

## Business

# High-stakes US-China trade talks resume as deadline approaches

## Trump's aggressive strategy fails to cut US trade gap with China

WASHINGTON: With a March 1 deadline fast approaching, US and Chinese officials resume negotiations next week to prevent escalation of a trade dispute that has major implications for the global economy. China's economy already has shown signs of slowing, while the trade war has shaken the confidence of US businesses, as retaliatory tariffs have raised prices and helped choke off a key export market.

And President Donald Trump's aggressive strategy has failed to produce a reduction in the US trade deficit with China, which he set as a primary goal. Under the looming threat of a surge in tariffs once the 90-day truce expires, financial markets worldwide have lost ground in recent days as comments about the status of the talks turned more cautious.

US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin will lead the US delegation for the third round of talks on Thursday and Friday in Beijing. While officials seemed optimistic after talks last week in Washington, more recent comments have jarred financial markets, amplifying concerns about how the dispute will affect global growth.

US President Donald Trump said Thursday he did not expect to meet his Chinese counterpart Xi Jinping before a March 1 deadline for the two economic superpowers to reach a deal.

Trump had said final resolution of the trade dispute would depend on the meeting with Xi "in the near future" but told reporters it had not yet been arranged. And top White House economist Larry Kudlow said Thursday that while Trump was "optimistic" about

prospects for a deal, there remained a "sizable distance" separating the two sides.

### Deadline extension?

While China has offered to buy more US soybeans and beef, officials have yet even to agree on a draft of a deal that would address key US concerns, according to media reports. Washington is demanding far-reaching changes from China to address unfair practices it says are deeply unfair, including theft of American intellectual property and the massive Chinese trade surplus.

The dispute has escalated to encompass \$360 billion in trade between the two economic superpowers, and without an agreement by the start of March, the Trump administration is poised to more than double the punitive duties on \$200 billion in Chinese goods. However, amid pressure from the business community for the two sides to resolve the dispute, CNBC cited a senior administration official saying the March 1 deadline could be pushed back. "Right now it is in place but that is right now," the official told CNBC. "It could change via telephone."

The White House said there would be a preparatory meeting of senior officials beginning February 11 and the talks would include officials from the Agriculture, Energy and Commerce Departments.

The main delegation also includes David Malpass, whom President Donald Trump has nominated to be president of the World Bank and who has worked to limit the bank's assistance to Beijing. However, strident White House China critic Peter Navarro was not listed as part of the US team. —AFP



HONG KONG: A ship is seen berthed at the Kwai Chung container port in Hong Kong. —AFP

## Renault denounces Nissan over Ghosn probe

PARIS: Lawyers for French carmaker Renault have criticized their Japanese alliance partner Nissan for its handling of an internal probe into the Carlos Ghosn scandal, a Sunday newspaper has reported.

In a letter to Nissan dated January 19, the lawyers said they had "serious concerns about the methods used" by the company and its legal team, including the way they treated some Renault employees, according to France's Le Journal du Dimanche. Former head of the alliance Ghosn is being held in Japan on charges he under-reported millions of dollars in pay as head of Nissan. "Renault has gathered sufficient evidence to understand and regret the methods used by Nissan and its lawyers

to seek interviews with Renault employees through the Japanese public prosecutor's office," they said. Nissan was seeking "evidence to support allegations against Carlos Ghosn after his arrest" and failed to consult its French partner, according to the newspaper.

The firm also tried to search Ghosn's apartments in Brazil, Lebanon and the Netherlands without informing Renault, the letter added. A Nissan spokesman said yesterday that the letter which they received weeks ago has "already been reviewed and fully addressed in a series of verbal and written responses from Nissan's external attorneys."

"The communications in question do not reflect the current state of discussions with Renault and its lawyers," said Nissan spokesman Nicholas Maxfield.

"Nissan... has always welcomed an open and direct dialogue with its partners to help uncover relevant facts", he added. The executive's arrest in November has exposed rifts between Renault and Nissan, which some analysts say was bristling at Ghosn's efforts to bring the two automakers' operations even closer together. Ghosn was the linchpin of the three-way alliance, which



PARIS: A Renault Alpine (front) and a Hispano Suiza are displayed during the Retromobile auto show in Paris. —AFP

also included Mitsubishi Motors, earning industry plaudits for driving together a sometimes fractious threesome with headquarters 10,000 kilometers apart.

