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Trump urged to stay tough over China trade deal

US Trade Representative Robert Lighthizer told Congress he was pursuing a trade deal that would protect US firms' intellectual property. Congress has warned the Trump administration that any trade deal with China should secure substantive policy changes. The statements come as trade negotiations enter a critical period.

US President Donald Trump recently said he may meet Chinese President Xi Jinping to announce a deal next month. There is growing concern in Congress that he will fail to resolve underlying disagreements over intellectual property and unfair trading practices. At a House Ways and Means Committee hearing on Tuesday, both Republican and Democrat lawmakers urged the Trump administration's top negotiator Robert Lighthizer to continue to take a tough approach.

"This administration has chosen to take a path of high-risk confrontation," said Rep Richard Neal, a Democrat who represents Massachusetts."It must hold out for a good deal."

Mr Trump initiated the trade war in 2017 citing unfair trading practices, including accusations that Chinese companies were stealing intellectual property from American firms by forcing them to transfer technology to China.

The US has imposed tariffs on $250bn worth of Chinese goods, and China has retaliated by putting duties on $110bn of US products. Tump has also threatened further tariffs on an additional $267bn worth of Chinese products, which would see virtually all Chinese imports into the US become subject to duties. The trade dispute has prompted concern over global economic growth and is putting additional pressure on China's economy, already showing signs of strain.

In the US, it has unnerved financial markets, hurt farmers and raised costs for American companies, increasing the political pressure on the president to deliver an agreement. On Wednesday, members of Congress expressed concern about the administration's decision to impose tariffs. But they said they agreed with the Mr Trump's stated goals and urged the administration to resist the temptation to strike an easy deal.

Rising level of corporate debt a risk to global economy – OECD

Companies around world need to repay or refinance as much as $4tn over next three years

Chinese company debt in particular has rapidly accelerated, raising alarm bells as the level of corporate borrowing soared to reach $2.8tn by the end of 2018. The global economy faces escalating risks from rising levels of corporate debt, with companies around the world needing to repay or refinance as much as $4tn (£3.1tn) over the next three years, according to the OECD.

Sounding the alarm over the scale of the debt mountain built up over the past decade since the last financial crisis, the Paris-based Organisation for Economic Co-operation and Development found that global company borrowing has ballooned to reach $13tn by the end of last year – more than double the level before the 2008 crash.

Nearly the equivalent of the entire US Federal Reserve balance sheet – roughly $4tn – will need to be repaid or refinanced over the coming years, the report said. However, the task is complicated by cooling economic growth from trade tensions and a slower rate of expansion in China, potentially hindering the ability of firms to generate the income to repay the loans.

Financial market investors have grown increasingly concerned that high debt levels in the US could turn a looming slowdown for the world's largest economy into a full-blown recession. High debt levels in several other nations as the Federal Reserve raises interest rates has also rattled financial markets in recent months.

According to research from the Economist Intelligence Unit, a potential meltdown in the US bond market is the second biggest risk to the world economy after the US-China trade standoff, amid a combination of global economic headwinds “more wide-ranging and complex than at any point since the great recession”. The International Monetary Fund has previously warned of gathering “storm clouds” for the world economy, including from trade tensions and heightened levels of debt – particularly in China.

Corporate borrowing levels have rapidly accelerated over the past decade amid rock-bottom interest rates from major central banks, after they cut borrowing costs in the wake of the 2008 financial crisis in order to avert the last recession turning into another great depression.

Central banks have, however, begun to raise interest rates

once more, raising the risk that some companies could run into difficulty keeping up with repayments.

Compared with annual average borrowing in the corporate bond markets worth $864bn during the years leading up the crisis, the OECD said that between 2008 and 2018 the global average skyrocketed to $1.7tn per year.

Chinese company debt in particular has rapidly accelerated, raising alarm bells as the level of corporate borrowing soared to reach $2.8tn by the end of 2018, up by as much as 395% compared to a decade ago. The OECD warned that the share of the lowest-quality bonds – sold by less financially resilient companies to bond market investors – stood at 54%, a historical high. Central bankers have also become increasingly worried over the rapid growth in US leveraged loans – lending to already highly indebted companies – in recent months.

“In the case of a downturn, highly leveraged companies would face difficulties in servicing their debt, which in turn, through lower investment and higher default rates, could amplify the effects of a downturn,” the OECD report said.

The Economist Intelligence Unit said there was a “moderate risk” that the US debt burden would turn the next economic downturn into a recession. “In this scenario, a US recession would exacerbate a global slowdown, with countries affected by declining US demand for goods and investment.”

There are, however, hopes that the current debt pile can be managed safely. The Fed has adopted a more cautious stance in recent months as concerns intensify over the health of the global economy. The Fed had increased rates to a range between 2.25% and 2.5% as recently as December, in the ninth such move since late 2015.

