

Trump seeing the light on free trade? Perhaps

AFP, Washington

US President Donald Trump may have realized his "America First" policy risks leaving the US alone on trade, but analysts are skeptical this latest offer to rejoin a multilateral trade pact will bear fruit.

Trump went to the free-trade bastion World Economic Forum in Davos, Switzerland and offered the possibility that the US would rejoin the Trans-Pacific Partnership.

That came a year after one of his first official acts as president was to withdraw from the deal, and only days after the 11 remaining TPP countries agreed to proceed with the accord in the absence of the United States.

That decision to go ahead without the US "really got under his skin," said Monica de Bolle of the Washington-based Peterson Institute for International Economics.

But Trump also plays to the crowd, which makes some wonder if he will follow through.

In his speech Friday to a packed audience in Davos, Trump said the US would consider negotiating with its one-time TPP partners "either individually, or perhaps as a group, but only "if it is in the interests of all."

In Davos the signal, although vague, was well received by the free-market loving audience, which included the who's who

of the world's economic and political elite.

The TPP was initially a US-led project that, while deliberately excluding Washington's rival China, would have accounted for 40 percent of global gross domestic product, one of the most important economic indicators.

Trump dumped the deal in the belief it would punish US workers by allowing companies to hire cheaper labor abroad.

His first year in office has been marked by a huge increase in trade complaints against various countries, especially China.

"With President Trump and trade policy, the world has learned to have to 'wait and see.' There can sometimes be a large gulf between his words one day and his policy actions the next," Chad Bown of the Peterson Institute told AFP.

Gregory Daco of Oxford Economics said he is not confident Trump is set to do "a 180 on trade."

Just before going to Davos he "took a much more protectionist stance," imposing import tariffs on washing machines from South Korea and solar panels from China, and there are a host of decisions looming on steel and aluminum from China, he noted.

The hint of a possible change of heart could be the result of urging from the business community which benefits from free trade deals.

Edward Alden, of the New



REUTERS

US President Donald Trump attends the World Economic Forum annual meeting in Davos on Friday.

York-based Council on Foreign Relations, told AFP that "the biggest story here is he is under pressure from business not to embrace" a radically protectionist trade policy agenda.

"Trump clearly received this message," Alden said.

The business community certainly has ramped up its efforts to convince the administration to preserve the North American Free Trade Agreement

(NAFTA), which Trump also threatened to tear up.

US, Canadian and Mexican officials will continue the latest round of talks to salvage the accord this weekend in Montreal.

"I think there is a realization that you can't just be America First, and America alone, you have to be America with others," Daco said.

But he cautioned, "I'm not that confident honestly" that

Trump will follow through on the TPP offer.

Daco said that Trump, now returned to Washington, will have other major issues looming including reaching a budget agreement to prevent another government shut-down, raising the federal debt limit, and the investigation into possible election campaign collusion with Russia.

"At home you tend to forget what you said," Daco noted.

Beijing to shut 1,000 manufacturing firms by 2020

REUTERS, Beijing

Beijing will shut 1,000 manufacturing companies by 2020 under a years-long plan to restructure its economy, the official Xinhua news agency reported on Saturday, citing a city official.

The closures are part of a bigger initiative to balance and integrate the economies of the cities of Beijing, Tianjin and the surrounding Hebei province. The plan will also involve the construction of Xiongan, a new development in Hebei.

By the end of the decade, Beijing will also close 300 markets and logistics centres, Liu Bozheng, deputy director of the Beijing office overseeing the integration of the Beijing-Tianjin-Hebei region, said at a press conference.

Beijing, home to 22 million people, is trying to curb population growth and relocate industries and what it calls "non-capital functions" to Hebei to curb pollution and ease congestion.

This year, Beijing will close 500 manufacturing companies and 176 markets and logistics centres, and relocate several universities and hospitals to suburban areas, Liu said. Beijing plans to spend 12.2 billion yuan (\$1.9 billion) in moving non-capital functions, according to a 2018 draft budget report.

