Modi's visit to open new areas of trade

New FBCCI president hopes South Asia would grow like EU

REFAYET ULLAH MIRDHA

INDIAN Prime Minister Narendra Modi's upcoming visit to Bangladesh is a new dawn in trade relations between the two countries, said Abdul Matlub Ahmad, the newly elected president of the country's apex trade body.

"I hope the visit will strengthen relations between India and Bangladesh, as both the countries have taken a lot of positive initiatives to increase trade and investment," Ahmad told The Daily Star in an interview on Tuesday at the office of the Federation of Bangladesh Chambers of Commerce and Industry in Dhaka.

Ahead of Modi's visit to Dhaka on June 6, Ahmad, who has been doing business with India for decades now, discussed various issues related to bilateral trade. Ahmad imports nearly 2,000 commercial vehicles a year from India.

In recent years, the relationship between India and Bangladesh has been improving fast with effective initiatives being taken by the leaders of both the countries, he said.

The wheels of progress began rolling with the visit of Bangladesh Prime Minister Sheikh Hasina to India in January 2010. The immediate past Indian prime minister Manmohan Singh paid his reciprocal visit to Bangladesh in September 2012, when he announced massive trade and investment programmes.

After Singh's visit, India allowed duty-free benefit for all Bangladeshi products, except 25 alcoholic and drug items, in November 2012.

This time, Hasina will sign an agreement with Modi to ease the visa system for people of both countries, and renew the trade agreement by instilling easy options in trade, transit and transhipment.

The trade deal will allow Bangladeshi trucks and vehicles to ply through Indian territory to transport goods to Bhutan and Nepal. Similarly, vehicles of Nepal and Bhutan will also be allowed to use Bangladeshi territory to carry goods to other countries.

Indian goods-laden trucks are already allowed to use Bangladeshi territory to carry goods from one province to another, especially the northeastern states of India, as Bangladesh allowed both transit and transhipment to India.

"The Bangladeshi business community wants that the South Asian region would grow like the European Union, having the option of easy movement of vehicles and free mobility of people in the region," Ahmad said.

Bangladesh will benefit immensely, if India starts massive development projects in its northeastern states as the demand for goods will increase and Bangladesh will be able to export to India, he added.

"We prefer transhipment to transit for Indian carriers as this option will facilitate the use of more Bangladeshi trucks and vehicles, which will also boost earnings."

Abdul Matlub Ahmad

It is better that there is transit in waterways and transhipment in road communication, as Bangladesh infrastructure is in a poor condition, he said. If transit is allowed through roads, Bangladesh will have to improve its infrastructure and recruit new people to run operations smoothly, he added.

For transhipment through roads, Bangladesh will not require additional costs on human resources and infrastructure, he said.

For example, trucks with heavy load are not allowed to cross the Bangabandhu Bridge over the Jamuna river in Sirajganj to avoid risks, he said.

"This is why we prefer transhipment in roads and transit in waterways."

Similarly, Bangladeshi goods-laden vehicles will also have to pay fees to ply the Indian terrain for transportation purposes.

"But for both transit and transhipment, India will need to pay fees to Bangladesh, as they will use Bangladesh terrain to carry goods from one state to another," Ahmad said.

"As transit fee, we proposed Tk 10,000 per container or Tk 1,000 per tonne. But this rate is not finalised. The leaders of both the countries will finalise the transit fees soon."

"Transit is not free of cost, although the fees may be negotiated," he said.

Ahmad suggested the countries should construct an adequate number of warehouses along with bordering areas to facilitate transhipment efficiently.

On signing the agreement to launch a coastal shipping line between India and Bangladesh, he said the new deal will help slash more than 10 percent of transportation costs, as waterways are still cheaper than the roadways.

If 10 percent is saved on imports worth more than $6 billion from India, Bangladesh could save more than $600 million a year using the coastal line, he said. Through the coastal shipping line, small vessels will ferry goods between India and Bangladesh directly.

It will also create an avenue of business as Bangladeshi entrepreneurs will be able to run the business of coastal shipping lines, as the demand for small vessels will be on the rise then, he said.

The deal is expected to benefit Bangladesh more as the country imports more from India, paying a lot for goods transportation, he said. Indian businessmen will use the country's Mongla Port, the potential of which is still almost unutilised, he added.

The balance of trade between the two countries in heavily tilted towards India as Bangladesh is a net importer of industrial raw materials, basic commodities like onion, garlic, rice, lentil, cotton, and machinery.

Bangladesh's imports from India were recorded at $6.03 billion in fiscal 2013-14 and $4.78 billion in year before that, according to data from the commerce ministry.

On the other hand, Bangladesh's exports to India were worth $456.63 million in 2013-14 compared to $563.97 million in the previous year.

