Trade in yuan to reduce costs of doing business: analysts

STAR BUSINESS REPORT

BANGLADESH'S exporters and importers should embrace the Chinese currency renminbi (RMB) for trade settlement with China, as it will be cost effective for the local businesses, experts said.

"The renminbi is the third most used currency in international trade settlement," said Stuart G Tait, head of commercial banking of HSBC Asia-Pacific.

"The use of the renminbi is only going to increase, and 50 percent of all Chinese trade would be settled in the currency within three to five years," he said at a meeting at Westin Dhaka on Wednesday.

Ma Ming Qiang, Chinese ambassador to Bangladesh, said the local garment importers buy machinery from China and export the finished products. "If these export and import payments are made in the RMB, you will save a lot – up to 6 percent."

"So I would request HSBC and other banks to do it. And I am trying very hard to get one Chinese bank in Dhaka."

"If we can settle our trade in the RMB, it would bring enormous benefits to the local traders," he said.

In 2015, 30 percent of trade between China and its partners was settled in the RMB, said Alvin CK Kong, managing director and head of global markets of HSBC Malaysia.

He said China is a major trading partner for most countries in the world. "So, it does not make sense for China to be using some other currency for trade settlement."

The Hongkong and Shanghai Banking Corporation Ltd (HSBC) organised the event titled 'Bangladesh-China Business Outlook: One Belt One Road and RMB Internationalisation'.

The discussion, organised in association with the China Chamber of Commerce in Bangladesh, aimed to enhance customer understanding on the Belt and Road Initiative (BRI), explore export possibilities from Bangladesh to China and promote RMB transactions, as the currency will be used more widely, aided by reforms for further internationalisation.

Commerce Minister Tofail Ahmed

Chinese Ambassador Ma Ming Qiang

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From left, Mahbub Ur Rahman, deputy CEO of HSBC Bangladesh; Stuart Tait, head of commercial banking of HSBC Asia-Pacific; Syed M Tanvir, director of Pacific Jeans; Li Guang Jun, economic counselor of Chinese embassy; Ernest Li, head of corporate for Greater Northern & Central China of HSBC, attend a discussion at Westin Dhaka Wednesday.

China is the largest trade partner of Bangladesh. In 2015-2016, bilateral trade exceeded $10 billion, where imports from China stood at around $9.5 billion. Bangladesh is China's third largest trade partner in South Asia, according to HSBC Bangladesh CEO Francois de Maricourt.

In his address, Commerce Minister Tofail Ahmed said the country's trade gap with China and India would remain because the imports benefit Bangladesh.

The government is setting up 100 special economic zones to attract more foreign investors, he added.

According to HSBC, the largest foreign bank in China, the RMB will continue to gain international importance as China's capital markets open up, cross-border trade and transactions increase, and more of China's overseas direct investment is conducted in the currency.

In October last year, the International Monetary Fund included the RMB in the special drawing rights basket as the fifth currency. It is often regarded as a 'basket of national currencies' comprising five major currencies of the world.

At the time, the IMF said RMB's inclusion reflects the progress made in reforming China's monetary, foreign exchange, and financial systems, and acknowledges the advances made in liberalising and improving the infrastructure of its financial markets.

Chinese Ambassador Qiang said Bangladeshi manufacturers should produce goods and items that have demand in China.

"For example, Bangladesh's mango is the most expensive in China," he said, adding that leather products exports to China went up by 38 percent.

China imports goods and services worth $4 trillion annually. "If Bangladesh can capture 1 percent of the market, it would amount to $40 billion, which will be huge," said Qiang. "Bangladesh has cheap labour. So, you have the potential to occupy 1 percent or even 5 percent."

Speaking at a panel discussion, Lin Wei Qiang, president of the China Chamber of Commerce in Bangladesh, said many Chinese companies already have a presence in Bangladesh, and a growing number of investors want to invest.

There are many investors who think on long-term basis, he said. The next generation of existing investors is also entering the market and they should be given more privileges, he added.

He said getting legal services and corruption are the two main barriers standing in the way of foreign investment in Bangladesh.

Kazi M Aminul Islam, executive chairman of the Bangladesh Investment Development Authority (BIDA), said the authority has proposed reforms aimed at facilitating businesses. "We hope the one-stop service bill will be enacted in the next parliamentary session."

Shitangshu Kumar Sur Chowdhury, deputy governor of Bangladesh Bank, said the RMB's inclusion is an important milestone in the integration of the Chinese economy into the global financial system.

