

What's holding up an EU-US free trade deal?

REUTERS, Brussels

The European Union and the United States launched negotiations in July 2013 to create a free trade agreement, the Transatlantic Trade and Investment Partnership (TTIP), with initial hopes of a rapid conclusion.

However, there is little clear sign of progress two years on. Here are the main stumbling blocks.

The EU-US free trade agreement would be bigger than any trade deal enacted so far, encompassing a third of world trade and nearly half of global GDP. Its very size is attracting more attention, and therefore more scrutiny, than smaller trade pacts such as the recently signed EU-Singapore agreement.

The planned deal goes beyond cutting tariffs, which are already low - at an average of around 4 percent.

Reconciling regulations, such as

rules governing vehicle safety, could cut business costs. But both sides are struggling to find common ground on issues ranging from chemicals to financial services.

The United States says science shows US products from genetically modified crops to hormone-treated beef are safe, claims met with suspicion in much of Europe.

The EU, for its part, wants the United States to accept its 'geographical indications', designation of origin protection, meaning for example that only Greeks can call cheese 'feta'. The US view is that this is a form of protectionism.

This is even before the typical last-ditch discussions to determine export quotas for US meat and cereals and EU dairy products.

Before TTIP negotiations began, only trade experts had heard the term Investor-State Dispute

Settlement (ISDS), a system to protect investors from state interference and already in place in some 1,400 bilateral trade treaties EU countries have signed.

TTIP critics complain that it undermines countries' ability to legislate in areas such as public health and the environment as affected multinationals can challenge them in tribunals.

The European Commission's public consultation on ISDS drew an unprecedented 150,000 mostly negative responses.

A key interest of the European Union is for the US government to open up to European companies, which are particularly eyeing public transport agencies and contracts in fields from energy efficiency to security.

However, the 1933 Buy American Act and a series of other laws stipulates that the US federal government and related agencies should purchase American-made

products wherever possible and stipulate domestic content for transport projects.

Services have proven even trickier than goods.

The Europeans want financial services to be incorporated into TTIP, while the United States has said that discussions on that sector should only proceed "in parallel" and not be incorporated into any agreement.

The EU has already ruled out audiovisual services as a topic for discussion, while the US Jones Act appears to limit traffic between US ports to US ships.

A US law from 1938 currently prevents exports of natural gas if this threatens national security. In theory, a free trade deal would open the door to more US energy exports, but the EU is seeking a specific 'chapter' on energy spelling this out, while the US appears to want less explicit language.



Alihussain Akberali, chairman of BSRM Steels, attends the 13th annual general meeting of the company at the Institution of Engineers' Chittagong in the port city on Monday. BSRM declared 15 percent cash dividends for 2014.



Md Yeasin Ali, chairman of Bangladesh Development Bank, attends the fifth annual general meeting of the bank held at its head office in Motijheel, Dhaka on Monday. Md Zillur Rahman, managing director, was also present.



Tanjela Khanam, executive engineer of National Housing Authority, opens the 29th branch of NRB Commercial Bank on Rokeya Sarani in Mirpur, Dhaka yesterday. Dewan Mujibur Rahman, managing director of the bank, was also present.



Analysts take part in a seminar on automated payment platform, organised by HSBC, in Chittagong on Monday.

HSBC holds seminar on automated payment platform

STAR BUSINESS DESK

The e-banking platforms of HSBC enable customers make seamless payments between countries and currencies, providing businesses greater control over cash and collection, the bank's chief executive said.

Francois de Maricourt spoke at a seminar on the country's present and future outlook of automated payment platform, in the port city. Maricourt believes the seminar will further enhance knowledge on automated payment platforms in Bangladesh. The programme highlighted HSBC's expertise in global payments and cash management.

Subhankar Saha, executive director of Bangladesh Bank's Dhaka head office; Mijanur Rahman Joddar, executive director of the central bank's Chittagong office; and Jishan Shamsad, country head for global payments and cash management at HSBC Bangladesh, also spoke at the event.

Slash interest on savings instruments further

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"The recent rationalisation of the interest rate structure for the national savings schemes will help. But if inflation and interest rates come down further, the deposit rates on savings instruments must come down as well," said Mansur.

The government should borrow funds from international sources, rather than from domestic sources, he said. "Private investors might not get adequate loans from the banks if the government goes for higher bank borrowing."

"The government should certainly make an effort to mobilise external financing by accelerating the utilisation of foreign aid or issuing sovereign bonds in the international market."

The former economist of International Monetary Fund made the comments at a discussion on the proposed budget for next fiscal year, co-organised by the Metropolitan Chamber of Commerce and Industry (MCCI) and PRI in Dhaka.

