

Business

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Gold rush at Turkish bazaar a test of lira

Currency touched record lows in three volatile weeks

ISTANBUL: Hasan Ayhan followed his wife's instructions last week and took their savings to buy gold at Istanbul's Grand Bazaar as Turks scooped up bullion worth \$7 billion in a just a fortnight.

With memories of a currency crisis which rocked Turkey's economy only two years ago fresh in his mind, the retired police officer was among those playing it safe as he queued in the city's sprawling covered market, where a screen showed the gold price rise by one Turkish lira (\$0.1366) in just 10 minutes. "I think it is the best investment right now so I converted my dollars to buy gold," the 57-year-old said, adding: "I might withdraw my lira and buy gold with it too, but I am scared to go to the bank right now because of coronavirus."

The day after Ayhan bought his gold on Aug 6, the lira hit a historic low and has remained skittish since, laying bare concerns that Turkey's reserves have been badly depleted by market interventions, which are showing signs of fizzling out.

Turks have traditionally used gold as savings and there may be as much as 5,000 tonnes of it "under mattresses", with more added after the recent buying spree, Mehmet Ali Yildirimturk, deputy head of an Istanbul gold shops association, said.

Although bullion has never been more expensive, vendors at the Grand Bazaar said almost no one is coming to sell their gold jewelry. There are only buyers. "I've been chatting with hundreds of people who are thinking about selling their cars or houses to invest in gold," Gunay Gunes, whose busy booth is near the market's entrance, said.

In the last three weeks, as selling gripped the lira,

local holdings of hard assets such as dollars and gold jumped \$15 billion to a record of nearly \$220 billion. There is no evidence suggesting people are about to pull savings from banks, and this week the lira has hovered around 7.3 versus the dollar, although it remains among the worst emerging-market performers this year.

Demand has eased since Turks withdrew some \$2 billion in hard foreign cash from their banks during a March-May period in which a lockdown was imposed and the lira hit its last low, according to central bank banknote data.

Golden era?

Analysts say that if Ankara cannot boost confidence in the currency, which has fallen almost 20 percent this year, import-heavy Turkey risks inflation and even a balance of payments crisis that will worsen fallout from the coronavirus crisis.

Given foreign investors now have only a small stake in Turkish assets, they say the key for President Tayyip Erdogan's government is convincing Turks and local businesses to stop turning to the perceived stability of dollars and gold. The central bank and the Treasury did not immediately comment on the dollarization trend or any policy response.

Meanwhile, Finance Minister Berat Albayrak, Erdogan's son-in-law, said on Wednesday the lira's competitiveness is more important than exchange rate volatility. The central bank has effectively borrowed on local dollar liquidity to fuel its foreign exchange market interventions, which are meant to stabilize the lira, according to data and the calculations of traders and economists.



ISTANBUL: Women stand in front of a gold shop at the Grand Bazaar in Istanbul, Turkey. —Reuters

All are buyers at Grand Bazaar despite high price



Trump targets TikTok again with new order

SAN FRANCISCO: US President Donald Trump late Friday lashed out anew at ByteDance, issuing a fresh executive order stating the Chinese internet giant must sell its interest in the Musical.ly app it bought and merged with TikTok. The order builds on sweeping restrictions issued last week by Trump that TikTok and WeChat end all operations in the US, his latest explosive moves aimed at countering China's rising global power.

ByteDance bought karaoke video app Musical.ly from a Chinese rival about three years ago in a deal valued at nearly a billion dollars. It was incorporated into TikTok, which became a global sensation.

Trump's order contends there is "credible evidence" leading him to believe that ByteDance's take-over of Musical.ly "threatens to impair the national security of the United States."

"As we've said previously, TikTok is loved by 100 million Americans because it is a home for entertainment, self-expression, and connection," ByteDance said in response to an AFP inquiry. "We're committed to continuing to bring joy to families and meaningful careers to those who create on our platform for many years to come."

The order set to take effect in 90 days retroactively prohibits the acquisition and bars ByteDance from having any interest



LOS ANGELES: The logo of Chinese video app TikTok is seen on the side of the company's new office space at the C3 campus in Culver City, in the west side of Los Angeles. —AFP

in Musical.ly. Trump ordered that any sale of interest in Musical.ly in the US had to be signed off on by the Committee on Foreign Investment, which is to be given access to ByteDance books. It also ordered that any saved user data be destroyed.

Trump last week made good on threats against WeChat and TikTok—two Chinese-owned apps with major audiences that US officials say pose a national security threat. Through an earlier executive order he gave Americans 45 days to stop doing business with the platforms, effectively setting a deadline for a potential, under-pressure sale of TikTok to Microsoft. Trump has also called for the US government to be cut in on the deal, a stance slammed by critics who said it appears unconstitutional and akin to extortion.

Last week's move also threw into doubt the US operations of WeChat's parent firm,

Tencent, a powerful player in the video game industry and one of the world's richest companies.

China condemned the move as "arbitrary political manipulation". Trump has claimed TikTok could be used by China to track the locations of federal employees, build dossiers on people for blackmail and conduct corporate espionage.

TikTok—used by as many as a billion people worldwide to make quirky, short-form videos on their cellphones—has repeatedly denied sharing data with Beijing. WeChat is a messaging, social media and electronic payment platform and is reported to have more than a billion users, with many preferring it to email. The latest US actions follow a protracted battle over Huawei, the Chinese network and smartphone giant accused by the Trump administration of being a tool for espionage. —AFP

US-China trade deal review postponed

WASHINGTON: The United States and China have delayed a review of their Phase 1 trade deal initially slated for yesterday, sources familiar with the plans told Reuters, citing scheduling conflicts and the need to allow time for more Chinese purchases of US exports.