Much of the tension between the

partners stems from a complex ownership structure that gives Renault 43 percent of Nissan, whereas Nissan owns just 15 percent stake in the French company-and no voting rights. —AFP

## IMF chief says ready to support Pakistan after meeting Khan

ISLAMABAD: International Monetary Fund chief Christine Lagarde yesterday met Pakistani Prime Minister Imran Khan and assured him that IMF stands ready to support his country. The meeting took place on the sidelines of the World Government Summit in Dubai, hosted by the United Arab Emirates, both IMF and prime minister Imran Khan's office said.

"I reiterated that the IMF stands ready to support

Pakistan," Lagarde said in a statement following meeting Khan. A team from the International Monetary Fund visited Pakistan in November to discuss a possible bailout with officials, though the talks ended without agreement, but since then the government official said talks were still ongoing on a possible bailout. Pakistan — which has gone to the IMF repeatedly since the late 1980s — is facing a balance of payments crisis. "I also highlighted that decisive policies and a strong package of economic reforms would enable Pakistan to restore the resilience of its economy and lay the foundations for stronger and more inclusive growth," said Lagarde, calling the meeting "good and constructive". Pakistan — a regular borrower from the IMF since the 1980s — last received an IMF bailout in 2013 to the tune of \$6.6 billion. Forecasts by the IMF and World Bank suggest the Pakistani economy is likely to grow between 4.0 and 4.5 percent for the fiscal year ending June 2019, compared to 5.8 percent

growth in the last fiscal year. Khan has launched a highly publicized austerity drive since being sworn in, including auctioning off government-owned luxury vehicles and buffaloes, in addition to seeking loans from "friendly countries" and making overtures to the IMF. The United Arab Emirates, Pakistan's largest trading partner in the Middle East and a major investment source, recently offered \$3 billion to support Pakistan's battered economy. Islamabad also secured \$6 billion in funding from Saudi Arabia and struck a 12-month deal for a cash lifeline during Khan's visit to the kingdom in October. It has also received billions of dollars in Chinese loans to finance ambitious infrastructure projects. Despite the pledges, the ministry of finance said Pakistan would still seek broader IMF support for the government's long-term economic planning. In January, Pakistan launched a new investment certificate for overseas citizens, aimed at easing the country's balance of payments crisis. —AFP

## Venezuela moves to replace US executives on Citgo board

CARACAS: Venezuelan state-run oil company PDVSA is taking steps to remove at least two American executives from the board of directors of its US refining subsidiary, Citgo Petroleum Corp, according to people close to the matter.

Citgo is facing unprecedented challenges to its finances and management after the US government last week imposed tough sanctions on Petroleos de Venezuela designed to prevent oil revenue from going to leftist President Nicolas Maduro. The United States and dozens of other nations have refused to recognize Maduro, viewing his reelection last year to another six-year term as fraudulent.

Venezuela's self-proclaimed president Juan Guaido is settling up bank accounts with US help that would take income accrued by Citgo, Venezuela's top foreign asset, to finance an interim government. Maduro has denounced Guaido as a US puppet who is seeking to foment a coup.

The board of Houston-based Citgo includes at least two US citizens, Art Klein and Rick Esser, as well as Venezuelans Asdrubal Chavez, Frank Gyax, Nepmar Escalona, Simon Suarez and Alejandro Escarra, according to one of the people familiar with the matter.

PDVSA and Citgo did not respond to requests for comment. Esser and Klein did not immediately reply to emails and phone calls seeking comment on their status.

