

International

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US DEBT GROWING THAN GDP

Jerome Powell, US Federal Reserve chairman

The idea that deficits don't matter for countries that can borrow in their own currency, I think, is just wrong. I think that US debt is fairly high as a level of GDP and, much more importantly than that, it's growing faster than GDP

Quick View



SECOND SUMMIT ON A POSITIVE NOTE

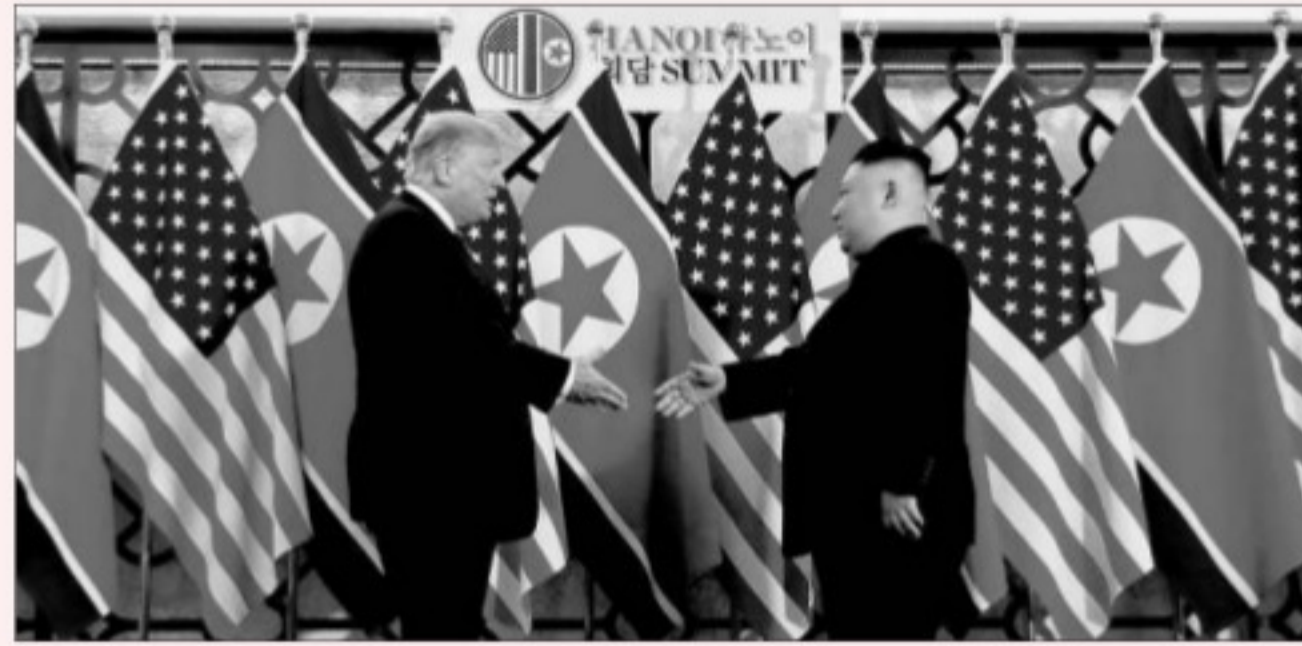
Trump, Kim hail prospects for success

North Korea has immense economic potential, says US prez, adding he looks forward to watching it happen

JUSTIN SINK, YOUKYUNG LEE & MARGARET TALEV
Hanoi, February 27

PRESIDENT DONALD TRUMP and North Korea's Kim Jong Un sounded an optimistic note at the start of their second set of face-to-face meetings, as the US leaders sought to advance nuclear talks that have largely stalled since their first summit in June.

The two leaders shook hands and made brief remarks before a one-on-one meeting in Hanoi on Wednesday that kicked off their symbolism-rich follow-up to the unprecedented Singapore summit. They dined at the century-old Sofitel Legend Metropole Hanoi



Trump-Kim handshake opens second North Korea nuclear summit at the Metropole Hotel in Hanoi, Vietnam, on Wednesday

along with a handful of top officials, including secretary of state Michael Pompeo and Kim's No. 2, Kim Yong Chol. Sitting next to Kim, Trump called their first summit in Singapore "very successful" and said "I think

this one will hopefully be equal or greater." He said North Korea "has tremendous economic potential. I look forward to watching it happen."