The proposed government borrowing target for the next fiscal year would create tensions in the money market, said Mansur.

"Our estimates indicate that the private sector credit expansion of 14 percent would not be sufficient for 2015-16 and the government must find additional external financing in order to create space for the private sector and avoid crowding out of private credit."

He urged the government not to bring educational institutions and hospital services under the tax system, as they squarely serve the people.

Mansur also took a swipe at the reduc-

tion of allocation for the education sector in the first budget of the Seventh Five-Year Plan.

The prevailing political calm as well as the planned establishment of special economic zones might help increase private and foreign investment commitments, he said.

At the discussion, AB Mirza Azizul Islam, a former adviser to caretaker government, said attaining the 7 percent economic growth target would be difficult as the inflow of investment is still slow.

To achieve the planned growth rate, the investment-GDP ratio should be raised to 32.7 percent, but it is now hovering around 28 percent, he said.

The government needs to increase the investment-GDP ratio by 4 percentage points to attain the growth target, he said. "But it is difficult in Bangladesh to increase the investment-GDP ratio," Islam said.

Islam is however positive about the proposed budget. "We should encourage the private sector for more investment. We should give them a business friendly environment."

MA Mannan, state minister for finance and planning, said the objective of the budget is to reduce poverty on a large scale. "We want fairness in the allocation of money."

This year, critics are not worried about the size of the budget, rather they are questioning the government's capacity to implement it, he said.

Anis A Khan, vice-president of the MCCI, moderated the discussion.

Debit card market has huge scope to grow

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"It requires long alignment from the central bank, policymakers, banks as well as customer education. We are the facilitator," he said.

Access, enablement and digital commerce are the three pillars to familiarise the use of debit cards.

As it depends on people's income, Bangladesh will be a debit card-dominated market, the official said.

"It's like a rail line. One line is to issue cards and the other line is to increase the acceptance of cards among people," he said, adding that people can use debit cards for various other purposes such as paying taxes, utility bills and other charges.

VISA has the capacity of doing 56,000 transactions per second, he said.

Muhith backtracks on commodity import tax

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In his budget speech, Muhith proposed to increase the import duty on raw sugar from Tk 2,000 to Tk 4,000 and on refined sugar to Tk 8,000 from Tk 4,500 per tonne.

Later, Muhith backtracked on the decision as the country heavily relies on imports due to scanty local production.

"We considered various proposals but did not change it, so the previous rate will remain unchanged," the finance minister said in parliament referring to sugar.

Outlay for pension schemes on the rise

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For example, the number of beneficiaries for old age allowances rose to 30 lakh from 27.23 lakh, and for insolvent disabled persons' allowances to six lakh from four lakh. "The old age allowance at Tk 300 per person per month is not enough. It should be raised to Tk 1,000," said Monzur Hossain, senior research fellow at Bangladesh Institute of Development Studies.

Currently, older people account for 7 percent of the country's total population.

Hossain said the allowances for women should also be increased, especially for the women who head households. He said 15 percent of the total households in the country are women-led.



Md Abubakar Siddique, chairman of MJL Bangladesh, presides over the company's 17th annual general meeting at Krishibid Institution Complex in Farmgate, Dhaka yesterday. MJL declared 15 percent cash and 15 percent stock dividends for 2014. Azam J Chowdhury, managing director, was also present.

Honda recalls 1.39m cars with passenger-side Takata air bags

REUTERS, Detroit

Honda Motor Co Ltd on Monday said it will recall 1.39 million Accord and Civic model sedans with potentially faulty front passenger-side air bags made by Japan's Takata Corp.

This will bring to about 2.3 million the number of Accord and Civic sedans with Takata's front passenger-side air bags that have been recalled, the automaker said.

Models affected by the Monday announcement include 2001 to 2005 Civic sedans and 2003 to 2007 Accord sedans sold in the United States.

The Accord and Civic model sedans in this latest recall have already been recalled previously for front driver-side air bags, a Honda spokesman said.

The total number of Honda vehicles recalled, however, did not increase from about 6.3 million as a result of Monday's announcement.

