Abe tells Davos audience to rebuild trust in global trade

Japanese Prime Minister Shinzo Abe told an audience at the World Economic Forum in Davos on Wednesday that it was time to "rebuild trust" in international trade. His speech comes at a time when the United States is pulling back from free trade and its ongoing trade dispute with China has policymakers and markets concerned. "I call on all of us to rebuild trust toward the system for international trade. That should be a system that is fair, transparent, and effective in protecting IP (intellectual property) and also in such areas as e-commerce and government procurement," Abe said.

The Japanese leader also told delegates that Japan was "determined to preserve and continue the free, open, and rules-based international order." In 2018, Japan signed off on its commitment to a revised Trans Pacific Partnership (TPP) with Mexico, Singapore, Australia, Canada and New Zealand. A previous version had to be scrapped after a sudden withdrawal by the United States.

A further Japanese trade deal, this time with the European Union, is set to take force from February 2019. Japan is also set to host the next meeting of G20 in Osaka in June this year. Abe said the meeting would be used to put trade, climate and data governance at the heart of talks between leaders from the world's 20 most industrialized nations.

The Japanese prime minister added that the world needed to realize that fighting the effects of pollution and climate change could be an economic benefit. "There is no need to reduce our economic activities, innovation is what counts," he said.

At the upcoming G20 meeting in Osaka, Prime Minister Abe will also launch a new process for looking at data governance under the auspices of the WTO.

Abe told the Davos audience that personal and security data must be placed under strong privacy protection, while at the same time allowing a free flow of medical, industrial, traffic and other data. "I'd like Osaka G20 to be remembered as a summit that started worldwide data governance. Abe is one of only three G7 leaders to attend the annual leaders forum in Switzerland with German Chancellor Angela Merkel and Italian Premier Giuseppe Conte, the other two.

UK trade minister says he sees 'good chance' of a Brexit deal

British Trade Secretary Liam Fox told CNBC on Wednesday that he believed there was a "good chance" of securing an exit deal with the European Union. UK lawmakers are proposing alternative plans to the current agreed deal with the EU after it was soundly rejected in Parliament. Options include seeking an extension to the U.K.'s current exit date of March 29.

Sterling has risen above $1.30 hitting a 10-week high after suggestions that a procedure in the House of Commons to delay Brexit has been gaining support among lawmakers. The U.K. international trade secretary said he didn't think any extension was likely but he had seen some movement towards compromise over May's original deal among U.K. MPs.

"There's a good chance that we'll get it because there is a growing awareness both in Europe and the U.K., perhaps more importantly inside Westminster, that under the law European treaties will no longer apply after March 29, so unless we get a deal, then no deal that everyone wants to avoid will happen," Fox told CNBC at the World Economic Forum in Davos.

"Since the defeat of the government in its original proposals there has been a very strong impetus to work for a deal from those who are remain and those who are leave in the referendum," he added. Fox said extending Britain's exit process would also disrupt European democracy.

Pressed on whether staying in a customs union with other EU countries would be better than leaving without a deal, Fox told CNBC that attempts to share common trade rules wouldn't satisfy the 2016 referendum result. "I don't think the customs union delivers what the people voted for," he said before adding the "price would be very high and I think the democratic push back in the U.K. would also be very high."

Polls Show Government Shutdown Is Eroding Faith in Economy

Demonstrators rallying against the government shutdown outside the Capitol last week. The shutdown and a late-year slump in the stock market have eroded Americans' optimism about the economy.

The government shutdown and a late-year slump in the stock market have eroded Americans' optimism for the economy and support for President Trump's economic policies, new surveys show. The decline in confidence is widespread —
among Democrats and Republicans, high and low earners — and it suggests mounting danger for Mr. Trump and the economic expansion that he claims as a strong point of his presidency. Sustained drops in confidence often signal dampened consumer spending in the months ahead, and can be the precursor to broader economic downturns.

The University of Michigan's consumer sentiment index fell to the lowest point of the Trump presidency, well below forecasters' expectations. Analysts attributed the drop largely to the partial government shutdown, which has entered its fifth week. Economic confidence also fell, across nearly all demographic groups, in a poll conducted this month for The New York Times by the online research firm Survey Monkey.