IMF warns of global economic 'storm'

The International Monetary Fund has warned governments to gear up for a possible economic storm as growth undershoots expectations. “The bottom-line — we see an economy that is growing more slowly than we had anticipated,” IMF managing director Christine Lagarde told the World Government Summit in Dubai. Last month, the IMF lowered its global economic growth forecast for this year from 3.7 per cent to 3.5 per cent. Lagarde cited what she called “four clouds” as the main factors undermining the global economy and warned that a “storm” might strike.

The risks include “trade tensions and tariff escalations, financial tightening, uncertainty related to (the) Brexit outcome and spillover impact and an accelerated slowdown of the Chinese economy”, she said. Lagarde said trade tensions — mainly in the shape of a tariff spat between the United States and China, the world's two biggest economies — are already having a global impact.“We have no idea how it is going to pan out and what we know is that it is already beginning to have an effect on trade, on confidence and on markets,” she said, warning governments to avoid protectionism.

Lagarde also pointed to the risks posed by rising borrowing costs within a context of “heavy debt” racked up by governments, firms and households.“When there are too many clouds, it takes one lightning (bolt) to start the storm,” she said.

On Friday, the Reserve Bank slashed its forecast for the Australian economy, predicting growth of 2.5 per cent in the 12 months to June this year — down from its previous forecast of 3.25 per cent.

Russia –Saudi Arabia Oil Pact

Saudi Arabia's Minister of Energy, Industry and Mineral Resources, Khalid Al-Falih (R) speaks during a press conference with his Russian counterpart Alexander Novak at the Ritz Carlton Hotel in the capital Riyadh on February 14, 2018.

A rolling oil pact between Russia and Saudi Arabia which seeks to support prices by reducing output looks to be on shaky ground with only the Arab nation appearing to fulfil its promises.

Late last year, OPEC producing countries, and non-OPEC producers, led by Russia, agreed to cut supply by 1.2 million barrels per day(bpd), an arrangement known as OPEC+.

Saudi Arabia agreed to account for the bulk of OPEC nation cuts and has confirmed it will drop its crude oil production by a further 400,000 barrels per day to 9.8 million b/d in March. If achieved it would mean that since the December, Saudi Arabia has become responsible for 70 percent of the total OPEC+ target. In turn, Russia was set to account for the greater share of non-OPEC cuts, but from October to the beginning of February had only decreased output by 47,000 barrels per day.

The slow pace to cuts from Russian oil producers drew criticism from Saudi Arabia's Energy Minister Khalid al-Falih, who told CNBC in January that Moscow had moved "slower than I'd like."

That barb led to a response from Russian Energy Minister Alexander Novak who said at the beginning of February that Russia was "completely fulfilling its obligations in line with earlier announced plans to gradually cut production by

May this year."

During 2018, oil prices were dragged lower by increasing U.S. shale supply and fears over global demand. President Donald Trump has repeatedly criticized OPEC on its decision making, claiming prices should be lower.

Oil prices have steadily edged higher since the OPEC+ promise to cut supply and are now sitting at levels not seen since November 2018.

But Torbjorn Soltvedt, principal MENA politics analyst at Verisk Maplecroft, said that any end to Russian-Saudi coordination would likely add significant downward pressure on prices.

"Although our base case is still that Riyadh and Moscow find a compromise to extend the agreement, the pact is now looking more fragile than ever," said Soltvedt.

The political analyst added that to save the pact he expected Saudi Arabia may even have to settle for "low levels of (Russian) compliance to save the pact."Verisk Maplecroft estimate that Riyadh needs $80 a barrel in order to fund its 2019 budget while in turn, Russian President Vladimir Putin has claimed that $60 is enough to satisfy Moscow's needs. The next meeting of OPEC and non-OPEC oil producers takes place in mid-April.

Japan's central bank ready to ramp up stimulus

Bank of Japan Governor Haruhiko Kuroda said on Tuesday the central bank was ready to ramp up stimulus if sharp yen rises hurt the economy and derail the path towards achieving its 2 percent inflation target.

But he said the BOJ would carefully weigh the benefits and costs of any further policy easing, suggesting that the hurdle for topping up stimulus would be high given how financial institutions' profits have been hurt by years of near-zero interest rates.

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"Currency moves could have an impact on the economy and prices, so it's crucial we take into account these factors when guiding monetary policy," Kuroda told parliament."If (currency moves) are having an impact on the economy and prices, and if we consider it necessary to achieve our price target, we'll consider easing policy," he said.

Kuroda made the remarks in response to a question by an opposition lawmaker on whether the BOJ had the necessary tools to boost stimulus to counter the pressure from a sharp yen rise.

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Kuroda repeated that possible monetary easing tools the BOJ could deploy included cutting short- and long-term interest rates, expanding asset buying or accelerating the pace of money printing."Whatever we do, however, we need to carefully balance the benefits and the costs of the step such as the impact on financial intermediation and market functioning."

