

# Japan hopes to leave farms out of US economic talks: sources

REUTERS, Tokyo  
Japan will push to leave agriculture out of its first economic talks with the Trump administration next month, sources say, hoping to prevent thorny topics such as its heavily protected farm industry from blocking other negotiations.

Tokyo will propose an agenda for its dialogue with the US in coming days, which will include a wide range of issues such as how Japan can provide technical assistance for US railway projects and increase imports of US shale gas to Japan, according to government sources with knowledge of the matter.

Policymakers aim to focus the debate on ways to assist US efforts in boosting infrastructure investment, an area where an agreement may be more easily reached than other more contentious issues like trade, the sources say.

"We'll go with areas where a deal may be easier, such as infrastructure projects," a government official said on condition of anonymity as he was not authorized to speak to the media. "Other issues may take more time."

Many Japanese policymakers say the Bank of Japan and the Federal Reserve won't directly participate in the dialogue, to avoid any impression that governments are seeking to guide independent central bank monetary policy.

US President Donald Trump and

Japanese Prime Minister Shinzo Abe agreed last month to launch a bilateral economic dialogue to discuss issues such as macroeconomic policies, trade and infrastructure investment.

"What's important is to create a win-win situation for both sides. This is not something where one side wins and the other loses," Shunsuke Takei, parliament vice minister at Japan's foreign ministry, told Reuters in an interview, but did not comment on specific areas of negotiations.

Taro Aso, Japan's finance minister and deputy prime minister, and Vice President Mike Pence, who is expected to visit Japan next month, will lead the bilateral talks.

A spokeswoman at the US embassy in Tokyo said the embassy was not in a position to comment.

Japan, concerned about Trump's strident comments on trade and currencies, hopes to use the talks to avoid trade friction and ensure Washington is engaged in Asia-Pacific.

The agriculture ministry will not join the first round of talks, the sources said, a sign Tokyo wants to avoid facing pressure from Washington to open up Japan's agriculture sector.

While Japan's finance, foreign affairs and trade ministries will be mainly guiding the dialogue, the transport ministry will also take part to help draft plans on infrastructure

investment co-operation, the sources said.

Trump has complained about the US trade deficit with Japan and accused Tokyo of using its "money supply" to weaken the yen and give exporters an unfair advantage.

While he avoided harsh rhetoric during a summit with Abe last month, there is uncertainty on what demands Washington may make at the bilateral economic dialogue.

Trump administration trade adviser Peter Navarro on Monday called out Japan for its non-tariff trade barriers and said negotiations to use US leverage as the world's largest market were needed to boost US exports.

Another potentially contentious topic is the BOJ's ultra-loose monetary policy that keeps the long-term interest rate pegged at zero percent, widening the interest-rate gap with rising US rates, which in turn weakens the yen.

Some market participants say Trump's comments on money supply could be directed at the BOJ and may discourage the central bank from expanding stimulus further.

While the BOJ may have informal discussions with the government on Japan's approach to the subject, it is unlikely to directly take part in the bilateral dialogue, the sources say.

"Central banks traditionally prefer not to join government dialogues like these, unless there's strong pressure to

## Alibaba seeks \$5b loan amid tech financing rush

REUTERS

Chinese e-commerce giant Alibaba Group Holding Ltd is in talks with banks to raise \$5 billion in new funding, sources told Thomson Reuters' Basis Point, amid a flurry of fund-raising by China's tech giants.

Alibaba is looking to raise the funds offshore via a bullet loan with a five-year maturity, with the aim of using the proceeds for general corporate purposes including refinancing, the sources said.

The plan comes as key rival Tencent Holdings looks to raise up to \$2 billion in new debt funding, with competition heating up amongst the country's Internet firms domestically and overseas.

Alibaba, best known for its e-commerce platforms Tmall and Taobao, has been expanding into cloud computing, big data and logistics.

An Alibaba spokeswoman declined to comment.



Woori Bank Bangladesh has recently launched a new product—Global Wabee Bank—that can provide the bank's customers with financial services through internet banking and mobile banking.

## Go for less costly alternatives to savings tools: IMF

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The government currently offers 11.28 percent interest on five-year tenure savings instruments to finance part of the annual budget. The rate is 5 to 6 percentage points higher than those offered by commercial banks on term deposits.

The government's borrowing from savings certificates stood at Tk 28,894 crore in July-January of the current fiscal year, against its borrowing target of Tk 19,610 crore, according to Bangladesh Bank.

Aitken said Bangladesh's investment needs are large and will require intermediation of the country's underutilised pool of savings.

As commercial banks' ability to carry out this function will remain limited, policies that develop the country's capital markets for financing long-term private investment would greatly improve future growth prospects, he added.

Talking about savings certificates, he said the mission identified some distortions in the financial sector. Removal of this distortion is the precondition for further development of the capital market, he added.

"An important impediment to modernising the financial sector arises from the increasing reliance on high-cost national savings certificates as a financing vehicle for the government budget, which prevents the development of a deep and liquid market for government securities," said Aitken.

He said the use of savings certificates to finance budget impedes the development of a bond market.

Aitken also talked about large non-performing loans in the banking sector. "The first thing to do is to make sure that state-owned banks are not initiating new loans that will be non-performing down the road."

The IMF mission, referring to Bangladesh's low tax-GDP ratio in the region, once again recommended modernisation of the tax system so that the government can carry out public investment and social spending in line with its growth ambitions.

Aitken said launching the new VAT law in

July 2017 as planned will be central to raising revenue, and will have other significant benefits as well.

"In particular, it will make tax administration more transparent, it will reduce taxpayers' compliance costs, and serve as a key building block for a modern tax system," said the IMF.

Aitken said the Bangladesh economy will continue to rely on exports for growth and remains particularly exposed to the changing external environment.

