and planned



all very much a work in progress," RC Bhargava told reporters, after the company posted a 3 percent rise in quarterly profit, beating analysts' estimates.

India is working on a new auto policy that promotes the use of electric cars, and a draft is likely to be made public before the end of the year. This is a shift from an earlier policy that promoted hybrid and electric vehicles.

Sales of electric cars in India remain negligible, however, mainly due to the high cost of batteries which make the vehicles expensive and out of reach for many buyers in a country where cars are

entrants such as Kia Motors and SAIC Motor Corp.

Maruti also manufactures hybrid cars, demand for which has taken a beating after the government raised sales taxes on them to as much as 43 percent. Bhargava said the future of hybrid cars in India would depend on the level of taxes and the company was in talks with the government to lower them.

Bhargava said that while the company continued to expect double digit sales growth over the remainder of fiscal 2018, it would slow from the 18 percent posted in the second quarter.

US sees 3pc growth, shrugging off hurricanes

AFP, Washington

THE US economy continued to expand at a robust three percent clip in the third quarter despite back-to-back hurricanes, hitting President Donald Trump's growth target for the second time since he took office, official data showed Friday.

GDP growth in the world's largest economy had its best six-month stretch since mid-2014, handily absorbing the shocks of Hurricanes Harvey, Irma and Maria, the US Commerce Department reported.

The outcome was welcome news for the White House, where Trump has claimed credit for the economy's performance since his inauguration in January, even though large parts of his economic agenda remain a work in progress.

The result could also hand an argument to Republican leaders who are pushing for sweeping tax cuts, which they say an expanding economy will finance, though economists doubt this.

"The US economy is surging under this president's leadership," White House Press Secretary Sarah Sanders told reporters on Friday.

"America can continue this momentum if Congress adopts our framework for major tax cuts."

The brisk growth -- which follows a 3.1 percent expansion on an annual basis in the second quarter -- could also strengthen the hand of monetary policymakers at the



REUTERS

US President Donald Trump speaks during a briefing on hurricane Harvey recovery efforts in Dallas, Texas on October 25.

Federal Reserve who favor raising interest rates despite flagging inflation.

Though only a preliminary estimate, the result easily overshoot analyst forecasts that called for a result of 2.4 percent in light of the storms, which shuttered oil production and refining and idled businesses in Texas, provoked a mass exodus in Florida and laid waste to the island territory of Puerto Rico.

"Overall, this is a very solid performance, given the disruption caused by Hurricanes Harvey and Irma," Ian Shepherdson, founder of the consultancy Pantheon Macroeconomics, said in a

research note.

Shepherdson said the "storms boosted auto sales and spending on food and other storm-related items but depressed housing activity and spending on discretionary services like leisure and entertainment."

President Trump took office vowing to return the United States to sustained three percent annual GDP growth or better, but economists say this is unrealistic.

According to the Commerce Department, third quarter growth in GDP, the broadest measure of output in goods and services, reflected strong consumer spending and business investment --

which were partly offset by sagging home building and falling state and local government spending.

Spending on construction for new private homes fell six percent in a tight market, where demand has persistently outstripped supply.

The positive result was also buoyed by a narrowing trade gap, with exports rising 2.3 percent while imports fell 0.8 percent on a weak US dollar.

Officials stressed that the "advance" estimate was subject to revision as more of the underlying data become available.

Analysts cautioned, however, that part of the third-quarter result was lifted by often-volatile inventories, which can sometimes point to a coming slow-down, though this appeared unlikely.

Josh Bivens, research director at the left-leaning Economic Policy Institute, noted that domestic final sales, a separate measure which tracks domestic demand but strips out the inventories segment, had seen only 1.8 percent growth, down from 2.7 percent in the second quarter.

"This number seems like the more informative one about the underlying strength of the US economy's expansion: slow but almost exactly in line with the entire post Great Recession period," he said in a research note.

The Federal Reserve is widely expected to leave benchmark US interest rates untouched when policymakers gather next week for a periodic meeting in Washington.

Brazil celebrates oil fields auction

AFP, Rio De Janeiro

Brazil's government cheered a nearly \$2 billion payday from the auction Friday of its deep-water oil fields in a sale that brought the world's energy giants into previously-restricted territory.