"If you have that many people in the economy that are not getting paychecks, are not able to pay their rent, pay their mortgages, there's going to be a broad macroeconomic impact," said Kevin Stay, a 27-year-old survey respondent in Pittsburgh. "That'll affect everything. It'll ripple through the economy." Business groups on Friday called on the president and Congress to reopen the government immediately.

"The current shutdown — now the longest in American history — is causing significant and in some cases lasting damage to families, businesses and the economy as a whole," the groups wrote in a letter posted on the website of the U.S. Chamber of Commerce. The poll found that Americans remained relatively upbeat about their personal finances, particularly Democrats and independents, whose assessment of their family's economic situation has brightened since the November elections. But a wide swath of respondents reported increasing worries about the economy over all.

Nearly a third of respondents to the poll said the United States economy was worse off than it was a year earlier. That's up from fewer than a quarter of respondents in January 2018. And respondents were nearly as likely to say the next five years will bring "periods of widespread unemployment or depression" as "continuous good times economically." As recently as November, optimists outnumbered pessimists on that question by more than 10 percentage points.

The five-week US government shutdown subtracted $11 billion from the economy, about twice the amount President Donald Trump sought to fund a border wall, a congressional body said. However, all but $3 billion, or 0.02 per cent of GDP, will eventually be recovered as the government resumes operations, the non-partisan Congressional Budget Office said in a report.

"Underlying those effects on the overall economy are much more significant effects on individual businesses and workers," the report said.

"Some of those private-sector entities will never recoup that lost income." Growth in subsequent quarters this year should see a small bounce, compensating for the losses in the final quarter of 2018 and the start of 2019, the report said.

WTO in Davos: progress on e-commerce

The meetings included the informal ministerial gathering on WTO issues hosted by the Swiss government on 25 January. This discussion largely focused on possible reforms to the trading system, with a range of different perspectives being aired. The need to address the impasse in appointments to the WTO's Appellate Body was a common theme, along with the need to make progress in a number of other areas. Speaking at the conclusion of his program in Davos, the Director-General said:

"Trade has been at top the of the agenda in Davos. We had some very productive discussions this week across a range of meetings, and notably we've seen real progress towards negotiations that were announced on e-commerce. This is all very welcome. It is a sign of the strong and very widely-shared commitment to the global trading system. This is particularly vital now, as we face a number of significant challenges."

"The current trade tensions pose a threat to the entire international community. The risks are real and have real economic effects. But the opportunities are real too. It is in everyone's interests that we improve prospects for global trade. It is vital for jobs, growth and development around the world. This is what the WTO is all about — so we are taking action."

"First, by working urgently to ease tensions. We're facilitating conversations between members, complementing bilateral efforts. And we're helping members to resolve their disputes. Second, we are working to modernise and strengthen the global trading architecture to ensure that it can support a changing global economy. These are the key elements that we have been discussing here this week.

"We must do more to make the WTO work faster, and be more flexible and responsive to members' needs – building on the progress of recent years. The G20 leaders' declaration made this clear. It called for "necessary reforms" to the WTO so that it can keep playing its essential role in the global economy. All this has created a political window to modernize the WTO. We must seize that opportunity."
"We are working hard on all of this. 2019 will be a crucial year for global trade and for the WTO. We have an opportunity to tackle the systemic challenges before us and strengthen the WTO for generations to come. Ultimately our success will depend on whether members are ready for the system to evolve."

**Venezuela crisis**

It comes after opposition leader Juan Guaido stood in the streets of the capital city and declared himself as the country's "acting president."

Alongside several other countries, the U.S. immediately recognized Guaido as the Latin American country's rightful interim leader, ramping up the pressure on President Nicolas Maduro. It has thrust Venezuela into uncharted territory — with the oil-rich, but cash-poor, country in the midst of the Western Hemisphere's worst humanitarian crisis in recent memory. Growing unrest in Venezuela follows years of economic mismanagement, repression and corruption.

Millions of people have been driven out of the country amid hyperinflation, power cuts and severe shortages of basic items — such as food and medicine.

