

Trump victory shocks global firms reliant on open trade

REUTERS, Hong Kong/Shanghai

Donald Trump's victory in the US election sent shockwaves through industries that rely on open trade, from airlines to cars and IT outsourcing, even though many executives remain unsure what his protectionist rhetoric will mean in practice.

Throughout his presidential campaign, Trump has vowed to revive the US economy by slashing taxes, preventing companies from making products overseas, renegotiating trade accords and imposing tariffs on imports from countries like China. "People are in shock. It seems commentators misread the mood of the country," said veteran US aerospace consultant Jerrold Lundquist, managing director of The Lundquist Group.

In Asia, shares in airlines with significant exposure to global trade, such as cargo giant Korean Airlines, fell as much as 5 percent as Trump closed in on the White House. Air China's Hong Kong-listed shares tumbled to their lowest level since June, and automakers like Toyota, for whom the United States is a top market, fell 6.5 percent.

"This is part of a much broader problem that we've seen in the

world, in which countries are turning inwards and reacting against globalisation and open borders," said aerospace analyst Richard Aboulafia, vice president of Virginia-based Teal Group.

Investors at a major Airline Economics finance gathering in Hong Kong last week expressed alarm at a surge in unconventional politics from Britain to Washington and the Philippines -- a trend that many expect will leave its mark regardless of how it translates into real policies. That comes as an industry that depends entirely on the flow of goods and people faces doubts over its own economic cycle.

"We have seen a large section of the population that has not benefited in the past decade and we are seeing support for populist politicians with simple answers," Brian Pearce, chief economist of the International Air Transport Association told Reuters ahead of the election.

"Unfortunately, a lot of those answers are for protectionist policy solutions and air transport flourishes with open borders, so that is quite a dangerous development."

International trips make up 64 percent of global air traffic, according to IATA. Executives at US auto

companies said they were concerned about Trump's stance on free trade, especially his tough talk on the North American Free Trade Agreement. They all have production sites in Mexico.

But industry executives and analysts said aviation had a history of riding out economic and political shocks. On average, plane makers insist, air traffic doubles every 15 years. "If there are brakes on trade, there could be some impact on international travel. But you have seen more or less 5 percent annual growth in traffic for decades," Lundquist said.

And the defence industry could benefit, as a Trump administration spends more on the military and encourages even allies to shoulder more of the security cost. Defence stocks, including listed land mine manufacturer Ishikawa Seisaku, jumped.

After a bitter election campaign, trade experts said it remained unclear how Trump's statements in favour of protectionist trade measures and tough immigration controls would translate into policy.

"The honest answer is that no one knows; even Trump himself doesn't know," said Bertrand Grabowski, a managing director at Germany's

DVB Bank which specialises in financing trade.

"He campaigned not on ideas but on anger and frustration."

Tighter rules could impact Indian IT services firms supporting companies in the United States. Shares in companies like Infosys and Tata Consultancy Services were sharply down as Trump closed in on the White House. But Narayana Murthy, co-founder of Infosys and a key figure in India's outsourcing industry, said realism would prevail.

"They may fine tune it here and there, but let's remember that he is the president of 300 million US people and I'm sure he'll do what is in the best interest of America. And what is in the best interest of America is for its corporations to succeed, for its corporations to create more jobs," he said.

For now, acquisitions at least will cool off, especially Chinese purchases of US companies, as a Trump presidency pushes up regulatory scrutiny.

"If he now requires a certain percentage of manufacturing parts to be made in America, it's going to be protectionist... and that increases the risk and cost of doing business," said Stephanie Yuen, an M&A lawyer in Singapore.



One Bank's Executive Committee Chairman Zahur Ullah and Director Kazi Rukunuddin Ahmed hand over a cheque for Tk 75 lakh to Prime Minister Sheikh Hasina as a donation to the Prime Minister's Relief Fund recently.

EU edges up eurozone growth outlook for 2016

AFP, Brussels

The European Union on Wednesday raised its eurozone growth forecast for this year but trimmed it for next year, warning that the economy faced new challenges due to Brexit and increased volatility.

Pointing to increased global risks for the 19-country single currency area as shown by the shock victory of Donald Trump in the United States, the EU said economic growth this year would reach a

modest 1.7 percent.

The Commission also said that eurozone growth would slow to 1.5 percent growth next year, as the negative effects of Britain's looming divorce from the EU began to be felt more deeply.