Kim smiled throughout Trump's

remarks, and said the leaders were meeting despite "eyes of distrust and misunderstanding everywhere and hostile old practices" that have tried to stop them since their last meeting.

'I Will Do My Best'

"I am certain that the great outcome that everyone is glad to see will be made, and I will do my best to make it happen," Kim, wearing an all-black Mao suit, said in Korean. Later, at dinner, Kim said he and Trump "exchanged very interesting dialogue for about 30 minutes."

More substantial announcements are expected on Thursday, when Trump hopes to build on their broad agreement last year to "work toward complete denuclearisation of the Korean Peninsula." While Kim has refrained from weapons testing since launching a missile in 2017 capable of hitting the US, he's made no commitments to disclose or dismantle his nuclear arsenal — and appears to have expanded it.

Trump dismissed speculation about the Hanoi summit's outcomes on Wednesday, while at the same time hinting he might involve regional allies and adversaries in the nuclear talks. North Korea participated in so-called six-party talks with those countries and the US after withdrawing from the Nuclear Non-proliferation Treaty in 2003. But Pyongyang abandoned the talks in 2009, evicted international inspectors and resumed uranium enrichment.

'Da Nang Dick'

Between meetings with Vietnamese officials and dinner with Kim on Wednesday, Trump issued a tweet accusing Cohen of "lying in order to reduce his prison time" and attacking Democratic senator Richard Blumenthal for falsely saying he served in Vietnam. "I have now spent more time in Vietnam than Da Nang Dick Blumenthal, the third rate senator from Connecticut," Trump wrote, adding that he discussed the lawmaker with Vietnamese leaders. —BLOOMBERG

Elon Musk teases Tesla news in cryptic tweets

ELON MUSK IS out tweeting again, teasing about some Tesla news, barely a day after his social media behaviour brought him more regulatory trouble. A "Thursday 2 pm" tweet came first, followed by "California" and then "Some Tesla news." The cryptic tweets came a day after the US Securities and Exchange Commission asked a judge to hold the Tesla CEO in contempt for violating a settlement that required him to get Tesla's approval before communicating material information to investors. He breached that deal with a February 19 tweet that said Tesla would make about half a million cars in 2019, the agency said.

'Global economy more vulnerable to US slump'

A SUDDEN SLOWDOWN in the US economy would infect global growth and the impact would be bigger than before the financial crisis, according to Citigroup. Two weeks after counterparts at Goldman Sachs Group warned the US was vulnerable to a slowdown elsewhere, economists led by Catherine Mann said there was historically a correlation of about 70% between US growth and the performance of 25 other economies.

EU needs financial police, scam watchdog

THE EUROPEAN UNION should set up a police force to investigate tax evasion and financial crime and create a watchdog to counter money-laundering, EU lawmakers said in a report on Wednesday, which accuses seven member states of acting as tax havens. The report is the result of a year's work by a committee of the EU Parliament, set up after a series of revelations of alleged financial crime in some EU states and in tax havens across the world, such as the Luxleaks and Panama Papers.

Marks & Spencer investors rejects Ocado partnership

MARKS & SPENCER Group fell the most in two and a half years after the retailer said it would finance a nearly \$1-billion investment in online retailer Ocado Group with new shares and cut its dividend. M&S plans to offer as much as £600 million in new stock to help pay £750 million for a 50% stake in the partnership, diluting existing investments. Its shares fell as much as 10%, the most since June 2016, while Ocado rose as much as 6%.

Amazon submits bids for Nexon holding firm

Amazon, Comcast Corporation and Electronic Arts submitted initial bids for the holding firm of South Korea's biggest gaming firm Nexon, *Maail Business Newspaper* said on Wednesday, citing banking sources.