No new date for the initial six-month compliance review between US Trade Representative Robert Lighthizer, US Treasury Secretary Steven Mnuchin and Chinese Vice Premier Liu He has been agreed, the sources said. The officials were expected to hold a videoconference yesterday, the six-month anniversary of the trade deal's Feb. 15 entry into force as the coronavirus pandemic began spreading globally.

One source familiar with the talks said the delay was related to a conference of senior Communist Party leaders at the seaside town of Beidaihe on China's northeast coast. The postponement did not reflect any substantive problem with the trade deal, the source said, adding: "The new date has not been finalized yet." US President Donald Trump on Friday repeated his view that the trade deal was "doing very well," but did not comment on the delayed meeting. The White House referred queries on the talks to Lighthizer's office, which did not respond to a Reuters query about plans for the review.

Another source familiar with the plans said that US officials wanted more time to allow China to increase purchases of US goods agreed in the deal, to improve the political optics of the review.

China's imports of US farm and manufactured goods, energy and services are well behind the pace needed to meet a first-year target increase of \$77 billion over 2017 purchases. But as China's economy has recovered from a coronavirus lockdown earlier this year, purchases have increased. On Friday, the U.S. Department of

Agriculture reported the sale of 126,000 tons of soybeans to China, marking the eighth consecutive weekday with large sales to Chinese buyers.

US oil traders, shipbrokers and Chinese importers also told Reuters that Chinese state-owned oil firms have tentatively booked tankers to carry at least 20 million barrels of US crude for August and September, indicating a ramp-up in energy purchases. Trump administration officials have signaled that they are satisfied with the pace of purchases in recent weeks and have no plans to abandon the trade deal, which also includes some increased access for US financial services firms in China, strengthened intellectual property protections and removal of some agricultural trade barriers.

Delaying the meeting, even briefly, could allow China to complete more purchases, which would help Lighthizer persuade Trump to stick to the deal. Signs of Chinese compliance could also help blunt criticism from Democratic presidential candidate Joe Biden, who last week said the agreement that Trump has called a historic win is "failing." —Reuters

Facebook joins attack on Apple

SAN FRANCISCO: Facebook on Friday joined the attack on Apple's operation of its App Store after the iPhone maker refused to forgo its commission on live online events hosted on the social network that allow people to make money during the pandemic.

The comments from Facebook come in the wake of a blockbuster lawsuit from video game sensation Fortnite maker Epic Games on Thursday which accused Apple of abusing its monopoly position in its online marketplace. Facebook said it would not collect any fees from paid online events that educators, entertainers, or others can host due to a fresh addition to the platform, but that Apple declined to back off from its standard share of transactions which are handled through the App Store.

"We asked Apple to reduce its 30 percent App Store tax or allow us to offer Facebook Pay so we could absorb all costs for businesses struggling during COVID-19," Facebook vice president Fidji Simo said in a blog post.

"Unfortunately, they dismissed both our requests and (small- and medium-size businesses) will only be paid 70 percent of their hard-earned revenue." The new paid events feature was launched by Facebook in response to the global coronavirus pandemic which has forced the cancellation of many in-person gatherings.

The feature lets Facebook Live streaming service be used to create,

meeting foreign obligations.

These debt repayments are set to rise in October. "Locals don't want to keep Turkish lira, they've been dollarizing and buying gold. Turks have hardly ever done that historically," said Shamaila Khan, New York-based head of EM debt strategy at AllianceBernstein, which manages \$600 billion.

"That is why you need proactive policies because if you get to that stage where locals are unwilling to keep their money in the bank then you're heading to a balance of payments crisis. That's when the alarm bells will start ringing," she said. Some banks imposed fees on withdrawals this week, while the central bank has curbed cheap credit channels it had opened to ease the coronavirus fallout. — Reuters

promote and host paid events from concerts and theatrical performances to yoga classes and cooking lessons.

It is being tested for use with "more personal gatherings" at Messenger group video chat feature Rooms, according to Simo. "With social distancing mandates still in place, many businesses and creators are bringing their events and services online to connect with existing customers and reach new ones," Simo said. Facebook's criticism comes amid heightened scrutiny of Apple's policies for its online marketplace. Apple has defended the commission to cover the costs of managing the App Store and protecting users security, but critics say the commission is an abuse of its position.

The latest version of Fortnite contains a payment system that lets player transactions bypass Apple's App Store and Google's Play, preventing the firms from collecting their typical 30 percent cut.

Fortnite sought to direct users around the App Store and found itself booted off the platform, and Epic immediately filed an antitrust complaint. The game-maker called on a federal judge to order Apple to stop its "anti-competitive conduct" and invalidate the tech giant's rules requiring app developers to pay the company 30 percent of transactions. The suit said Epic is not seeking favorable treatment, but is asking the court to order Apple to change its commission structure for all developers. Apple said Fortnite was pulled after "Epic Games took the unfortunate step of violating the App Store guidelines that are applied equally to every developer and designed to keep the store safe for our users." —AFP



This illustration picture shows a person logging into Epic Games' Fortnite on their smartphone in Los Angeles on Friday. —AFP