It was unclear if PDVSA's board has already approved the changes at Citgo's board and who would replace the American executives. Citgo also has an executive board that includes the refiner's general managers, its corporate treasurer and the controller, and other vice presidents. Esser was among a team of Citgo executives who met with US officials last month in Washington amid efforts by Guaido and the US government to appoint a new Citgo board of directors. Citgo operates three US refineries that supply about 4 percent of total US fuel production and is PDVSA's largest US customer for its oil exports. Sanctions have forced Citgo and other US refiners to seek crude oil supplies from other nations. Delaware-registered Citgo operates plants in Texas, Louisiana and Illinois that are capable of processing a combined 750,000 barrels per day



LEMONT, ILLINOIS: Smoke rises from a refinery owned by Citgo, a subsidiary of PDVSA, the Venezuelan state owned oil company, in Lemont, Illinois. —AFP

of oil. It distributes fuel through about 5,500 independent retail stations in 29 US states.

Citgo, which has been owned by PDVSA for three decades, has not publicly detailed the composition of its current board since late 2017, when Asdrubal Chavez, a cousin of the late Venezuelan leader Hugo Chavez, was nominated by Maduro to run the busi-

ness unit. Asdrubal Chavez, Escalona and Escarra have been working from an office in the Bahamas since the US sanctions were issued, according to the sources. On Friday, Venezuelan oil minister and PDVSA President Manuel Quevedo held a meeting with his deputy ministers and directors, one of the people said. The agenda was not revealed. —Reuters

## How Venezuela turns its useless bank notes into gold

EL CALLAO, Venezuela: Venezuela's most successful financial operations in recent years have not taken place on Wall Street, but in primitive gold-mining camps in the nation's southern reaches.

With the country's economy in meltdown, an estimated 300,000 fortune hunters have descended on this mineral-rich jungle area to earn a living pulling gold-flecked earth from makeshift mines.

Their picks and shovels are helping to prop up the leftist government of President Nicolas Maduro. Since 2016, his administration has purchased 17 tons of the metal worth around \$650 million from so-called artisan miners, according to the most recent data from the nation's central bank.

Paid with the country's near-worthless bank notes, these amateurs in turn supply the government with hard currency to purchase badly needed imports of food and hygiene products. This gold trade is a blip on international markets. Still, the United States is using sanctions and intimidation in an effort to stop Maduro from using his nation's gold to stay afloat. The Trump administration is pressuring the United Kingdom not to release \$1.2 billion in gold reserves Venezuela has stored in the Bank of England. US officials recently castigated an Abu Dhabi-based investment firm for its Venezuela gold purchases, and have warned other potential foreign buyers to back off.

The existence of Maduro's gold program is well-known. How it functions is not. To get a glimpse inside, Reuters tracked Venezuela's gold from steamy jungle mines, through the central bank in the capital of Caracas to gold refineries and food exporters abroad, speaking with more than 30 people with knowledge of the trade. They included miners, intermediaries, merchants, academic researchers, diplomats and government officials. Almost all requested anonymity because they were not authorized to speak publicly, or because they feared retribution from Venezuelan or US authorities.

What emerges is the portrait of a desperate experiment in laissez-faire industrial policy by Venezuela's socialist leaders. US sanctions have hammered the nation's oil industry and crippled its ability to borrow. The formal mining sector has been decimated by nationalization. So Maduro has unleashed freelance prospectors to extract the nation's mineral wealth with virtually no regulation or state investment. The Bolivarian Revolution now leans heavily on ragtag laborers such as Jose Aular, a teenager who says he has contracted malaria five times at a wildcat mine near Venezuela's border with Brazil. Aular works 12 hours daily lugging sacks of earth to a small mill that uses toxic mercury to extract flecks of precious metal. Mining accidents are common in these ramshackle operations, workers said. So are shootings and robberies.

"The government knows what happens in these mines and it benefits from it," said Aular, 18. "Our gold goes into their hands." Maduro has also received a crucial assist from Turkish President Recep Erdogan, a fellow strongman who has likewise sparred with the Trump administration.

Venezuela sells most of its gold to Turkish refineries, then uses some of the proceeds to buy that nation's consumer goods, according to people with direct knowledge of the trade. Turkish pasta and powdered milk are now staples in Maduro's subsidized food program. Trade between the two nations grew eightfold last year. But scrutiny is intensifying as Venezuela's politics reach the boiling point. In recent days, many Western countries have recognized Venezuela's opposition leader Juan Guaido as the South American nation's rightful president. —Reuters