BBC, ITV team up to launch Netflix rival BritBox

Barcelona, February 27

BRITISH BROADCASTER ITV is teaming up with publicly funded rival the BBC to launch a new streaming service for UK viewers, a Netflix-style offering of British box-sets and original series.

The partners are finalising a deal to bring BritBox, a service available in North America, to UK. They say it will offer the biggest collection of British programmes available on any streaming service. "We have agreed a joint vision for the service and are now working on a formal agreement. We anticipate that other partners will be added to BritBox," ITV CEO Carolyn McCall said on Wednesday.

Other partners, including British broadcasters Channel 4 and 5, were involved in talks for inclusion in BritBox, and discussions with regulators were continuing, McCall said. Launch at an undisclosed price described as competitive is set for the second half of 2019. UK broadcasters started work on a joint streaming service 10 years ago, but were stopped by regulators.

ITV's investment in the new platform would be up to £25 million in 2019, and around £40 million in 2020, declining thereafter. The BBC's investment was not disclosed. This year alone, Netflix is investing more than \$8 billion in entertainment programming with a global reach. —REUTERS

Cohen accuses Trump over WikiLeaks, Moscow project and hush payments

NATHAN LAYNE
Washington, February 27

MICHAEL COHEN, THE former "fixer" and personal lawyer for US President Donald Trump, testified on Wednesday that Trump knew ahead of time about a leak of emails that would hurt his Democratic rival Hillary Clinton in the 2016 presidential election.

Cohen also reportedly told Congress that Trump directed negotiations for a real estate project in Moscow even as he campaigned for the presidency and publicly stated he had no business interests in Russia, according to a draft of Cohen's planned testimony.

In the text of his planned opening statement before a House of Representatives committee, Cohen called Trump a "racist", a "conman" and a "cheat" and said he would be handing over documents to support his assertions. The draft statement was first reported by the *New York Times*.

Cohen said Trump ordered him to pay \$130,000 to an adult film actress, Stormy Daniels, in order to cover up an affair in violation of campaign finance laws, and also told Cohen to lie about it to First Lady Melania Trump. The sweeping claims against Trump from a man who was once a loyal ally come as special counsel Robert Mueller appeared to be close to completing his investigation into possible collusion between Trump's 2016 campaign team and Russian



Michael Cohen departs after testifying before the senate intelligence committee on Capitol Hill in Washington on Tuesday

efforts to interfere in the election. Trump has denied any collusion between his campaign and Moscow, dismissing the Mueller investigation as a "witch hunt" and has said Cohen was a liar and a "rat".

"He did bad things unrelated to Trump. He is lying in order to reduce his prison time," Trump said in a tweet on Wednesday from Vietnam, where he was to meet with North Korean leader Kim Jong Un to try to break a stalemate over the North's nuclear weapons. He has denied knowing ahead of time about

the WikiLeaks dump of Democratic National Committee emails during the polls.

Cohen, in his prepared comments, said he was in Trump's office in July 2016 when Roger Stone, a "dirty trickster" and longtime political adviser to Trump, called the Republican presidential candidate.

Cohen said Stone told Trump he had been speaking with WikiLeaks founder Julian Assange, who told him there would be a dump of emails within a couple of days that would damage Clinton's campaign.

On July 22, 2016, WikiLeaks released internal DNC emails that drove a wedge between supporters of Clinton and her rival for the Democratic presidential nomination, Senator Bernie Sanders. Although Clinton won the nomination, that rift weakened her election bid.

Stone was indicted by Mueller on charges of lying to Congress about his communications with others related to WikiLeaks email dumps. Stone denies having advance knowledge of WikiLeaks' plans, although text messages reviewed by *Reuters* show that during the campaign he made several attempts to make contact with Assange.

Although Cohen will accuse Trump on a wide range of issues in his testimony on Wednesday, he said in his draft statement that he does not have direct evidence that Trump or his campaign colluded with Russia. —REUTERS

Boeing wants Nikki Haley on board

Seattle/Washington, February 27

US AEROSPACE MANUFACTURER Boeing has said it has nominated Nikki Haley, former US ambassador to the UN and a close ally of President Donald Trump, to join its board of directors at the company's annual shareholders meeting on April 29.

