

# Business

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## Oil prices surge as Saudi pledges to slim production to balance price

### OPEC+ approves slight crude output increases

**NEW YORK:** Oil prices shot higher following Saudi Arabia's surprise announcement that it would trim production, while global equities had a mixed session as governments contend with coronavirus outbreaks and difficulties with vaccinations.

The price of the main US oil contract, WTI, jumped more than five percent higher at one point to hit \$50 a barrel for the first time since February. Members of the oil cartel OPEC and their partners agreed Tuesday to raise output slightly in February and March, but only in Russia and Kazakhstan, while Saudi Arabian Energy Minister Prince Abdulaziz bin Salman announced that the country would cut its own production by one million barrels per-day in both months.

"Saudi Arabia put the cherry on the cake and if there is one way to describe what its voluntary cut means for the market, 'happy hour' is a pretty fitting term," Rystad Energy's Bjornar Tonhaugen said of the surprise Saudi announcement. "They say there is no such thing as a free meal, but it's difficult to see how a beast of a one million bpd cut is justified behind closed Saudi strategist doors."

The news lifted petroleum-linked stocks on Wall Street, including

Halliburton, Occidental Petroleum and Apache, all of which gained at least eight percent.

#### COVID-19 headwinds

Major US indices also advanced following better-than-expected US manufacturing data and car sales as markets monitored Georgia elections that will determine control of the US Senate. The gains on Wall Street came after stocks pulled back Monday on worries that a Democratic sweep of the two Georgia Senate runoffs would clear the way for tax increases and other major legislative changes.

But news of fresh lockdowns and slow vaccination campaigns kept European stocks mostly on the back foot. London stocks managed to end the day with a gain of 0.6 percent, helped by the strong performance of oil stocks on the FTSE 100.

But the UK on Tuesday began implementing new national restrictions set to last weeks, as the country is beset by a new variant of the coronavirus that apparently spreads faster. For the markets, the news was counterbalanced in part by the announcement of an extra £4.6-billion package for virus-battered businesses.

Frankfurt fell 0.6 percent as Germany was set to extend a shutdown in

Europe's top economy and Paris gave up 0.4 percent as the French government scrambled to speed up a slow rollout of Covid-19 vaccines. "The mood has soured somewhat as a result of the national lockdowns which are once again coming into force or being extended," OANDA analyst Craig Erlam said.

"This was maybe inevitable anyway as a result of the (Christmas) festivities taking place in the midst of an already severe wave of COVID-19 but the new variant has thrown another spanner in the works."

#### OPEC+ move

Members of the oil cartel OPEC and their partners agreed Tuesday to raise output slightly in February and March, but only in Russia and Kazakhstan.

Overall the amount of crude oil the group has voluntarily withdrawn from global markets is to decline from 7.2 million barrels per day to 7.125 mbd in February, and 7.05 mbd in March, the OPEC+ group said in a statement issued at the end of its first ministerial meeting of the year.

It called at the same time for caution on the part of those active in the sector owing to the coronavirus pandemic.

To ensure the market is not flooded with oil while pandemic-related risks to



VIENNA: In this file photo, the logo of the OPEC is seen at the organization's headquarter on the eve of the 164th OPEC meeting in Vienna, Austria. — AFP

demand remain high, OPEC kingpin Saudi Arabia decided to cut its own production by one million barrels per day in both months, Energy Minister Prince Abdulaziz bin Salman told a press conference. Oil prices spiked as news of the decision emerged, leaping by around 5.0 percent to more than \$50 a barrel around 1830 GMT.

The decision represents a compromise between two of the biggest oil producers, Russia and Saudi Arabia, because Moscow had wanted to raise

overall crude output by 500,000 barrels per day starting in February.

Disagreements on the way forward are nothing new for the OPEC+ grouping, which must factor in a pandemic that shows no sign of abating and a vaccination campaign which has struggled to make headway in some parts of the world. Demand for crude cratered under the effects of the virus in 2020 and oil-producing nations have been trying to adjust output accordingly to underpin prices. —AFP

## Cross-Channel trade bumps emerge post-Brexit

**PARIS:** For months officials pledged the flow of goods and services between Britain and the EU would remain smooth after Brexit, but a series of hiccups and delays shows the days of frictionless trade might well be over. Here are some of the problems that have cropped up since Britain's official exit from the bloc on January 1, despite a last-minute deal on future trade relations.

#### Supply strains

New customs and administrative formalities are now required for British goods entering the European Union—except, in theory, between Spain and the British territory of Gibraltar, and between Northern Ireland (Britain) and Ireland (EU). While the majority of shipments have continued, others have become targets of the more stringent checks.

On Friday, six freight loads bound for EU-member Ireland were turned away at the port of Holyhead in Wales for not having the correct paperwork, Stena Line ferries said. Even in Northern Ireland, reports have emerged of shortages at Sainsbury's grocery stores because of new Export Health Certificates required for food entering from Britain.

"A small number of our products are temporarily unavailable for our customers in Northern Ireland while border arrangements are confirmed,"



BRISTOL: An aerial view shows lines of new Honda cars parked up at the Royal Portbury Dock in Avonmouth, near Bristol in south-west England. — AFP

Sainsbury's said in a statement.

And in France this week, many fresh food shelves stood empty at Marks and Spencer stores in Paris after they were unable to secure popular sandwiches, pork pies and other British fare made in Britain.

"Due to new UK/EU import legislation, we're sorry some of your favorites might be missing. We're working hard to get them back soon," signs said in both French and English. "I had never imagined that this could be a consequence. It's a shame, I come at least once or twice a week," Anne, an architect, told AFP outside an M&S Food store on the Boulevard Montmartre.

European retailers have reported difficulties in selling to British buyers because of new rules on the

to the administration official.

