

Business

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US trade gap yawns wider as imports outpace exports

Yellen warns US debt default could trigger recession

WASHINGTON: The US trade deficit rose in August with imports overwhelming exports as the US economy bounces back from last year's pandemic shock, government data said yesterday. The Commerce Department reported the trade deficit climbed to \$73.3 billion from the upwardly revised \$70.3 billion the month prior, more than analysts had expected and 4.2 percent higher than in July.

Both exports and imports increased, but fewer car and airplane sales held back the former, while consumer demand fueled the rise in the latter, according to the data. The overall deficit was a new record high and \$31.7 billion larger than before the pandemic, said Mahir Rasheed of Oxford Economics, who predicted it would widen "slightly further" by the end of the year as vaccine inequality and supply snarls global growth.

"Moderating domestic demand will continue to slow import volumes over the coming months, while a steady pick up in foreign consumption will drive stronger exports" in the fourth quarter, he added.

Overall, imports rose \$4 billion to \$287 billion from July, while exports climbed to \$213.7 billion, an increase of \$1 billion. Imports of both goods and service increased, with consumer goods rising \$3 billion and industrial supplies and materials rising \$1.8 billion.

Automobiles fell \$1.5 billion amid an ongoing

shortage of semiconductors that has hurt assembly lines worldwide. Among exports, goods increased a total of \$1.1 billion, with industrial supplies and materials rising \$3.5 billion. However, that could not overcome a \$1 billion drop in automobiles and \$0.8 billion fall in capital goods, which includes aircraft, among other shortfalls. Services exports saw a slight decrease.

US Treasury Secretary Janet Yellen warned yesterday that a US debt default could trigger another recession, as an October 18 deadline approaches. "I totally expect it would cause a recession," Yellen said on CNBC, referring to what would be an unprecedented US default as lawmakers fight over raising the debt ceiling.

Yellen has warned previously that after October 18, the United States will not have the funds to meet its obligations to creditors if Congress does not relax the legal debt ceiling. Congress has done this dozens of times over the decades since setting borrowing limits, and the votes are usually bipartisan and drama-free.

This year, reflecting the extraordinary acrimony in Washington, Republicans are refusing to vote for lifting the ceiling and vow even to block Democrats from passing a simple vote by themselves along party lines. Instead, Senate Republicans are attempting to force Democrats



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to use a complex maneuver called reconciliation to take sole responsibility for the debt hike. Democrats so far are refusing, accusing the Republicans of taking the nation's financial stand-

ing hostage. President Joe Biden on Monday called Republican opponents "reckless and dangerous" for refusing to join Democrats in raising the debt limit. — AFP

Dry year leaves Syria wheat farmers facing crop failure

TAL SHAEER, Syria: After Syrian farmer Abdelbaqi Souleiman lost his last wheat crop to a wildfire, he had hoped for a better harvest this summer. But this spring there was hardly any rain. "Last year the field I planted was burnt to the ground," said the 48-year-old. "This year there wasn't enough rain, and we didn't harvest any wheat." As man-made climate change increases the likelihood of drought and wildfires worldwide, Syria has also been hit hard by low rainfall this year, especially in its breadbasket Hasakeh province.

In the Kurdish-run northeastern region, dismal wheat harvests have raised alarm about food security in a war-torn country where 60 percent of people already struggle to buy food. In Hasakeh, humanitarian agencies estimate crop production to have dropped by more than 95 percent compared to last year in large parts of the province.

Souleiman said the lack of downpour, coupled with the high price of fuel for irrigation, seeds and fertilizer,



QAMISHLI, Syria: A young Syrian shepherd watches as his flock grazes in a harvested wheat field in the countryside of the northeastern city of Qamishli. —AFP

had made growing the rain-fed cereal a near mission impossible. "At this rate, we'll have to stop growing wheat," he said in the village of Tal Shaeer. "Farmers are going to have to start planting herbs like coriander and cumin because it's cheaper and they sell for more."