However, it is believed that India exports goods worth nearly $6 billion to Bangladesh through informal channels anywhere through the 4,096 kilometres of bordering areas between the two countries, according to industry insiders.

Many Indian entrepreneurs are interested in investing in Bangladesh; Indian conglomerate Adani Group is scheduled to come with Modi and it is interested in infrastructure and energy, Ahmad said.

Total Indian investment registered with the Board of Investment in Bangladesh is more than $2.5 billion as of 2013, according to the Indian high commission in Dhaka.

The amount has probably crossed $3 billion by now as some investors have expanded their investment or new entrepreneurs have come up with their projects, he said.

Major Indian investors in Bangladesh are Airtel, Tata, Sun Pharma, Asian Paints, Dabur, Marico, Aditya Birla, and Godrej.

Australia's economy strengthens, but growth challenges remain

AFP, Sydney

Australia's economy was stronger-than-expected in the first quarter of the year as exports and consumer spending boosted growth, data showed Wednesday, reinforcing a decision to keep interest rates on hold after two cuts this year.

The mining-driven economy grew by 0.9 percent in the first three months of 2015, above analysts' expectations of 0.7 percent, to take the annual rate of growth to 2.3 percent, Australian Bureau of Statistics figures showed.

The quarterly growth was an increase from 0.5 percent in the October-December period last year and 0.3 percent in the July-September quarter. But year-on-year growth slowed from 2.5 percent in the last three months of 2014.

"This is a good, solid result," Treasurer Joe Hockey told reporters, adding that the expansion was "broad-based". "Exports continue to support our economy, growing by five percent, and this is the strongest quarterly result in 15 years... There is growth in areas such as tourism, education and professional services."

The Australian dollar jumped a third of a US cent to 78.06 US cents after the data was released.

The figures came a day after the Reserve Bank of Australia kept interest rates steady at a record-low 2.0 percent after cuts of 50 basis points so far this year.

"It's a good number but it's not a game changer for us or the RBA," JP Morgan economist Tom Kennedy told AFP.

"It's just more evidence that the Australian economy is now relying on net exports but growth is recovering after a very weak 2014. We think this year will be better and we think next year is going to be better again."

Australia's economy is transiting away from mining-led growth after an unprecedented boom in resources investment that has help it avoid a recession for more than two decades.

The mining boom is shifting towards the exports stage, as the figures showed. But the move towards non-resources-led growth has been shaky, with such industries yet to fill the gap left by the China-fuelled mining surge.

Exports added 1.1 percentage points to GDP growth in the first quarter after jumping by five percent. Household spending increased by 0.5 percent to contribute 0.3 percentage points to GDP.

Non-dwelling construction fell the most, dropping by 4.9 percent during the January to March period to subtract 0.4 percentage points from GDP.

REUTERS

A shop worker collects wheat from a sack outside a shop at a market in Mumbai, India on Tuesday. India's central bank cut interest rates for a third time this year on Tuesday, taking advantage of subdued inflation to give more support to an economy that many economists doubt is doing as well as latest impressive growth numbers suggest.

UK services growth stumbles

REUTERS, London

Growth in Britain's service sector suffered its steepest slowdown in nearly four years in May, according to a survey that suggested the economy might not recover as quickly as hoped after stumbling in early 2015.

Sterling fell sharply after Wednesday's Markit/CIPS services purchasing managers' index (PMI) fell back to 56.5 last month, still comfortably in growth territory but down from 59.5 in April and at its lowest level since December.

The monthly drop was the biggest since August 2011 and the reading undercut the lowest forecast in a Reuters poll of economists, though the index did show signs that rock-bottom inflation could pick up.

Along with a weak manufacturing figure and a bounce in construction, combined growth across the three sectors in May was the slowest since December and the second-weakest for two years, Markit said.

Data from mortgage lender Nationwide earlier on Wednesday showed the annual rate of house price growth fell to its lowest in nearly two years.

Economists said Britain's economy looked like it would pick up a bit of pace from unexpectedly weak expansion of 0.3 percent in the first three months of 2015, but that growth would probably be slower than in 2014.

"Overall, the PMI surveys continue to point to solid growth, strong employment and soft productivity," Dominic Bryant, an economist at BNP Paribas, said. "Continued low productivity growth combined with the pick-up seen in wages means that inflation pressures are gradually beginning to build."

Chris Williamson, Markit's chief economist, said the weakness would be a concern for the Bank of England which is considering when to raise interest rates from a record low of 0.5 percent, where they have sat since the financial crisis.

Williamson said the data pointed to growth of 0.4 percent in the three months to May, while some economists said growth for the second quarter might be slightly higher.

At the same time, the index showed input prices increased at the fastest rate in eight months and prices charged by service providers rose after their sharpest fall in over three years in April.

"Rate hikes later this year should not be ruled out," Williamson said.

He said some of the slowdown could turn out to have been caused by uncertainty about the outcome of Britain's national election held on May 7.