Laura Galvin, managing director of Asia head of export finance of HSBC, said the bank's presence along the BRI routes means it is well positioned to assist customers with trade, investment, project-financing and other needs.

Kong of HSBC Malaysia presented a keynote on the BRI. The BRI aims to facilitate unimpeded flow of trade, stimulate investment, remove barriers and lower cost, he said.

The initiative would require $8 trillion in investment, he added.

The Asian Infrastructure Investment Bank, the Silk Road Fund and some large Chinese banks would come up with funds, but there would still be an investment deficit of $5 trillion.

Li Guang Jun, economic counsellor of the Chinese embassy in Bangladesh, said jute and jute products, seafood and garment products are exported from Bangladesh to China.

"We are encouraging Chinese businesses to invest in Bangladesh," he said, calling on Bangladeshi manufacturers to diversify their export basket.

Syed M Tanvir, director of Pacific Jeans, an exporter to China, said customs clearance and documentation take 10 to 15 days in China but exporters cannot afford this lengthy period in an era of fast fashion.

Ernest Li, head of corporate, Greater Northern & Central China, HSBC, said the BRI and the internationalisation of the RMB would go hand in hand.

Tait of HSBC Asia-Pacific said the BRI is a prime example of how China is reaching out and increasingly integrating its economy with the rest of the world. "It is a driving force of trade facilitation and liberalisation in the world at a time when protectionist pressures are rising elsewhere."

He said much more of the growth in the world is going to come along the business corridors that connect markets within this region, as well as those that connect Asia to the rest of the world.

Tait said developing physical infrastructure and robust trade relationships means Asia and economies such as Bangladesh will be ideally positioned to sit at the centre of global value chains.

HSBC is the largest foreign bank in China and has consistently been at the cutting edge of the RMB internationalisation process, offering its clients early access to new opportunities as they emerge, said Md Mahbub Ur Rahman, HSBC Bangladesh's deputy CEO and country head of commercial banking.

Solar energy, salt water power vegetable farms in the desert

REUTERS

Barley is harvested at the Sahara Forest Project pilot facility in Qatar.

REUTERS, *Rome*

WITH scorching summer temperatures and little rainfall, the barren scrublands around the port of Aqaba in Jordan, one of the world's most arid countries, might seem ill suited to cultivating cucumbers.

Yet a Norwegian company is planning to set up a solar-powered, 20 hectare (50 acre) facility that promises to grow a variety of vegetables without wasting a drop of fresh water.

"We take what we have enough of - sunlight, carbon dioxide, seawater and desert - to produce what we need more of - food water and energy," said Joakim Hauge, chief executive of the Sahara Forest Project (SFP).

Harnessing abundant resources to generate scarce ones will be key to feeding a growing global population, set to reach 9 billion by 2050, without damaging the environment or accelerating climate change, he said.

Food production must rise by about 60 percent by 2050 to generate enough for everyone to eat, according to the United Nation's Food and Agriculture Organisation (FAO).

Agriculture already accounts for 70 percent of global fresh water use, while the food sector is responsible for more than 20 percent of planet-warming emissions and 30 percent of world energy consumption.

"We can no longer make solutions that come at the expense of other sectors," said Hauge. "There is a need for a more integrated approach".

The Aqaba complex, set to open in the summer, evaporates salt water piped from the nearby Red Sea to cool greenhouses, creating conditions for crops to grow all year round.

Sea water is also desalinated to generate salt and fresh water for irrigation, while vapour from greenhouses is used to humidify surrounding patches of parched land so plants can grow.

SFP said a pilot project in the Gulf state of Qatar generated cucumber yields comparable to those of European farms. Plans are underway to expand operations to Tunisia.

But FAO experts said high costs involved limited the potential of such projects to ramp up food production on a global scale.

"You need a lot of energy and a lot of money so...the question may arise whether the same resources could be put to better use," said FAO natural resources officer Alessandro Flammini.

To be financially viable, production must focus on high-value crops, like cucumbers and tomatoes, which poor countries might find cheaper to import, said Flammini, who analysed the Qatar pilot for a 2014 FAO report.

"It's an interesting concept for fulfilling local needs and especially in terms of food independence and to meet the demand of a niche market," he said.

The initial phase of the Aqaba complex had a $3.7 million budget and received financial support from Norway, the European Union and other investors, according to SFP.

Hauge said besides producing food, the complex, which will include a laboratory and research facilities, would produce side benefits by greening arid areas and creating jobs. "We believe that this is part of the agriculture of tomorrow," the biologist-turned-entrepreneur told the Thomson Reuters Foundation by phone.