'Selling our women's gold'

Outside the town of Qahtaniyah in the same province, Hajji Mohammed, 71, said he and his neighbors had also fallen on rough times. "Farming has become a loss-making business," said the agricultural worker of 45 years in the village of Kardeem Haleema. "If there's no rain

this year, most people will move away." After years of losses, the family had next to no resources left with which to launch into another season.

"We're trying to sell our women's gold or furnishings so we can buy the seeds," he said. Before the war erupted in 2011, Syria produced up to 4 million tons of wheat a year—enough to feed its entire population, but harvests have since plunged to record lows, increasing dependence on imports.

The agriculture minister in Damascus said last month the country produced 900,000 tons of the grain this year, less than half of the two million tons needed. Salman Barodo, co-

president of the economy and agriculture commission with the Kurdish authorities, said this year's harvest had fallen far short of demand for the region's bakeries. "In previous years, we'd reap more than 600,000 tons of wheat," he said. It was enough for flour, seeds for the following season, and a little left over in reserve. "But this year it was just 184,000 to 185,000."

Harvest 'very low'

The poor harvest comes as the whole of northeast Syria is already facing a humanitarian disaster this year, aid agencies have warned, as low rainfall has also drastically depleted water levels along the Euphrates river. This has threatened electricity production and drinking water supplies, and complicated access to the river for irrigation.

In the neighboring province of Raqa, 42-year-old wheat farmer Ahmed Al-Humaidi said he had briefly considered switching to irrigation to save his crop. "We thought of drawing water from the Euphrates... but we were not able to because of the high cost" of equipment and fuel, he said in the village of Salhabiyah. Mike Robson, the representative of the Food and Agriculture Organization in Syria, said the rainy season ended unusually early in March this year. High temperatures the following month then prevented the grains from filling out properly. — AFP

Nord Stream 2 operator begins filling pipeline

MOSCOW: The operator of the controversial Nord Stream 2 pipeline from Russia to Germany-criticized by some Western countries as a geopolitical weapon-said on Monday it had begun filling the pipeline with gas. The latest step pushing the Baltic Sea pipeline to completion comes as Europe faces an energy crisis with natural gas reserves at a low level and energy prices surging.

"The gas-in procedure for the first string of the Nord Stream 2 pipeline has started," Nord Stream 2 AG said in a statement. "This string will be gradually filled to build the required inventory and pressure as a prerequisite for the later technical tests," said the Switzerland-based company, which is owned by a subsidiary of Russian gas giant Gazprom.

It said it would publish more information about "further technical steps in due time".

Nord Stream 2 has for years divided European capitals and raised tensions between the bloc and Washington. The pipeline diverts supplies from an existing route through Ukraine and is expected to deprive Europe's ally of an estimated one billion euros (\$1.2 billion) annually in transit fees from Russia. Ukraine-in conflict with Russia since Moscow's 2014 annexation of Crimea-has warned Europe that Nord Stream 2 could be used by Moscow to exert pressure.

The United States has reluctantly signed off on the project, but says it will sanction Moscow if the pipeline is used as a weapon.

'Geopolitical project'

"We continue to oppose this pipeline," US State Department spokesman Ned Price said on Monday. "We continue to believe it is a geopolitical project of the Russian Federation and we will continue to apply the law consistent with our periodic reviews which, of course, remain ongoing."

When Gazprom announced last month that construction was complete, Kiev vowed to continue lobbying against the project "even after the gas is turned on". Gas prices in Europe around the same time were skyrocketing in anticipation of higher winter demand and the International Energy Agency urged Russia open the taps. Moscow has said that it is waiting for Nord Stream 2 to come online before delivering more gas, but said the pipeline would help combat surging gas prices in Europe.