If elected by Boeing shareholders, she would help guide the future of US' largest exporter, with a network of suppliers across the nation and the world, as Washington and Beijing have been locked in intense negotiations to end a trade war.

Viewed as a rising Republican Party star, Haley has often been mentioned as a future presidential candidate. Her counterparts at the UN saw her as a voice of clarity in the Trump administration.

CEO Dennis Muilenburg praised Haley's record in government and industry partnership. "Boeing will benefit greatly from her broad perspectives and combined diplomatic, government and business experience to help achieve our aspiration to be the best in aerospace and a global industrial champion," he said.

Based on compensation for Boeing's other 13 board members, Haley can expect to earn more than \$300,000. Haley, 47, is the first female governor of South Carolina and a three-term legislator in the South Carolina House of Representatives. —REUTERS

COUNTER-ATTACK

Huawei trolls US with Snowden jab to fight spy claims

STEFAN NICOLA
Barcelona, February 27

THE US GOVERNMENT and Huawei Technologies are grappling for air time in a war of words over network security at the phone industry's biggest trade show.

Telecom carriers at MWC Barcelona are stuck in the middle of the conflict, which has become a lightning rod for the broader trade war between China and the US.

The Trump administration is calling on executives and governments to shun Huawei and its Chinese peers when building new networks. Robert Strayer, who leads cybersecurity policy at the US state department, said American officials had "substantial concerns" over state-ordered spying.

"Chinese law requires these firms to support and assist Beijing's vast security apparatus," Strayer said in a briefing with journalists on Tuesday. The US has made "great progress" talking to governments about the need to build secure networks, he said.

Earlier in the day, Huawei's rotating chairman Guo Ping delivered what might



Snowden, a former National Security Agency subcontractor, leaked documents revealing the NSA's use of US-made telecom equipment for spying

have been his boldest defence yet to US accusations that the Shenzhen-based company's products could be used for espionage. The US had "no evidence, nothing" to back those claims, Ping told a packed main auditorium.

Ping even went on the offensive, pointing to a US federal law that compels US tech

companies to provide law enforcement officials with requested data stored on servers — even if they're located on foreign soil.

"Prism, prism on the wall, who is the most trustworthy of them all?" Ping asked, drawing laughter and scattered applause. "It is a very important question and if you don't answer that, you can go and ask Edward Snowden."

Snowden, a former National Security Agency subcontractor, leaked documents revealing the NSA's use of US-made telecom equipment for spying.

In an opinion piece published in the *Financial Times* on Wednesday, Ping said the fusillade against Huawei is a direct result of Washington's realisation that the US has fallen behind in developing 5G technology and has little to do with security.

Carriers, including Deutsche Telekom AG, Telefonica SA and Vodafone Group, have used Huawei's equipment for years and they're about to spend billions of dollars on building fifth-generation wireless networks. So at MWC Barcelona, phone executives are trying to speak with one voice, warning that they need access to several suppliers and that banning Huawei

risks delaying 5G in the region.

Vodafone Chief Executive Officer Nick Read, speaking on stage on Monday, said carriers needed "a degree of choice" when buying equipment. In an interview, Orange SA's chief technology and innovation officer and deputy CEO Mari-Noelle Jegou-Laveissiere said any ban on the Chinese company's equipment would be "damaging" for the region.

It isn't clear how much of an impact the US delegation is having. Vodafone's Read said on Monday he had no meeting planned with US officials on Huawei, and would rather talk to national regulators if needed. Deutsche Telekom board member Claudia Nemat said she hadn't been approached by the US for meetings.

For the state department's Strayer, the choice facing Europe's carriers is easy.

"There are plenty of options in the West that don't have these types of risks," he said, citing Cisco Systems, Ericsson AB, Nokia Oyj and Samsung Electronics. "Do you want to have a system that's potentially compromised by the Chinese government, or would you rather go with the more secure alternative?"