Samsung Electronics to close assembly plant in Slovakia

REUTERS, Bratislava/Seoul

South Korea's Samsung Electronics said on Saturday that it would consolidate its TV production plants in Slovakia, closing one of the two facilities in the European country.

Samsung has two assembly plants in Slovakia - at Galanta and Voderady - primarily making LCD TVs.

Samsung said combining the two plants was to improve efficiency. All workers at the Voderady plant would be offered the chance to move to Galanta on a voluntary basis with equal working condition, the company said.

"Samsung Electronics is consolidating its production facilities in Voderady and Galanta in order to enhance its synergy and efficiency," it said in an emailed statement.

The announcement followed a local media report in Slovakia that the South Korean electronic giant would close one of the plants and all 568 core employees would be offered a transfer to another facility.

US regulator to fine European lenders for manipulation



REUTERS/FILE

The logo of Swiss bank UBS is seen at a branch office in Zurich.

REUTERS, Washington

THE US derivatives regulator is set to announce it has fined European lenders UBS, HSBC and Deutsche Bank millions of dollars each for so-called "spoofing" and manipulation in the US futures market, three people with direct knowledge of the matter told Reuters.

The enforcement action by the Commodity Futures Trading Commission (CFTC) is the result of a multi-agency investigation that also involves the Department of Justice (DoJ) and the Federal Bureau of Investigation (FBI) - the first of its kind for the CFTC, the people said.

The fines for UBS and Deutsche Bank will be upward of ten million, while the fine for HSBC will be slightly less than that, the people said, without providing exact figures.

Spokesmen for HSBC, Deutsche Bank

and UBS declined to comment.

Spoofing involves placing bids to buy or offers to sell futures contracts with the intent to cancel them before execution. By creating an illusion of demand, spoofers can influence prices to benefit their market positions.

Spoofing is a criminal offense under a provision implemented as part of the 2010 Dodd-Frank financial reform.

Some of the manipulative behaviour came to light as a result of the authorities' previously-settled probes into forex market manipulation while UBS self-reported the wrong doing, according to two of the people with knowledge of the matter.

The bank investigations have been ongoing for more than a year, one of the people said.

The settlement is the most high-profile brought so far by the CFTC's head of enforcement James McDonald who was appointed to the role in March 2017.

At Nafta talks, Canada hails jet case as victory for free trade

REUTERS, Montreal

CANADIAN plane maker Bombardier Inc won a major US case on Friday, which government officials said showed the importance of free trade at a time when talks to modernize the Nafta pact are moving slowly.

A US tribunal unexpectedly dismissed a complaint by Boeing Co against alleged dumping by Bombardier in the case of 75 jets it sold to Delta. The ruling allows the Canadian firm to pursue other orders in the lucrative US market.

"Canada-United States trade is important to the prosperity of both our countries. This decision will support well-paying middle-class jobs on both sides of the border," Canadian Foreign Minister Chrystia Freeland said in a statement.

The United States, which has taken a more isolationist stance under President Donald Trump, wants big changes to the trilateral North American Free Trade Agreement.

Jerry Dias, the head of a union which represents some Bombardier workers, told reporters the ruling represented "a slap across the face of the Trump administration" because it showed that taking protectionist stances at a time when the two nations' economies are so tightly linked was "foolish."

He spoke in Montreal, where teams from the United States, Canada and Mexico have gathered

for the sixth of seven planned rounds on how to revamp the 1994 pact.

Progress is slow, prompting Mexico to suggest the talks could be extended to give officials more time to address disagreements threatening to undermine the \$1.2 trillion treaty.

Dias, who speaks regularly to chief Canadian negotiator Steve Verheul, said the talks were going nowhere, thanks to a series of contentious US proposals.

As the negotiations grind on, officials are looking at an extra round in Mexico at the end of February, according to sources close to the process.

Although the process was initially scheduled to finish by the end of March to avoid clashing with Mexican presidential elections in July, Economy Minister Ildefonso Guajardo said the timeline could be extended.