Vietnam overcame isolation to become a manufacturing hub

Once-isolated and among the poorest countries in the world, Vietnam has over the last three decades emerged as a manufacturing hub where multinational firms such as Intel, Samsung, Adidas and Nike have set up bases in.

Many experts attribute Vietnam's rise to a series of policies called "doi moi" that were introduced in 1986 to grow the private sector and open up the country to foreign investors, among other things.

Pyongyang has for years studied Vietnamese market reforms and their impact on political stability, but some experts question the viability of North Korea following in Vietnam's footsteps.

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"The country has already become a major exporter of textiles, electronic goods and footwear, among other items, with one in ten of the world's smartphones produced in Vietnam," Australian bank ANZ said in a recent report.

Powered by manufacturing, economic growth in Vietnam jumped from 2.8 percent in 1986 — when reforms were introduced — to 7.1 percent last year. The Southeast Asian country recorded its strongest expansion in more than a decade in 2018 and was one of the fastest-growing

economies in the world that year.

Trump says Vietnam is thriving ahead of North Korea meeting .Vietnam's ability to continue thriving at a time when global growth is stagnating has not gone unnoticed. In recent years, the country's ability to maintain political stability in the midst of economic transformation is seen as a model for North Korea to follow.

Like the hermit nation, the Southeast Asian country has been ruled by the same political entity, the Communist Party of Vietnam, since its independence in 1945. Vietnam was also once isolated — much like North Korea is now — for invading Cambodia in 1978."Vietnam offers North Korea the most realistic path for the massive and successful transformation of a communist one-party state with hostile relations towards the US into a politically stable, rapidly growing economy with good relations with most of its neighbours," Fitch Solutions wrote in a report.

Vietnam is still considered a lower middle-income country by the World Bank and a frontier market by major index providers — which means the country is thought to be less established and riskier to invest in. But that's still a long way from the time when it was one of the poorest nations in the world, economists noted. Many experts have attributed Vietnam's rise to a series of policies called "doi moi" that were introduced in 1986 to grow the private sector and open up the country to foreign investors, among other things.

Those policies "dramatically transformed the country, spurring fast economic and social development," Manop Udomkerdmongkol, economist at Singapore's United Overseas Bank, said in a recent report. "The key part of this reform was freeing up domestic trade and investment."

It came at a time that many factories wanted to diversify their manufacturing bases by moving some operations out of China, which resulted in a surge in foreign direct investments into cheaper destinations such as Vietnam. In a report last year, World Bank economists said Vietnam has attracted more than 10,000 foreign companies, mostly in export-oriented and labor-intensive manufacturing sectors. Vietnam now has one of the highest numbers of free-trade agreements among Asian countries.

EIF strategic plan seeks to help least developed countries gain more from trade

A new Strategic Plan launched by the Enhanced Integrated Framework (EIF) seeks to deepen efforts to assist least developed countries (LDCs) benefit from trade. The goals of the new plan are to improve the trade environment for LDCs so there is inclusive and sustainable growth, and to increase their exports and access to international markets. Officially presented for the first time on 19 February in Kampala, Uganda, the new 2019-2022 Strategic Plan is designed to better position LDCs in the global economy at a time of growing concerns about trade. Housed in the WTO, the EIF is a multi-partner programme dedicated to addressing the trade capacity needs of LDCs. With an unstable global economy and high trade costs creating uncertainties across the world, the EIF will focus its work on fragile countries and providing the adaptability needed as well as increasing engagement and support for micro, small and medium sized enterprises (MSMEs) and women in trade.The redoubling of efforts includes maximizing the work the EIF does best – meaning forging close working relationships with LDC governments, creating unique mechanisms for coordination across sectors, partners and ministries and serving as a catalyst for in-country investments in trade.

Drawing from past e-commerce research in a handful of countries, new targets will involve supporting the use and uptake of technology in LDCs that draws from evidence-based trade studies.“The EIF does vital work and is making a real impact on the ground," noted WTO Director-General Roberto Azevêdo. "But of course there is still a huge amount of work to be done. We are grateful for the EIF partners' strong commitment to our ongoing efforts to take this work forward, as encapsulated in the new Strategic Plan. Together we can ensure that the EIF continues to deliver for the LDCs.”“The EIF has been on a remarkable journey over the past decade," said EIF Executive Director Ratnakar Adhikari. "We have built the country ownership that is essential for LDCs to achieve sustained trade development. We must redouble our efforts to make LDCs more competitive.”

The Enhanced Integrated Framework (EIF) is the only multilateral partnership dedicated exclusively to helping LDCs use trade as an engine for growth, sustainable development and poverty reduction. It is a unique global partnership between LDCs, donors and partner agencies, including the WTO, which work together to build trade capacity in LDCs.