

Raghuram Rajan urges clean-up of bad debts in India



Reserve Bank of India Governor Raghuram Rajan delivers a lecture at Tata Institute of Fundamental Research in Mumbai on June 20.

REUTERS, Bengaluru, India

Bad debt held by India's banks must be cleaned up if the country is to achieve stronger economic growth, Reserve Bank of India Governor Raghuram Rajan said on Wednesday, in his second major speech since announcing he will step down in September.

In a speech, he defended actions taken by the RBI, including ordering state-run banks to conduct compre-

hensive asset quality reviews by March 2017, well after Rajan plans to step down to return to academia. "The cleaning up of bank balance sheets, and the restoration of credit growth are vital, related elements in the growth agenda," he said. "I know the process is working, so public sector banks will soon be set to finance the enormous needs of this economy once again."

Urging state-run banks and companies to continue dealing with the prob-

lem responsibly, he also repeated a call for the government to provide fresh capital for the banking sector.

Rajan's surprise decision to bow out in September, announced in a letter to staff on Saturday, has raised questions about the planned clean-up of \$120 billion in soured loans held by Indian banks, a key initiative of his three-year term as governor.

The asset quality review forced banks to recognise \$35 billion in new bad loans between September and March, hitting profits and denting credit growth, and Rajan said it was important the process continue.

"To the question of what comes first, clean up or growth, I think the answer is unambiguously 'Clean up!,' Rajan said in the speech to industrialists in the southern city of Bengaluru.

He rejected an idea proposed by a research body of the Finance Ministry to recapitalise state-run banks by using RBI's own cash surplus, saying that would get regulators "into the business of owning banks, with attendant conflicts of interest."

The speech comes after Rajan on Monday hit back at critics and defended his record in fighting inflation and driving policy reform at a public appearance in Mumbai.

4G licence will not force Telecom Egypt to sell Vodafone stake

REUTERS

Telecom Egypt will not be required to sell its stake in Vodafone Egypt following the introduction of fourth-generation mobile phone services, two telecommunications sector sources told Reuters on Thursday.

The landline monopoly owns a 45 percent stake in Vodafone Egypt but hopes to offer mobile phone services itself following the introduction of high-speed 4G mobile technology in Egypt.

The government announced in 2014 a plan to introduce 4G and at the time said Telecom Egypt would be allowed to offer mobile services if it paid 2.5 billion Egyptian pounds (\$282 million) and sold its Vodafone stake within a year of offering the services.

"The telecommunications regulator is not forcing Telecom Egypt in official correspondence over its application to offer 4G services to get rid of its Vodafone stake," one of the sources told Reuters.

Telecom Egypt said earlier this week it was studying the terms in detail ahead of applying for the 4G licence.

"Telecom Egypt will not keep its stake in Vodafone long term after it offers mobile phone services but will sell when it gets an offer for a good price," a second source told Reuters.

Egypt is selling the 4G licences as part of a long-awaited plan to reform the country's telecoms sector and the regulator has confirmed it has approached the three companies that currently offer mobile services -

Orange Egypt, Vodafone Egypt, and Etisalat - about buying them.

The reforms will allow Telecom Egypt to enter the mobile phone market directly, while allowing mobile operators to offer fixed line services, ending its domination of the sector.

"Telecom Egypt will be obliged to pay 7.08 billion Egyptian pounds, half of which it has to pay in dollars, to get the 4G licence in addition to second and third generation services which it will offer through agreements with other companies," a third source told Reuters.

All four companies have to submit applications for the licence by the first week of August. The mobile operators will also be able to apply for landline and international gateway licences.



Muhammed Zahirul Alam, deputy managing director of Bank Asia, and Ajoy Kumar Bose, a director of Infoladies, a sister concern of DNet, exchange documents of a deal at the head office of the bank in Dhaka on Wednesday to provide bicycle loan facility to the Infoladies to promote women entrepreneurship. Md Mehmood Husain, president and managing director of Bank Asia, was also present.

Tesco supermarket posts rising sales

AFP, London

Britain's biggest retailer, supermarket group Tesco, announced Thursday a rise in first quarter sales alongside news it was further trimming operations.