Huawei, Samsung agree to settle patent dispute in US court

Hong Kong, February 27

China's Huawei Technologies and South Korea's Samsung Electronics have agreed to settle a two-year old patent dispute in the US, court documents show.

The two companies filed a joint motion to a US appeals court on Tuesday to pause court proceedings over their intellectual property disputes because they have entered into a settlement agreement on February 25. The world's two largest makers of Android smartphones have been fighting in courts in the US and in China since 2016, with Huawei alleging that Samsung had used its cellular communications technology without authorisation and has unreasonably delayed entering into a licensing agreement.

Samsung had denied the allegations and accused Huawei of seeking "grossly" inflated licensing fees, countering Huawei in the US. The joint filing on Tuesday did not give a reason for their intended settlement. It asked for a 30-day stay after which the two companies expect to finalise a settlement where Huawei would drop an appeal request. The case was originally set to go to trial in September. —REUTERS

SELECTIONS FROM

The Economist

"I AM VERY grounded, just not on this earth," was one of numerous bon mots from Karl Lagerfeld, who died on February 19. Lagerfeld, born in Hamburg 85 years ago, may not have felt he belonged on this planet but he knew very well what its wealthier inhabitants wanted to wear. As one of the great artists of French couture alongside Christian Dior, Coco Chanel and Yves Saint Laurent, Lagerfeld made Chanel, where he was creative director for over 35 years, the multinational brand it is today. His death will ensure that Parisian gossips, already abuzz with rumours about the future of the fash-

ion house, will have plenty to chat about.

Chanel's owners, Alain and Gérard Wertheimer, owe their vast fortune to Lagerfeld's tenure at the fashion house. When the brothers hired him to take over, the brand had become "old hat" in Lagerfeld's words. The boxy suits that had been Coco Chanel's signature design appealed mostly to middle-aged women. Lagerfeld modernised the Chanel look with longer, thinner lines and snazzy details. A workaholic, he hardly ever took time off, designing around 14 collections a year ranging from couture to high-street fashions. "To design is to breathe, so if I can't breathe, I'm in trouble," he often said.

The extravagant and costly fashion shows for which Chanel became renowned also had a purpose. A 115-foot rocket that simulated a blast-off surrounded by models, or a fake supermarket stocked with Chanel washing powder, ketchup and pasta, created a stir which helped not only the sales

BUSINESS

AFTER KAISER KARL

The future of Chanel without Karl Lagerfeld

How will the French fashion house fare without its influential creative director?

of exquisite, expensive frocks but also hugely profitable accessories such as sunglasses and perfume.

Those around him also had an unusual instinct for the fashion business. Jacques Helleu, the firm's long-serving head of marketing, understood the importance of pro-

tecting a luxury brand. Chanel fought for its intellectual property long before other fashion houses realised the importance of doing so.

A once closely guarded secret—the rewards of the diverse portfolio of handbags, scent, cosmetics, clothing, jewellery and



shoes, and fierce protection of its brand—was revealed last year.

The firm's financial results, released for the first time in its 108-year history, showed revenues of \$9.6 billion in 2017 and an oper-

ating profit of \$2.7 billion.

Chanel's cash and cachet are attractive propositions. Bernard Arnault, the boss of Moët Hennessy Louis Vuitton (lvmh), the world's biggest luxury-goods group, is said to have coveted Chanel for years. Philippe Blondiaux, Chanel's chief financial officer, last year denied any plans to sell or seek a stockmarket listing.

An insider says the Wertheimer brothers had vowed to keep Lagerfeld in his job until he died. Will the plans for Chanel now change? A sale still looks unlikely, according to Dirk Boventer of Atreus, a retail consultant. Alain, the chief executive, announced that Lagerfeld would be succeeded by Virginie Viard, his closest and most trusted associate for some 30 years. Viard will need to make a mark. Until she does, Chanel without Lagerfeld is less of a trophy for potential investors.

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