The auction -- delayed by a late court injunction backed by the leftist former governing party -- saw six of eight so-called pre-salt blocks in Brazil's offshore Atlantic region find buyers.

The government racked up 6.15 billion reais (\$1.9 billion) in signing bonuses and the promise of far more.

"Brazil is back on the world oil scene," said Decio Oddone, head of the National Petroleum Agency, which oversaw the auction.

Winners were determined according to the percentage of profit oil pledged to the government in production sharing agreements.

Signing bonuses fell beneath the potential 7.15 billion reais if all blocks had been sold. However, the government still came out in front, because consortiums including Shell, Exxon and Statoil pledged bigger-than-expected production percentages.

In one block, won by a consortium of Brazil's Petrobras, Repsol and Shell, the agreed government share of profit oil was 80 percent -- far greater than the minimum 20 percent requirement.

"I was really surprised by the (percentages).... I was very satisfied. It's good to see the market's appetite," Oddone said.

"Brazil has returned to the oil and gas exploration stage in style."

President Michel Temer called the auction "an excellent result" and forecast that the winning consortiums would ultimately generate "around \$130 billion in royalties and other sources of receipts."

Belgium sets up English-language business court to cash in on Brexit

AFP, Brussels

Belgium is setting up a new English-language court to settle international business disputes in the latest move by an EU country to try to lure companies away from London after Brexit.

The Brussels International Business Court will hold hearings and issue judgments in English and the government said it expects Britain's departure from the EU "will only increase the number of these disputes" that need to be resolved.

Fierce rivalry has erupted among European capitals to seduce banks, insurers and other firms looking to relocate from London since Britain's shock vote last year to quit the EU.

"If we are to make Brussels a hub for international business, those concerned must be able to resolve their legal disputes without going overseas or resorting to private arbitration," the government said in a statement announcing the plans on Friday.

"According to forecasts, Brexit will only increase the number of these cases and Brexit means it will no longer be as simple to go to a London court."

Judges will be chosen for their specialist expertise and there will be no appeal against the court's judgments, which the government said will ensure swift, decisive results.

An exodus of major finance houses including HSBC and JPMorgan from London is already on the cards, while the slow pace of Brexit talks and growing threat of Britain crashing out of the EU in March 2019 with no legal deal in place are making businesses more nervous than ever.

Prime Minister Charles Michel said the English-language court, billed as a first in a non-English speaking country, would add to Belgium's appeal as a base for companies dealing in contracts in English.

"The European Union's development cannot be held back by Brexit. Our country is seizing the moment to offer a new judicial tool," Michel said in a statement.

German federal budget surplus could reach 14b euros

REUTERS, Berlin

GERMANY could post a budget surplus of 14 billion euros in 2017, a magazine reported Saturday, providing more negotiating room for Chancellor Angela Merkel's conservative bloc as it tries to forge a new coalition with the Free Democrats and Greens.

Solid economic growth and growing tax revenues fuelled the new projection, Der Spiegel reported. The Finance Ministry had previously projected a flat budget, although economic institutes last month already forecast record overall government budget surpluses - which also include state governments - for coming years.

The new projection is good news for Merkel's conservatives, the pro-business Free Democrats and the environmental Greens, whose combined proposals would add up to some 100 billion euros in new spending over the next four years.

The three groups resigned themselves to further talks next week after making little headway on immigration and climate policy during 11 hours of talks on Thursday.

Top officials from all parties traded barbs in a series of media interviews, but Manfred Weber, a



REUTERS/FILE

The German central bank (Bundesbank) presents the new 50 euro banknote at its headquarters in Frankfurt, Germany.

senior member of the Bavarian conservative CSU, on Friday said his party still aimed to reach agreement by the end of the year.

No comment was immediately available from the Finance Ministry, which is due to publish its next tax revenue projections in mid-November.

The surplus would allow the government to cover 7 billion in projected costs associated with a landmark nuclear waste deal and 6.7 billion euros in costs for migrants without dipping into a 20-billion-euro reserve account set up during the height of the migrant crisis in 2015.