Tesco, which earlier this month said it was exiting Turkey to focus internationally on Central Europe and Southeast Asia, said it was now offloading also British coffee chain Harris + Hoole to Caffe Nero.

It comes as Tesco added in a statement that group sales increased 1.1 percent in the three months to the end of May compared with the first quarter of its 2015/16 financial year.

Tesco chief executive Dave Lewis said the company had delivered sales growth "in what remains a challenging market with sustained deflation".

The group, which is steadily turning around performance after recent turbulent trading, is in the process of selling also Dobbies Garden Centres and restaurant chain Giraffe.

Paris braces for labour protest amid fears of violence

AFP, Paris

Paris was on high alert for more street clashes Thursday as unions prepared another march against labour market reforms in a three-month protest campaign which has been marred by violence.

The march is to take place after the another round of bitter negotiations in which the embattled Socialist government tried to ban the protest over security fears, before backing down and agreeing on a short, tightly-contained route.

The threat of a ban -- which would have been the first in 54 years -- only deepened the rancour between the government and unions who accuse President Francois Hollande and Prime Minister Manuel Valls of undemocratic behaviour.

Unions are protesting a series of deeply-unpopular labour market reforms which Valls had to force through parliament in May to avoid a vote, even after significantly watering down the bill.

However after more than three months of protests over the legislation, neither side is willing to budge, and hardline unions have vowed to keep up protests and strikes until their demands to further revise the bill are met.

Valls warned that fresh violence would not be tolerated after the last protest on June 14 saw bloody clashes.

Protesters smashed up storefronts and attacked a children's hospital, shattering some of its windows while others hurled projectiles at police, who made dozens of arrests.

Two police officers were hospitalised, while another 26 were injured.

"The French people do not tolerate and will not tolerate any excesses or those who do not condemn them," Valls said.

The protests have weighed heavy on an already-overstretched police force dealing with months of terror fears and securing the Euro 2016 football tournament, which has been marred by hooligan violence.

Thursday's march will be the 10th in a wave of protests against the government's disputed labour reforms that kicked off in March, with many descending into violence, notably in Paris and the western cities of Nantes and Rennes.

The compromise route will see marchers will head from Place de la Bastille to the Seine, looping around the Arsenal Basin before returning to the square where the royal prison was famously stormed in 1789 at the start of the French Revolution.

Protesters will be screened and searched "to prevent them from bringing in projectiles or items for disguising themselves," said Paris police chief Michel Cadot.



Mohammed Nurul Amin, chairman of Bangladesh Foreign Exchange Dealers' Association and managing director of Meghna Bank, speaks at a training programme on online reporting of foreign exchange transactions to Bangladesh Bank. The association organised the event.

BAFEDA

Japan's pension fund sues Toshiba over accounting scandal

AFP, Tokyo

Japan's national pension fund, the world's biggest, said Thursday it is suing Toshiba over a profit-padding scandal that slashed the value of its stock, as its new boss pledged to overhaul the vast conglomerate.

The Government Pension Investment Fund (GPIF) wants more than \$9 million in damages to cover losses linked to some of its investment in Toshiba, and that figure may grow, it said.

"For now, the demand only covers (certain) Toshiba shares" purchased by

the Fund, a spokesman told AFP.

"It will take more time to calculate all the damage from the scandal."

"We have a responsibility to recover losses (linked to the misconduct) as the fund manages public money," he added.

Best known for televisions and electronics, Toshiba's vast business was dented by the 2008 global financial crisis, while the 2011 Fukushima disaster squashed demand for atomic power at home in a big blow to the firm's key nuclear division.

Top executives complained of

"shameful results" that could not be made public, and a company-hired panel in 2015 found they masterminded a years-long scheme to hide poor results.

Its shares lost some 40 percent of their value in the wake of the scandal, which sparked the resignation of its president and a string of other top executives last year.

Toshiba's new president Satoshi Tsunakawa declined to comment on the lawsuit Thursday, saying he was focused on a major reboot of the firm and "winning back investors' trust".

China banks write off \$300b in bad loans

AFP, Beijing

Chinese banks have written off more than \$300 billion of bad loans in the past three years, an official said Thursday as Beijing seeks to reassure investors that the country can cope with its mounting debt problem.

The giant figure comes as Beijing has made getting credit cheap and easy in an effort to boost slowing growth in the world's second-largest economy.