At the start of the month, Venezuela's Maduro was sworn in for a second term. It followed an election marred by an opposition boycott and claims of vote-rigging. The result prompted a fresh wave of deadly street demonstrations against Maduro's administration. It culminated in Guaido, the elected leader of Venezuela's National Assembly, naming himself as the interim president on January 23.

Guaido's claim to the presidency is unique, in large part because it has been recognized abroad as legitimate. It means Venezuela has been thrust into a situation whereby it has an internationally-recognized government — with no control over state functions — running parallel to Maduro's parliament. An anti-government demonstrator stands next to a national flag during an opposition protest blocking the Francisco Fajardo highway in Caracas on May 27, 2017.

An anti-government demonstrator stands next to a national flag during an opposition protest blocking the Francisco Fajardo highway in Caracas on May 27, 2017. Complicating matters further, President Donald Trump's administration has said it will sanction Venezuela's state-owned oil firm.

For years, the White House had held back on targeted crude sanctions against Caracas, fearing it would raise oil prices and ultimately hurt American refiners. But, in a dramatic bid to oust Maduro, Washington has sought to ratchet up the pressure on the socialist premier.

"The gamble is a bold one as, the U.S. has played its strongest card and is now seemingly out of non-military options on Venezuela," Fernando Freijedo, Latin America analyst at the Economist Intelligence Unit, told CNBC via email.

"We had expected the U.S. to work its way up to sanctions as a form of building pressure within the regime … However, the use of military force continues to seem unlikely as it would almost surely come with costs in terms of legitimacy for the U.S. and the opposition," Freijedo said.

The international community is not united behind Guaido. Those still in support of Maduro's presidency include; China, Iran, Russia, Turkey, Cuba, Bolivia and Nicaragua. Moises Naim, a former Venezuelan minister now at the Carnegie Endowment for International Peace, said via Twitter at the end of last week that this group should be referred to as the "autocrats' alliance."

unwilling to heavily bet against the U.S. and risk souring relations in the midst of trade negotiations. Similarly, we see Russia as more interested in dealing with its own sanctions and, unlike China, financially unable to bankroll the Venezuelan regime," he said.

Maduro has presided over Venezuela's spiral into its worst-ever economic crisis, with hyperinflation forecast to reach 10 million percent this year. As a result, some 3 million Venezuelans have fled abroad over the past five years to escape worsening living conditions.

**Industry is more important to Saudi's future than oil**

Saudi Arabia launched a National Industrial Development and Logistics Program (NIDLP) as the kingdom hopes to attract 1.6 trillion riyals ($425 billion) of foreign investment by 2030, specifically into industry and logistics, mining and energy sectors. The event is being attended by Crown Prince Mohammed bin Salman, other government officials and international chief executives. The crown prince launched his program for economic renewal in Saudi Arabia, known as Vision 2030, in 2016 and has already embarked on a number of reforms. The country is now seeking this $425 billion in infrastructure investment as part of that economic transformation away from oil.

"Industry is the number one priority for the kingdom," Khalid Al-Falih told CNBC's Hadley Gamble in Riyadh.

"Oil is important, it's going to be important for as long as all of us live and beyond for generations to come. But the future of this nation, and the future of my children and grandchildren and the next few generations of Saudi Arabia
is going to be shaped by how we plan and execute programs for implementing Vision 2030, like the program we're launching today. And I have to give it higher priority," he said.

Saudi Arabia launched a National Industrial Development and Logistics Program (NIDLP) on Monday as the kingdom hopes to attract 1.6 trillion riyals ($426 billion) of foreign investment by 2030, specifically into the industry, logistics, mining and energy sectors. "This is a program that integrates four major pillars of the Saudi economy, they're all active now. These are nothing new but they will be stronger, more competitive and more diverse," Al-Falih said.

"The sophisticated integrative logistics sector will connect (the other pillars) and will connect the kingdom with the rest of the world and will create a platform for exports and competitiveness for the new economy for Saudi Arabia being built under the Vision 2030."

Saudi Arabia's Oil Minister Khalid al-Falih talks to journalists at the beginning of an OPEC meeting in Vienna, Austria December 6, 2018. "As the rest of the world worries about where the energy market is going to be, and I am one of them, one thing we know for sure is that Saudi Arabia is always going to have not only the most available, and the most reliable energy, but is going to be the most competitive (source of energy)," he said.