Japan Abe's ruling party calls for cautious approach to AIIB

REUTERS, Tokyo

Japanese Prime Minister Shinzo Abe's ruling party called for a "cautious response" to the China-led Asian Infrastructure Investment Bank (AIIB), but will leave the decision on joining to the premier, a draft report showed on Wednesday.

A panel of ruling Liberal Democratic Party was lawmakers tasked with looking into Japan's possible membership in the AIIB, ahead of a meeting of Japanese and Chinese finance officials in Beijing this weekend.

The report will be submitted to Abe on Thursday.

Japan and the United States have stayed out of the Beijing-based institution, seen as a rival to the U.S.-dominated World Bank and Japan-led Asian Development Bank, citing concerns about transparency and governance.

Tokyo looks unlikely to make a decision on joining any time.

The LDP's draft at first called on Tokyo to deal with the AIIB as "appropriate", but officials in charge said they would change the word to "carefully", reflecting opinions of an overwhelming majority of lawmakers.

"Our conclusion is that it was a right decision not to become a founding member. The government should closely monitor the situation and deal with it carefully," said Kenya Akiba, a member of the LDP's panel, which drew up the draft report.

Greece should stay in euro but deal must be 'strong': ECB

AFP, Frankfurt

EUROPEAN Central Bank president Mario Draghi said Wednesday that the ECB wanted Greece to remain in the single currency, but that a "strong agreement" was needed between Athens and its creditors.

The ECB's decision-making "governing council wants Greece to say in the euro, but it should be a strong agreement," Draghi told a news conference, saying a deal should lead to "growth and social fairness."

Draghi was speaking at a news conference after the ECB held its key interest rates unchanged at their current record low levels and said its raft of recent unconventional measures, such as a contested bond purchase programme, were gradually making themselves felt in the eurozone economy.

But Greece was the main focus of attention at the meeting, as Athens scrambles to reach a deal with its creditors ahead of a looming debt deadline on Friday.

Greek Prime Minister Alexis Tsipras was scheduled to meet EU Commission president Jean-Claude Juncker in Brussels later on Wednesday.

Draghi said he would not be present at that meeting.

"I can't give you a real-time report on how the negotiations are going, also because I'm here in Frankfurt and the negotiations are not taking place here," he said.

REUTERS

European Central Bank President Mario Draghi attends a news conference in Frankfurt, Germany yesterday.

"But also because they are actually in a state of flux. There is a general will and strong determination that in the end an agreement will be found," Draghi said.

"A strong agreement is one that produces growth, that has social fairness, but that is also fiscally sustainable and addresses the remaining sources or factors of financial instability in the financial sector," Draghi said.

Greece and its international creditors have exchanged proposals to reach a deal to unlock 7.2 billion euros ($8 billion) to help Athens make a critical repayment on Friday. But months of fractious talks have been deadlocked over creditors' insistence that Athens undertake greater reforms which Greece's anti-austerity government has refused to match.

There are fears that Greece could default, possibly setting off a chain reaction that could end with a messy exit from the eurozone.

Until a deal has been reached, the ECB said it cannot restore a key channel of liquidity to Greek banks in accepting Greek bonds as collateral for its refinancing operations.

One of the conditions for that to change would be "a credible perspective for the successful conclusion of the current review," Draghi said, adding that "we are not there yet".

US auto sales hit best pace since 2005

AFP, Chicago

US auto sales accelerated in May to their fastest pace since 2005 as easy credit and low fuel prices lured buyers into showrooms, industry data showed Tuesday.

Total industry sales rose 1.6 percent compared with May 2014 while the sales pace came in at an adjusted, annualized rate of 17.9 million vehicles, according to Autodata.

That's up sharply from a pace of 16.5 million in April and the highest rate since employee pricing incentives at the Detroit Three pushed the pace to 20.1 million in July 2005.

While the sales pace was slightly inflated by a quirk of the calendar -- there were five weekends this May along with the Memorial Day holiday -- analysts said it remains good news for automakers and the economy as a whole.

"This illustrates the underlying strength of our industry," Ford economist Yong Yang said in a conference call. "As the economic conditions continue to improve throughout 2015, we expect this strong industry performance will be solidified."

Given rising housing prices, a strong stock market, low interest rates and ongoing pent-up demand, 2015 sales could surpass the record 17.3 million new vehicles sold in 2000, said Karl Brauer, senior analyst for Kelley Blue Book. And automakers ought to be able to turn a healthy profit as consumers open their wallets for upgrades and pricier models.

"With the national average price of gasoline down nearly a dollar per gallon on average from one year ago, truck and SUV demand remains strong, elevating average transaction prices, especially for domestic automakers," Brauer said. "We also saw incentives spending remain nearly flat in May, which shows the strength of the overall new-car market."