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Md Rezaul Haque, chairman of Social Islami Bank, attends the bank's half-yearly business conference for 2017 at Hotel Le Meridien in Dhaka. Shahid Hossain, managing director, was also present.

France steps up efforts to lure London banks to Paris

REUTERS, *Paris*

French authorities on Friday stepped up efforts to attract London banks to Paris after Brexit by pledging to cut labour costs and ensure they do not face tougher regulations than European rivals.

There is fierce competition between Paris, Frankfurt and other European cities to woo the banks based in the City of London financial centre as they consider where to shift some operations to maintain access to the European Union's single market after Britain leaves the bloc.

Until now, Paris' rivals, including Frankfurt, Dublin and Luxembourg, have been making the headlines as the locations banks, insurers and asset managers have chosen to open new hubs.

"We are determined to make Paris more competitive and attractive," Prime Minister Edouard Philippe said, announcing that the government would scrap the highest bracket of payroll tax for firms like banks that do not pay VAT, and cancel a planned extension of tax on share trading.

It would also make sure that bankers' bonuses are no longer taken into account when labour courts decide on unfair dismissal compensation.

The payroll tax France charges banks and some other sectors such as real estate and healthcare is a charge that companies pay on each salaried employee. It is not levied in most other European countries.

Tax was a big concern for London bankers at a roadshow organised by a French finance industry lobby in February this year to promote Paris as a financial centre.

Philippe also pledged to review and change on a case-by-case basis the way EU financial regulations are transposed into French law, saying France had sometimes gone too far by imposing additional burden on businesses, compared to European rivals.

Germany has said it is looking at making it easier to hire and fire senior bankers in a relaxation of its labour laws to help to attract financial firms to Frankfurt.

President Emmanuel Macron, a former investment banker, has a hard task to convince the investment community that France does not see the financial sector as an "enemy" - a phrase once used by former socialist President Francois Hollande.

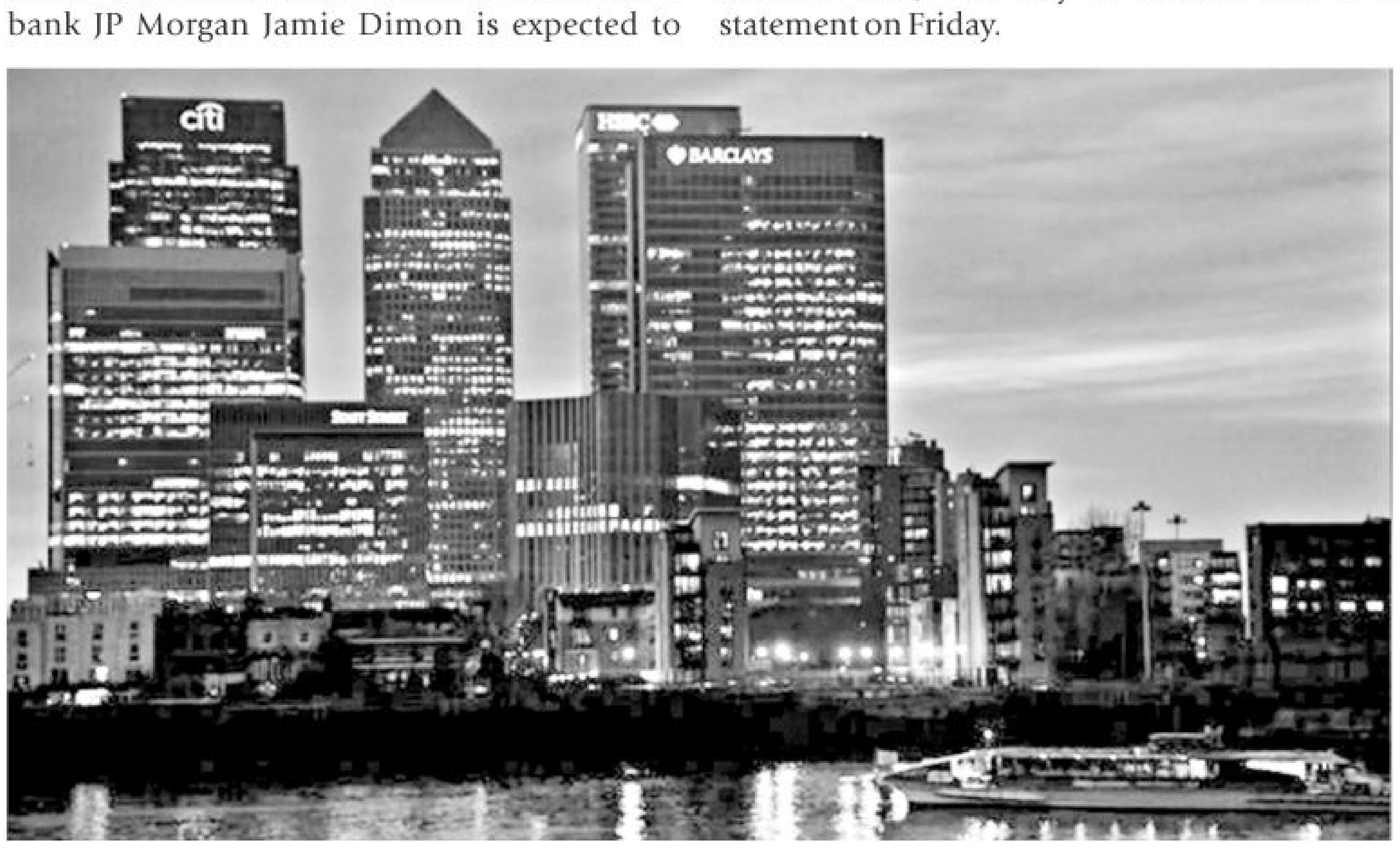
As part of the charm offensive, France has pledged to build three more international schools targeted at expatriates' children in the greater Paris region by 2022.