Running from Russia's Baltic coast to northeastern Germany, the underwater, 1,200-kilometre (745-mile) pipeline follows the same route as Nord Stream 1, which was completed over a decade ago. Like its twin, Nord Stream 2 will be able to pipe 55 billion cubic metres of gas per year to Europe, increasing the continent's access to relatively cheap natural gas at a time of falling domestic production. Germany, Europe's top economy, imports around 40 percent of its gas from Russia, and Berlin believes the pipeline has a role to play in the country's transition away from coal and nuclear energy. — AFP

Severe droughts dry up dreams of Turkish farmers

AKKUZULU, Turkey: Turkish farmer Hava Keles stares inconsolably at withered vines of rotting tomatoes in a field that has been devastated by a series of droughts blamed on climate change.

"My tomatoes, my beans, my peppers are ruined. My watermelons didn't even grow. The cucumbers I planted have shrivelled up on the branches," lamented Keles, 58, standing in an arid Anatolian plot in Akkuzulu, north of Ankara. Keles is among thousands of farmers across Turkey whose livelihoods have been ravaged as little rain has fallen to nourish their crops for the past two years.

Some experts accuse President Recep Tayyip Erdogan—whose popularity has relied on prosperity driven by fast urban development—of failing to do enough to address pressing environmental issues in the country. But Erdogan has promised Turkey would ratify the 2015 Paris Agreement in October before a pivotal UN climate summit next month in Glasgow. Turkey signed the deal in 2016.

Environmental issues had never topped the political agenda in Turkey, but everything changed after a summer of extreme weather events, including forest fires on the Mediterranean coast and devastating floods in the north. Action cannot come soon enough for indebted farmers like Keles in a country where droughts have spread to more than of the territory. "My husband says leave the garden. But I can't. I've worked too hard for this. What can I do with it now?" she asks, despite having debts worth thousands of dollars.

This summer, farmers in her neighborhood were unable to dig deep enough to find groundwater, so



ANKARA, Turkey: A farmer drives away after filling a tank with water to irrigate his fields in the Akkuzulu neighborhood in Cubuk district, northern Ankara. —AFP

they had to fetch it in large tanks pulled by tractors.

'Serious events coming'

Agriculture is a major sector of the Turkish economy, accounting for around six percent of GDP and employing 18 percent of the workforce. Turkey is self-sufficient in food production and is the world's seventh largest agricultural producer, exporting everything from hazelnuts to tea, olives to figs.

But the country's import of wheat has already risen exponentially in nearly two decades from \$150 million to \$2.3 billion in 2019, according to the agriculture ministry. Such figures add to fears Turkey will move from producer to becoming a country reliant on the outside to meet its food needs. "Turkey has a lot to adapt to, especially in terms of agriculture because serious drought events are coming. What we have seen is nothing," warned Levent Kumaz, director of Bogazici University's center for climate change and policy studies in Istanbul. — AFP

Oil strikes new peaks, global equities rebound

LONDON: World oil prices surged yesterday to new multi-year peaks, extending a bullish run one day after OPEC+ refrained from boosting output any further. The news handed a boost to share prices of energy firms while European and US stock markets rebounded from losses a day earlier.

But Asia equities fell on concerns that soaring energy prices would further fuel inflation. European benchmark London Brent North Sea oil jumped to a new three-year peak at \$82.72 per barrel. New York crude zoomed to a fresh seven-year pinnacle at \$78.88.

OPEC and other major producers opted Monday against increasing output by more than previously agreed — despite tightening supplies and rising demand. The OPEC+ grouping decided to stick with their planned increase next month in oil production of 400,000 barrels.

"OPEC+ gave oil bulls a red rag to bid up futures contracts as it stuck to the planned increase," said Markets.com analyst Neil Wilson. "It's not that demand is suddenly forecast to improve — it's more that OPEC+ is keeping such a tight grip on supply." Runaway oil prices fuel higher inflation but boost the profits and revenues of energy giants. In London, BP shares rose 0.6 percent to 346.45 pence and Royal Dutch Shell's 'B' shares jumped 1.3 percent to £16.93. — AFP