"In these volatile and uncertain times, no effort must be spared to safeguard and strengthen this recovery -- and ensure that all sections of society feel its benefits," said EU Economics Affairs Commissioner Pierre Moscovici.



HIGH COMMISSION OF INDIA

business delegation from Confederation of Indian Industries is visiting Dhaka from November 8-10 to explore opportunities for trade and investment in Bangladesh. The 16-member delegation comprises companies from diverse sectors including power, mining, steel and healthcare. The delegation is also meeting with business leaders and senior government officials to discuss the ways to increase bilateral trade and investment.

Masud Khan, chief financial officer of Lafarge Surma Cement, hands over a prize among the winners of a business case competition 'Pioneros-2016' at the auditorium of Bangladesh University of Engineering and Technology (Buet) in Dhaka on Tuesday. Buet Entrepreneurship Development Club organised the competition, which was powered by Lafarge Surma Cement.



LAFARGE SURMA CEMENT

India's currency move leaves visiting Bangladeshis in trouble

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Following Modi's announcement later in the day, Hasan found himself in trouble: he cannot even change his large denomination notes for new bills of 500 and 2,000 rupees that will be issued today.

The Indian government has announced that Indian citizens can get their Rs 500 and Rs 1,000 notes changed from banks and post offices between November 11 and December 30 by showing their Indian national ID cards.

In short, foreign tourists have no way to change their currencies into smaller denominations. Kunal Sarker, a cardiologist at Medica Hospital in Kolkata, acknowledged that Bangladeshi patients have been facing problems due to the ban on large bank notes.

Though hospitals and petrol stations were supposed to accept the large bills until November 11, Reuters reported that they have stopped doing so.

Mamun Miah from Chittagong, who is accompanying his ailing mother for treatment in Bengaluru, told The Daily Star by phone on Tuesday night that even the hospitals are not accepting Rs 500 and Rs 1,000 notes.

Madhab Saha, a money changer at Petrapole border, said the Indian government's decision has come as a bolt from the blue to Bangladeshi tourists.

As Bangladeshi tourists prefer to bring in Bangladesh taka over US dollar, they end up with large denominations of the Indian currency for convenience.

Currency exchange has remained on pause since Tuesday night after Rs 500 and

Rs 1,000 notes were scrapped.

"The money changers have no alternative but to give out bigger Indian notes. With them being invalid now, it is not possible to do any currency conversions," he added.

When contacted, Bangladesh Deputy High Commissioner Zaki Ahmad said it is a decision of the Indian government, so there is nothing the foreign mission can do.

To be effective, the move had to be unexpected, but it was also fraught with problems for an economy largely fuelled by cash, especially for India's poorest citizens, many of whom work in the large rural economy, Reuters said.

Deepak Chhatoi, a salesman at a car varnishing store in Mumbai, told Reuters he had to turn away customers wanting to pay with larger bills, and could not buy the popular potato sandwich known as vada pav.

"I couldn't even have breakfast this morning because there seems to be a shortage of change in the market. The vada pav seller declined to sell to me because he did not have change," he added.

Delhi taxi driver Anu Choudhury told Reuters that his boss called to say he should not accept 500 or 1,000 rupee notes from customers. "This is not a good step for business."

The prime minister did not think about people like us." Meanwhile, bank ATMs were closed yesterday as banks prepared for the flood of people seeking to change larger banknotes for smaller ones from today.

Swapna Mandal, a labourer, wanted to withdraw Rs 3,000 from a cash machine and send it to his family in Kolkata, but was

unable to do so.

"I have only 500 rupees notes at home. I don't know if I will be able to send the money," he told Reuters.

A sub-inspector in New Delhi said the police commissioner had issued orders to watch for disturbances, especially at key retail outlets like petrol pumps.

"This is a sensitive time. We have to be alert," he told Reuters.

The sizeable population of non-resident Indians too is in a precarious position as a result of the move.

In Hong Kong's Chungking Mansions, home to more than a dozen money changers and a key hub for Indian businesses and traders, the Indian rupee found no takers, with several currency dealers displaying "0.00" on their counters.

Yesterday morning, more than the usual number of Indian customers turned up frantically looking to exchange their Indian bank notes, according to local money changers. Gurpreet Kaur, a Hong Kong resident of Indian origin who was trying to convert about Rs 50,000 (\$748), was disappointed after seven money changers refused to accept the 500 rupee bank notes she presented. "This is really frustrating and we had no time to act," she said, as she walked out of the dimly-lit building.