In a trip to New York last month, Finance Minister Bruno Le Maire said France would set up a special court to handle English-law cases for financial contracts after Britain leaves the EU. For his part, Philippe will next week give a speech to bankers at a conference in Paris, where the chief executive of U.S. investment bank JP Morgan Jamie Dimon is expected to attend, according to the agenda on the event's website.

The European Central Bank said on June 30 that banks should step up their Brexit preparations, while the Bank of England wants details of financial firms' contingency plans by July 14.

But Britain is also pushing for a Brexit deal that would allow UK-based finance firms to continue to operate relatively freely in the EU after March 2019, when Brexit is due to take effect.

"We are confident that plans to lower corporation tax to 17 percent by 2020, (and) a commitment to boost national infrastructure and developing trading relationships with new international partners in the coming years will ensure that London remains a world-leading financial hub," the City of London said in a statement on Friday.



REUTERS/FILE

The Canary Wharf business district is seen at dusk in London, Britain.

Vietnam renews India oil deal in tense South China Sea

REUTERS, *Hanoi/New Delhi*

Vietnam has extended an Indian oil concession in the South China Sea and begun drilling in another area it disputes with China in moves that could heighten tensions over who owns what in the vital maritime region.

The moves come at a delicate time in Beijing's relations with Vietnam, which claims parts of the sea, and India, which recently sent warships to monitor the Malacca Straits, through which most of China's energy supplies and trade passes.

Vietnam granted Indian oil firm ONGC Videsh a two-year extension to explore oil block 128 in a letter that arrived earlier this week, the state-run company's managing director Narendra K. Verma told Reuters.

Part of that block is in the U-shaped 'nine-dash line' which marks the vast area that China claims in the sea, a route for more than $5 trillion in trade each year in which the Philippines, Brunei, Malaysia and Taiwan also have claims.

A senior official of ONGC Videsh, who asked not to be named because of the sensitivity of the matter, said interest in the block was strategic rather than commercial, given that oil development there was seen as high-risk with only moderate potential.

"Vietnam also wants us to be there because of China's interventions in the South China Sea," the official said.

Vietnam's state-run PetroVietnam declined to comment on the concession, which was first granted to India in 2006 but had been due to expire in mid-June.