But analysts have warned that a debt-fuelled rebound might be short-lived and ballooning borrowings risk sparking a financial crisis as bad loans and bond defaults increased.

Wang Shengbang, a high-ranking official with the China Banking Regulatory Commission (CBRC), said the country's banks had seen their non-performing loan ratios rise consistently for four and a half years, reaching 1.75 percent at the end of March.

But they were well-prepared to handle the losses, he said, adding domestic lenders had written off two trillion yuan (\$304 billion) of bad loans over the past three years.

"Current figures show the banking sector's operation is generally stable and the risks are under control," he told reporters at a briefing.

"The CBRC took precaution measures in advance and in 2011... required banks to set aside more in provisions while the economy was in an upturn cycle so that we were able to accommodate huge writedowns when the economy was in a downturn cycle," he said.

China's total debt hit 168.48 trillion yuan at the end of last year, equivalent to 249 percent of the national GDP, top government think tank the China Academy of Social Sciences (CASS) has estimated.

Enlarged Panama Canal expected to boost US-Asia trade

AFP, Panama City

With its capacity boosted by nearly three times, Panama's enlarged canal -- set to be inaugurated on Sunday -- is expected to stimulate trade between the United States and Asia, and steal business from the rival Suez canal.

"A good deal of the commerce between Asia and the east coast of the United States can pass through directly on Neopanamax ships, which will help both sides," Nicolas Ardito Barletta, a former Panamanian president and former vice president of the World Bank in Latin America, told AFP.

Neopanamax ships, as their names suggest, are new generation cargo vessels built specifically to pass through the broadened Panama Canal. They can carry up to three times the number of containers the previous generation of smaller Panamax ships do.

Panama has spent the past nine years -- and more than \$5.5 billion -- expanding its century-old canal to take on bigger freighters.

New locks and a wider shipping lane will allow vessels as wide as 49 meters (160 feet) and as long as 366 meters (1,200 feet) to pass through.

The aim is to greatly increase the amount of cargo transiting the 80-kilometer (50-mile) long waterway linking the Pacific and Atlantic oceans.

"We are at the dawn of a great time for Panama and the world, thanks to the impact the canal's expansion will have," Panama's Vice President Isabel De Saint Malo boasted

to AFP.

Five percent of commercial maritime traffic already passes through the canal, particularly between ports in America, China, Japan and South Korea. To a lesser degree, it also serves South America and Europe.

On Sunday, a Chinese Neopanamax freighter, named the COSCO Shipping Panama for the occasion, will be the first to officially go through the broadened canal.

Asian exporters, shipping groups and US logistical and trade companies should be the first to benefit from the modified canal, says Carlos Guevara-Mann, a Panamanian political science professor at Florida State University.

American consumers will also see advantages, ending up paying "less for imported items from China and neighboring countries", he predicted.

In general, the costs of doing trade worldwide should decrease, as should polluting emissions, because a fewer number of bigger ships would be hauling goods, specialists say.

"The Panama Canal's expansion will greatly boost world trade," Ardito Barletta said. "Bigger ships will be able to transit and that will bring down the transaction and logistic costs."

The United States is the canal's largest client by far, transporting some 160 million tonnes a year through the waterway.

China is next, with 48 million tonnes, then Chile with 29 million tonnes and



Men work during a test of the Coccolli Locks in Panama City on June 20. The canal's expansion project will be inaugurated on Sunday.

Japan with 22 million tonnes.

With room for bigger ships now, the main market the canal is looking to attract is transporting liquefied natural gas from the United States to Asia, mostly Japan.

"The gas transport ships are big and now can get directly to their destination by going through the canal," Ardito Barletta said.

More than 150 ships have already reserved their places in the line to pass through, the Panama Canal Authority's administrator Jorge Quijano says.

"Obviously, the first to step up were the

Asians," he told AFP. "We have companies from Japan, Taiwan, China and South Korea."

Forecasts say 600 million tonnes of goods a year will pass across Panama this way, twice the current volume, within the next decade.

Panama expects it will triple the \$1 billion in revenues it gets from shipping fees.

It also wants to bring back clients that dropped the canal for its rival, Egypt's Suez Canal, which had been the only passage able to handle the bigger ships up to now.