One forex trader at Hong Kong-based money-changing chain Singapore Exchange Co said his firm was left with Rs 10 million (\$150,000) in cash.

"We don't know what to do. We are frantically trying to find buyers and sell at any cost. But there are no takers yet," said

one of the clerks, who gave his name only as Yunus.

The clerk said he had been inundated with phone calls from the first hour yesterday from nervous customers left holding stashes of Indian bank notes.

It was a similar story in Singapore, another Asian financial centre with a sizeable Indian community, with people holding rupees and unable to exchange them into other currencies.

The two financial centres are home to around 400,000 residents of Indian origin, mostly engaged in diamond and textiles trading or working in the financial and construction industries.

Mihir Sharma, a Bloomberg View columnist, said while a shortage of currency might well make it harder to hide from the taxman, it will also make things much tougher for small businesses and for the poor.

"India's a far-flung economy that lives in many centuries at once, and ATM cards or mobile payments may not have percolated far enough. There will probably be a price to be paid in efficiency -- and the poor will pay a disproportionate share of that price."

Modi's ruling Bharatiya Janata Party came into power in 2014 promising to bring black market money into the regular financial system, but critics said it had failed, with government data showing the cash economy outpacing the formal economy.

A report by Washington-based think-tank Global Financial Integrity estimated that India lost \$344 billion in illicit fund outflows between 2002 and 2011.

British growth to nearly halve in 2017 due to Brexit: EU

AFP, Brussels

The European Union on Wednesday nearly halved its economic growth outlook for Britain in 2017 due to the impact of the Brexit vote to leave the bloc.

"Growth is projected to almost halve in 2017, to 1.0 percent, (from 1.9 percent in 2016) reflecting the impact of heightened uncertainty following the referendum and its impact on business confidence and broader economic conditions," the EU said in its autumn economic forecasts.

British economic growth is however expected to edge up slightly in 2018 to 1.2 percent because of a rise in exports even as domestic demand remains low, the EU said.

"Uncertainty is likely to remain high as negotiations on the future relationship between the UK and EU continue, impeding the extent of the rise in growth in 2018," it said.

Britain voted to leave the EU in a referendum on June 23.

Prime Minister Theresa May has said she will formally trigger the two-year divorce process by the end of March 2017 but Brussels and London face gruelling negotiations on a future trade deal.

Edotco gets permission to buy back Robi shares

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According to the Tower Company Guideline, the base price for auction for a new network tower company will be Tk 3 crore and the annual licence fee Tk 50 lakh.

There will be no revenue sharing in the opening year, and then it will be 5.5 percent for the subsequent years, according to the guideline. In Bangladesh, edotco became the first company to have introduced environment-friendly towers and wind-turbine towers.



Md Faruque Hossain, director general, central procurement technical unit of Implementation Monitoring and Evaluation Division under the planning ministry, and AZM Saleh, deputy managing director of NCC Bank, exchange documents after signing a deal in Dhaka on Monday. NCC Bank will provide electronic-government procurement (e-GP) services to its clients.

NCC BANK

Trump's win a victory against globalisation, experts say

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Trump's victory comes at a critical moment for that trade deal between 12 Asia-Pacific countries, which has been signed but has yet to be ratified by lawmakers in the US.

It also pulls the rug from under the negotiations on the Transatlantic Trade and Investment Partnership (TTIP) between the EU and US.

"TPP and TTIP are dead," said Paul Ashworth, chief US economist at Capital Economics.

Trump has also pledged to renegotiate NAFTA, the free trade deal between the United States, Canada and Mexico.

Berenberg Bank economist Holger

Schmieding said "the election victory of Trump could exacerbate what, so far, has been a rather restrained trend towards more protectionism in the Western world. The result will be slower potential growth."

The anti-free trade wave could next crash on France and Germany, where voters go to the polls next year.

Paris sent to Berlin on Tuesday a series of proposals to make trade deals more democratic and transparent.

"There will be no European future if there is not extremely robust democracy," said France's junior trade minister Matthias Fekl.

"Europe is threatened today by very dangerous internal temptations and

tendencies," he said in a reference to far-right movements in several countries that have tapped into anger over the deep scars left on many European economies as industries shut and move elsewhere.

Markets will be keenly waiting for indications of whether Trump intends to follow through on his pledges.

"On trade, we expect Trump to start by labelling China a currency manipulator and to bring a number of perceived disputes to the World Trade Organisation, said Ashworth at Capital Economics.

"He will also insist on renegotiating NAFTA, but it is hard to know what he hopes to achieve."