NBR takes new step to curb foreign firms' illegal fund transfer

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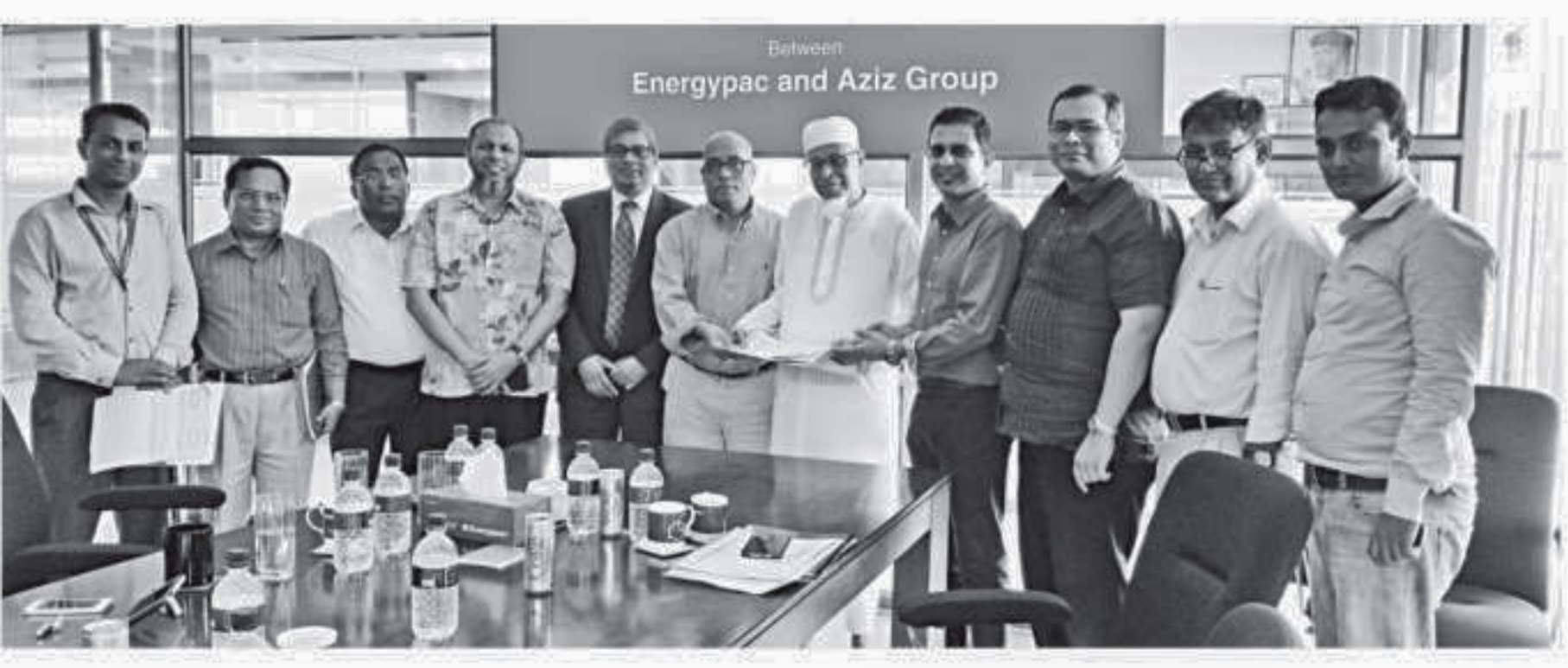
The statements have to be certified by chartered accountants.

The companies will have to furnish data of their transactions based on fair market or arms length prices.

An NBR official said the submission of statements of international transactions by foreign firms will give them an idea of the number and extent of transactions.

"Based on the statements, we want to carry out audits through which we will detect if there was tax evasion or not."

The official expects the companies to voluntarily comply with the TP rules, which will help the state get more revenue.



Azizul Haque Chowdhury, chairman of Aziz Group; Rabiul Alam, chief executive of Energyppac Engineering; and Rezwanul Kabeer, director of Energyppac Power Generation, attend the signing of a power solution agreement for the tallest skyscraper in Chittagong, at Energy Centre recently. All earnings from six floors of Aziz Group will be donated to humanitarian causes.

Gap to close 175 stores, cut jobs at headquarters

REUTERS

Apparel retailer Gap Inc said it would close a quarter of Gap specialty stores in North America over the next few years, including 140 this year, potentially affecting thousands of jobs as the company struggles with a slump in sales at its namesake brand.

San Francisco-based Gap also said it would cut 250 jobs at its headquarters.

The company did not say how many employees would be laid off as a result of the store closures. As of Jan. 31, Gap had about 141,000 full- and part-time employees in about 3,700 company-owned and franchise stores worldwide.

A series of fashion misses has resulted in shoppers turning away from Gap to fast fashion rivals such as H&M, Inditex's Zara, and Forever 21.



Hasan Mahmood Raja, chairman of United Group, presides over the 30th annual general meeting of United Hospital at the hospital's seminar hall in Dhaka on Sunday. Faridur Rahman Khan, managing director, was also present.