Trump's order specifically named apps including Alipay, QQ Wallet, Tencent QQ, WeChat Pay and WPS Office. Alipay and Tencent did not respond to queries. Previous executive orders aimed at banning TikTok—which is owned by China-based ByteDance—were derailed by court rulings indicating Trump had overstepped his legal authority. Hua said the new order would "of course have some impact on related Chinese companies, but more important might be that it damages the interests of American consumers and the US." "The US talks about a free market economy and fair competition, but how does it behave?" she said.

#### Details vague

The executive order leaves it to the secretary of commerce to recommend which kinds of transactions with apps to prevent and how. The Trump administration last week appealed a federal court ruling which allows TikTok to keep operating in the United States despite a move to block the popular social media application on national security grounds. The Justice Department filed the appeal seeking to enforce a ban on TikTok ordered by Trump, who has argued that the app's Chinese parent company may use TikTok for espionage and to spread disinformation.

The ban had been rejected by US District Judge Carl Nichols and in a parallel case filed in Pennsylvania. Nichols said TikTok's lawyers had demonstrated that the Commerce Department likely overstepped its authority by seeking to ban the popular app and "acted in an arbitrary and

application of value-added sales taxes (VAT). As of January 1, Britain requires a customs declaration on all packages going between the United Kingdom and the EU, and merchandise is subject to VAT.

To make things more complicated: For products sent to Britain valued at less than 135 pounds (150 euros, \$185), it's the seller who pays the tax. But if the value exceeds 135 pounds, VAT is charged to the recipient—forcing EU businesses to scramble to revamp their policies. Scandinavian Outdoor, a clothing and equipment retailer based in Finland, halted sales to Britain altogether. "Ordering will be possible as soon as our UK VAT-registration and the overall process of selling to the UK post-Brexit has been sorted out!" says a message on its website. — AFP



BEIJING: China accused the US yesterday of "bullying" after President Donald Trump ordered a ban on a series of Chinese apps in his last weeks in office, branding them a threat to national security.

capricious manner by failing to consider obvious alternatives." TikTok has repeatedly defended itself against allegations of data transfers to the Chinese government, saying it stores user information on servers in the United States and Singapore. It has a further fight on its hands over an August 14 executive order from Trump to force ByteDance to sell its US operations to an American buyer.

Washington is in a tense trade battle with Beijing, and Trump's administration has stepped up warnings about China's growing economic and military power. — AFP

## Czechs hope special COVID currency will boost economy

**PRAGUE:** A Czech town will soon launch its own "corrent" currency under a project designed to help local businesses hit by the Covid-19 lockdown, its architect said Tuesday. Through the Corrent project — whose name is a fusion of the words coronavirus and currency — the town's residents will receive funds to spend at local shops, restaurants, cinemas and elsewhere.

"The project stemmed from the need to help an economy short on household liquidity," said economist Pepe Rafaj, who came up with the idea while quarantined in March. The pilot project is set for the southeastern town of Kyjov, where 2,000 volunteers will each receive 400 corrents — equal to 400 Czech crowns (15 euros, \$19) to spend at participating outlets. When paying, customers will cover half of the sum with corrents and the other half with crowns.

"Each citizen will have an electronic wallet. The retailer will use a website and insert the citizen's code to deduct the sum in corrents," Rafaj said. The intention is to encourage people to spend money, which will raise revenue for local retailers — international outlets not included — and thus tax income for the state. —AFP

## Ireland expects 2020 deficit of €19 billion

**DUBLIN:** Ireland expects a €19 billion deficit for 2020 after an "unprecedented" slew of spending to offset the effects of the coronavirus crisis, the finance ministry said Tuesday.

Finance minister Paschal Donohoe said the Republic had expected to deliver a surplus of around €2.5 billion (\$3.1 billion) before the coronavirus pandemic upended the economy in the spring of 2020. But soaring government spending saw an exchequer deficit of €12.3 billion registered for the year as tax receipts generally shrank during numerous coronavirus lockdowns. The slide into a 2020 "estimated deficit" of €19 billion to the general state coffers—around 5.5 per cent of GDP—demonstrates "the government's response is unprecedented in our country's history," Donohoe said in a statement.

"The government will continue to use the resources of the state to protect the most vulnerable, support businesses and sustain incomes until our country emerges from this pandemic." In October Ireland unveiled its "largest ever" budget package for 2021. Dublin pledged additional spending of over €17.75 billion as the nation braced for the twin economic fallout of Brexit and the ongoing pandemic. Minister for public expenditure Michael McGrath said the government had committed roughly €9 billion to unemployment and employer wage subsidy payments throughout 2020. — AFP

## Beijing slams 'bullying' US over Trump order on Chinese apps

**BEIJING:** Beijing accused the US yesterday of "bullying" after President Donald Trump ordered a ban on a series of Chinese apps in his last weeks in office, branding them a threat to national security.

Under the Trump administration Beijing and Washington have clashed repeatedly over trade, technology, human rights and the origins of the coronavirus pandemic. In the latest move to raise tensions, Trump ordered a ban on transactions involving Alipay, WeChat Pay and other apps linked to Chinese companies, saying they could route user information to the government in Beijing.

Foreign ministry spokeswoman Hua Chunying said yesterday the move was an example of "bullying" by the US, and accused Washington of "stretching the concept of national security."

"This harms both itself and others," Trump's executive order is to take effect in 45 days—just weeks after he is replaced in the White House by President-elect Joe Biden on January 20. But a senior administration official said the order and its implementation have not been discussed with the "potential incoming Biden administration." The apps targeted by the new ban were chosen because of the extremely high number of downloads, which meant tens of millions of users could be at risk of having their data harvested, according