Conflicting territorial claims over the sea stretch back many decades but have intensified in recent years as China and its rivals have reinforced their positions on the rocks and reefs they hold.

Far to the south of block 128, drilling has begun in a block owned jointly by Vietnam's state oil firm, Spain's Repsol and Mubadala Development Co of the United Arab Emirates.

Deepsea Metro I, operated by Odfjell Drilling Ltd., has been drilling in the region since the middle of last month on behalf of Spain's Repsol SA, which also has rights to neighbouring block 07/03, Odfjell said.

Odfjell declined to comment on the specific location of its vessel, but shipping data from Thomson Reuters Eikon showed it was in oil block 136/3, which also overlaps China's claims.

Odfjell's Eirik Knudsen, Vice President for Corporate Finance and Investor Relations, referred further queries to Repsol, which declined to comment. PetroVietnam made no comment.

When asked about the activity, Chinese foreign ministry spokesman Geng Shuang said China opposes anyone "carrying out unilateral, illegal oil and gas activities in waters China has jurisdiction over".

"We hope the relevant country can act on the basis of maintaining regional peace and stability and not do anything to complicate the situation," he told a briefing in Beijing.

Chinese General Fan Changlong cut short a visit to Vietnam and a friendship meeting at the China-Vietnam border was cancelled around the time the drilling began.

The centuries-old mistrust between China and Vietnam is nowhere more evident than in their competing maritime claims, despite their shared communist ideology and growing trade.

Asked about the most recent drilling, Vietnamese officials said their Chinese counterparts have started raising concerns about cooperation with both Repsol and ExxonMobil Corp. of the United States, which is developing the $10 billion "Blue Whale" gas concession off central Vietnam.

They said Chinese officials also expressed concern at Vietnam's evolving security relationships with the United States and Japan, both of which have offered moral support for its South China Sea claims and help for Vietnam's coastguard.

Tensions with China were being contained, however, and had not yet reached crisis proportions, they said.

"We know they are unhappy again, but we are resisting the pressure – it is a traditional part of our relations with Beijing," one official said privately. "Other parts of the relationship remain strong."

Underlining the relationship between India and Vietnam, Vietnamese deputy prime minister Pham Binh Minh told a forum in New Delhi this week that India was welcome to play a bigger role in Southeast Asia - and specifically the South China Sea.

Hanoi's growing defence and commercial ties with India are part of its strategy of seeking many partnerships with big powers while avoiding formal military alliances.

The pace has picked up since Indian Prime Minister Narendra Modi's administration took office in 2014 and sought to push back against China's expanding presence in South Asia by raising its diplomatic and military engagement in Southeast Asia.

India is providing naval patrol boats, satellite cover to monitor Vietnam's waters and training for its submarines and fighter pilots - more military support than it is giving to any other Southeast Asian country.

On the agenda are transfers of naval vessels and missiles under a $500 million defence credit line announced last year.

Next week, the navies of India, the United States and Japan will hold their largest joint exercises in the Bay of Bengal.

Samsung Electronics expects record-high Q2 profits

AFP, *Seoul*

Samsung Electronics expects profits to soar 72 percent in the second quarter to a record high, it said Friday, as it moves on from a recall debacle thanks to rising memory chip prices and increased demand for smartphones.

The South Korean tech giant estimated its operating profit for April-June at 14 trillion won ($12.1 billion), up from 8.14 trillion won a year earlier.

That would reportedly make it more profitable in the period than US behemoth Apple, where consensus analyst forecasts point to a profit of $10.6 billion.

"Samsung is believed to have topped the list of global IT companies, surpassing Intel and Apple, in terms of operating profits for the first time in history," said Kim Dong-Won of KB Securities.

It would also be Samsung Electronics' highest-ever quarterly operating profit, surpassing the 10.1 trillion won of the third quarter of 2013.

Samsung has benefitted from increased shipments and strong prices for DRAM and NAND semiconductor chips, as it put behind it last year's Galaxy Note 7 recall fiasco.

It appears not to have been distracted by the corruption trial of its detained vice-chairman Lee Jae-Yong.