"This negotiation has a window of opportunity to reach a deal between February and the end of July," he told Reuters.

Canada, which this week presented a series of suggestions on how to unfreeze the talks, quickly welcomed the idea.

A Mexican source briefed on the talks said once the election campaign has started, negotiators could still continue their work but without holding formal rounds.

Mexican deputy economy minister Juan Carlos Baker hit back at the idea that progress was slow.

"I would dispute the notion



REUTERS/FILE

Flags are pictured during the fifth round of Nafta talks involving the United States, Mexico and Canada, in Mexico City.

that talks are not moving forward, or have not progressed, or are in any way, shape or form swamped," said Baker, adding that he was "optimistic" that the results from the round would please ministers from the three nations when they meet on Monday to review the week's work.

The three nations are now looking at an extra week of talks in Mexico, possibly starting Feb. 26, ahead of the last round in Washington at the end of March, said the sources.

Whether more talks can help forge an agreement is unclear, given the gulf between the United

States and its two partners.

The Trump administration, which blames NAFTA for hurting US manufacturing, wants the North American content of autos to be raised.

Canada responded by suggesting that content would be higher if the value of software and other high-tech materials made by the three nations were taken into account.

An auto industry source said US and Mexican negotiators found the idea interesting but gave no details. Canadian chief negotiator Steve Verheul said on Thursday "there is a lot more thinking" to do about the idea.

Brazil registers lowest current account deficit in 10yrs

AFP, Brasilia

Brazil registered a current account deficit of \$9.8 billion in 2017, its lowest in a decade and down from \$23.5 billion the year before, the country's central bank said Friday.

The 2017 figure is equivalent to 0.48 percent of gross domestic product of Latin America's largest economy, which had been in recession for the previous two years. In 2016, it was the equivalent of 1.31 percent of GDP.

In December, the deficit was \$4.327 billion, higher than the \$3.8

billion the central bank had predicted. The last time Brazil had a current account surplus was in 2004 (\$408 billion).

By 2014, when it slipped into an economic slump, it was \$104 billion in the red. The current account includes the trade balance, and the transfers of capital from businesses or individuals. Foreign direct investment (FDI) last year totaled \$70.3 billion, against \$78.248 billion in 2016. The bank predicts FDI will reach \$80 billion in 2018.

Conservative President Michel Temer, who took office in 2016 after

the impeachment of his predecessor Dilma Rousseff on budgetary irregularities, sought this week at the World Economic Forum in Davos to portray his country in terms of normalization and recovery.

His government has launched a plan of adjustments that the markets had been calling for, but has so far failed to push through the pension reforms that business leaders are also demanding.

Brazil's international reserves totaled \$373.9 billion in December, \$7.1 billion less than in November.

Strikes loom as German industrial wage talks end without deal

REUTERS, Stuttgart

German industrial companies face all-day walkouts by workers next week that could hamper the production of cars, car parts and machinery as 16 hours of last-ditch regional talks between union IG Metall and employers failed to yield a deal.

Nearly a million workers have already taken part in short walkouts across the country this month to support IG Metall's demands for higher pay and the right to shortened working hours, but 24-hour strikes may pose a serious risk to

industrial output in Europe's biggest economy.

Employers in the southwestern state of Baden-Wuerttemberg, home to companies such as Mercedes-Benz maker Daimler and sports car firm Porsche, said on Saturday the union had made new demands in the fifth round of talks that were not negotiable.

IG Metall was now demanding an 8 percent pay rise for 3.9 million metals and engineering workers across Germany for 27 months, regional employers' association Suedwestmetall said.

The union is also asking for workers to receive the right to reduce their weekly hours to 28 from 35 to care for children, elderly or sick relatives, and return to full-time employment after two years.

Employers have offered a 6.8 percent increase but have rejected the demand for shorter hours unless they can also increase workers' hours when necessary.

"In the end, the union was not even willing to consider the costs (from workers shortening their hours) in the overall demand," Stefan Wolf of Suedwestmetall said.