Several other companies are employing similar technologies in other arid corners of the world.

In 2016, UK-based agribusiness Sundrop Farms Holding Ltd opened a vast greenhouse for tomato farming in the Australian outback near Port Augusta, 300 km (190 miles) north of Adelaide.

The facility runs on energy mostly produced by a 115 metre solar tower that draws sunlight from 23,000 mirrors surrounding it.

"Traditional agriculture is wasteful in terms of water and fossil fuels. In addition, unprotected crops are at the mercy of the elements, causing gaps in supply, quality issues and price spikes," Sundrop's CEO Philipp Saumweber said in an email.

The company has signed a 10-year contract to supply Australian supermarket chain Coles with truss tomatoes and received investments of about $100 million from private equity firm KKR & Co, according to a 2014 statement.

"While the capital expenditure required to build our farms is slightly more expensive due to its cutting-edge nature, we reap the benefits of this initial investment in the long run through savings of fossil inputs," said Saumweber.

Around seven thousand miles away, in sunbaked and drought-hit Somaliland, another British-based venture, Seawater Greenhouse, is setting up a pilot facility aimed at making high-tech greenhouse production more affordable.

"We have eliminated using fans," said British inventor Charlie Paton, a former business partner of Saumweber, who pioneered the use of solar energy and salt water for irrigation in the 1990s.

"We designed (the greenhouse) to be cool by exploiting the prevailing wind. So it's a wind-cooled greenhouse," he said in a phone interview.

The one-hectare complex, which received funding from the British government, cost about $100,000, he said, adding he expected it to produce around 30 tonnes of tomatoes a year and 16 litres of drinking water a day for irrigation and livestock.

US trade barriers report slams China on overcapacity, tech transfer

REUTERS/FILE

Chinese national flags are flying near a steel factory in China.

REUTERS, *Washington*

THE Trump administration on Friday slammed China on a range of trade issues from its chronic industrial overcapacity to forced technology transfers and longstanding bans on US beef and electronic payment services.

The annual trade barriers list from the US Trade Representative's (USTR) office sets up more areas of potential irritation for the first face-to-face meeting between President Donald Trump and Chinese President Xi Jinping next week in Florida.

Commerce Secretary Wilbur Ross, asked about his expectations for the meeting, told Fox News on Friday: "What I would hope will come out would be a commitment to starting to abide by the rules and a commitment to working collaboratively to help reduce our deficit."

USTR, controlled by the White House, said that Chinese government industrial policies and financial support for industries such as steel and aluminum have resulted in overproduction and a flood of exports that have distorted global markets and undermined competitors.

"While China has begun to take steps to address steel excess capacity, these steps have been inadequate to date and even fewer efforts have been taken by China in aluminum and other sectors," USTR said in the report. USTR released the list of trade irritants in 63 countries just after senior Trump trade officials announced an executive order to study the causes of US trade deficits.

The report said China also is using a series of cybersecurity restrictions as part of an apparent long-term goal to replace foreign information and communications technology products and services with locally produced versions. USTR also accused China of using a range of measures to engineer the transfer of foreign technology to Chinese firms. They include denying financial or regulatory approvals to companies using foreign-owned intellectual property (IP) or that do not conduct research or manufacture products in China.

"China also reportedly conditions foreign investment approvals on technology transfer to Chinese entities, mandates adverse licensing terms on foreign IP licensors, uses antimonopoly laws to extract technology on unreasonable terms and subsidizes acquisition of foreign high technology firms to bring technology to the Chinese parent companies."

Gaps in IP rights enforcement have allowed the misappropriation of foreign IP and trade secrets, both within and outside of China.

USTR's criticisms are consistent with increasingly vocal concerns raised by international business groups about what they see as a worsening business climate for foreign firms in China, as well as China's goal to boost domestic manufacturing content in 10 sectors from robotics to biopharmaceuticals.

Earlier this month, the European Union Chamber of Commerce said the "Made in China 2025" plan amounts to a "large-scale import substitution plan aimed at nationalizing key industries" or "severely curtailing the position of foreign business."

USTR also brought up longstanding complaints about online piracy of movies, books, music, video games and software in China as well as a ban on US beef that has been in place since 2003. It said delays in China's approval process for agricultural products derived from biotechnology also worsened in 2016, hurting US corn exports.

Ross, the commerce secretary, also said Trump will sign two executive orders on Friday. The first calls for a 90-day study by the Commerce Department into the causes of US trade deficits, the results of which would be used to formulate policy.

A second order would solve a problem involving collection of anti-dumping duties, he said.