"It is, therefore, essential that the country's foreign exchange buffers, which have been built over the last several years, continue to be maintained at levels adequate to ensure economic resilience."

The IMF's recommendation came at a time when both export earnings and remittance are slowing down. The government also plans to form a sovereign wealth fund with the Bangladesh Bank's foreign currency reserves. Primarily the fund will start with \$2 billion and it will be raised in phases to \$10 billion in five years, Cabinet Secretary M Shafiqul Alam told reporters last month.

Aitken said steady monetary policy management and fiscal discipline have delivered the macroeconomic stability that allowed the economy to benefit from favourable external demand, high remittance, and low commodity prices.

"The result has been strong output growth, falling inflation, moderate public debt, and rebuilding of external resilience. This solid macroeconomic performance is set to continue this year, with output growth projected to remain close to current levels and inflation broadly in line with Bangladesh Bank's target," he said.

But maintaining the economy's past growth performance will become increasingly challenging over the medium term. And it will require upgrading the macroeconomic policy-making practices and institutions to support the country's ambition to reach middle-income status, the IMF said.



Christoph Voegeli, general manager of Radisson Blu Dhaka Water Garden, poses along with other employees of the hotel at a programme to celebrate International Women's Day on Wednesday.

RADISSON BLU DHAKA

# Indian inflation seen picking up in February

REUTERS

Indian inflation likely picked up for the first time in seven months in February as rising food prices began to bite, but it remained below the central bank's medium-term target, a Reuters poll found.

Prime Minister Narendra Modi's ban on high-value bank notes in November hurt demand in the largely cash-driven economy and consumer price inflation has since been below the Reserve Bank of India's 4 percent target. According to the poll of over 25 economists, the inflation rate for February rose to a three-month high of 3.58 percent

from 3.17 percent in January.

"The food component is largely seen responsible for the expected upswing in inflation trajectory, with core inflation also likely to pick up pace faster than what it has been in the last couple of months," said Anjali Verma, chief economist at PhillipCapital India.

Among the food components, fruit and vegetable prices, which have been contracting for the last 6 months, are largely expected to contribute to the rise in February, she added.

The government's demonetization drive removed 86 percent of

the currency in circulation, hitting companies, farmers and households.

Factory and services activity felt the brunt of the currency ban, contracting in the month after the move was announced.

Since then, demand has slowly recovered and the services industry, which constitutes around 60 percent of India's gross domestic product, returned to growth in February.

India's economy grew 7 percent in the October-December quarter of 2016, beating more modest expectations in a Reuters poll for 6.4 percent but slower than

the July-September quarter reading of 7.4 percent.

The central bank cited risks of high inflation when it left the benchmark lending rate unchanged at 6.25 percent and changed the policy stance to "neutral" from "accommodative" in last month's meeting.

Wholesale price inflation is also expected to have picked up last month, to 5.90 percent from 5.25 percent in January, according to the poll. That would be its highest reading since May 2014.

Industrial output likely accelerated 0.5 percent in January from a year ago after falling 0.4 percent in December.

# Deepen worker-owner relations: Bernicat

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Bernicat said she talked to a number of workers, people from management and factory owners.

"They said they do not have any problems because they have unions."

She said if there is a transparent relation between the workers and the owners and they trust each other, then there will be no dispute.

The trust and relationship between the workers and management is just like a true relationship between a husband and a wife, she said.

The envoy said when workers have no ways to communicate with management, they do not trust the management and vice versa. In such cases, a trouble maker can inflict damage, she added.

"So again, our goal as Bangladesh's friend is to prepare how we can help in a small way for those two groups to help find

ways so they trust each other," Bernicat said.

She said there are some mechanisms to work together such as social dialogue. The International Labour Organisation is working on the issue. Some factory owners also went to Germany to take part in trainings on social dialogue.

On the suspended Generalised System of Preferences (GSP), Bernicat said Bangladesh needs to do more on labour rights and workplace safety to win back the preferential trade treatment.

The commerce ministry has twice submitted the update to the US Trade Representative, informing it about the progress Bangladesh has made in line with the 16 conditions set by Washington.

Bernicat suggested manufacturers bargain hard with buyers to earn more to pay more to workers. "There is a lot of ways to earn more. Look at the value chain. Bargain hard."

# Depositors seek protection not higher return from banks: study

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Private commercial banks offer the best quality services, according to 52 percent of the depositors.

Safety is the matter of concern for the conscious depositors, said Yasin Ali, professor of BIBM. "That's why they prefer state owned banks and foreign banks. But what factors attract depositors to switch the bank should have a detail study."

The deposit as percentage of GDP has increased to 46.79 percent in 2014-15 from 10.24 percent in 1975-76, the report said. The credit-GDP ratio increased to 48.24 percent in 2014-15 from 12.15 percent in 1975-76.

The survey was conducted to find out the motives for keeping deposits in banks, examine the level of awareness about the safeguards or regulatory measures that

exist in favour of the depositors.

About 91 percent of the respondent opined that their propensity to deposit has increased after opening account in banks.

The report finds that 11 percent of the depositors have taken loans against deposits. Purchase of land and flat is the main reason for long-term savings, the report said. "It is evident from the study that the level of financial literacy of depositors in Bangladesh is significantly low and the depositors do not use the available information for selecting banks and making financial decisions," the report said.

BIBM released 10 research papers yesterday at the function attended by Abu Hena Mohd Razeed Hassan, deputy governor of Bangladesh Bank, and Khondkar Ibrahim Khaled, former deputy governor.

Chairman of Social Islami Bank Md Rezaul Haque launches the bank's Visa Platinum credit card, at its corporate office in Dhaka on Saturday. CEO (current charge) Ihsanul Aziz was also present.

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