Brisk sales of its new flagship Galaxy S8 smartphones, rising demand for flexible OLED products as well as soaring LCD panel prices also drove its earnings, analysts said.

Samsung withholds sector-by-sector business performance until it releases its final earnings report later this month.

But Greg Roh of HMC Investment Securities told AFP: "All the three sectors -- semiconductor business, display and smartphone business -- are all believed to have performed well.

"This is a better-than-expected performance," he added.

The earnings forecast surpassed a market consensus of around 13.2 trillion won compiled by FnGuide, a financial information service provider.

Sales for the April-June period are expected to surge 17.8 percent on-year to 60 trillion won.

Analysts expected the firm to continue to post strong earnings this year.

"Samsung will continue to generate quarterly operating profits hovering above 13 trillion won throughout the second half of this year," Kwon Seong-ryul, a researcher at Dongbu Securities Co. said in a report. He projects annual operating profits of 50 trillion won for 2017, up 70 percent from last year.

"The chip business is leading the overall performance, the display and smartphone sectors are also performing well," Kwon said.

But Samsung shares closed 0.42 percent lower Friday in Seoul on profit-taking led by foreign investors.

The world's top maker of smartphones and memory chips said this week it will invest 20.4 trillion won by 2021 to expand and upgrade its chip plants in the South Korean cities of Pyeongtaek and Hwaseong.

The factory in Pyeongtaek, 70 kilometres (44 miles) south of Seoul, is the world's biggest and has recently started production after Samsung Electronics spent 15.6 trillion won over the past two years to build it.

The company also plans to expand its NAND chip plant in the Chinese city of Xian to meet booming demand for the chips used in high-end storage products, it said.

In smartphones, Samsung has been increasingly sandwiched by smaller Chinese rivals in the low and mid-end markets, and by Apple's iPhone in the high-end segment.

But the firm managed to post stellar profits partly thanks to the robust chip business, which supplies not only to its own handset unit but also other electronics giants including Apple.

It suffered a blow to its reputation last year after a humiliating mass recall of its Galaxy Note 7 smartphone over faulty, exploding batteries.

Refurbished devices -- featuring batteries with a slightly smaller capacity -- went on sale Friday in South Korea.

US Fed sees signs business investment to boost economy

AFP, *Washington*

The Federal Reserve said Friday it sees hopeful signs that business investment is poised to rebound from the doldrums of the global financial crisis and boost the US economy.

But, in its semi-annual report to Congress, the central bank restated its view that the benchmark interest rate should rise only gradually as the economy picks up steam. The Fed has said it expects one more rate increase this year.

The fate of business investment is key because it could unlock gains in the productivity of businesses and workers, which in turn would drive increases in wages that have remained frustratingly sluggish.

Federal Reserve Chair Janet Yellen is scheduled to present the report July 12 in testimony before the House Financial Services Committee, where she likely will again face hostile questioning from Republican lawmakers about the slow growth and tepid wage gains, as well as on how the Fed makes its decisions on interest rates.

After remaining flat for much of 2016, business investment "rose robustly at the beginning of the year," including solid increases in purchases of equipment. Meanwhile, indicators of future spending are "generally upbeat" with orders and shipments moving up, and sentiment indexes have "remained elevated," the report said.

This could bode well for wage gains, which have lagged despite rising employment, the Fed indicated. Average hourly earnings were up 2.5 percent in June year-over-year, the same pace as in May, according to the employment report released earlier Friday.

"These modest rates of compensation gain likely reflect ... weak productivity growth," the Fed said.

And weak productivity growth is partly due to the "sharp pullback" in investment during the recession, and the weak rebound since then.

The weak productivity gains is the subject of continuing debate, but the central bank warned that if it remains low it "would greatly restrain the improvement of living standards."

The report also echoes Fed statements that activity slowed in the first quarter largely due to transitory factors, including a lull in consumer spending, notably on energy given the unseasonably warm winter.

First quarter growth slowed to 1.4 percent from 2.1 percent in the final three months of 2016, but the Fed said that more recently "indicators of spending by consumers and businesses have been strong and suggest that growth of economic activity rebounded in the second quarter."

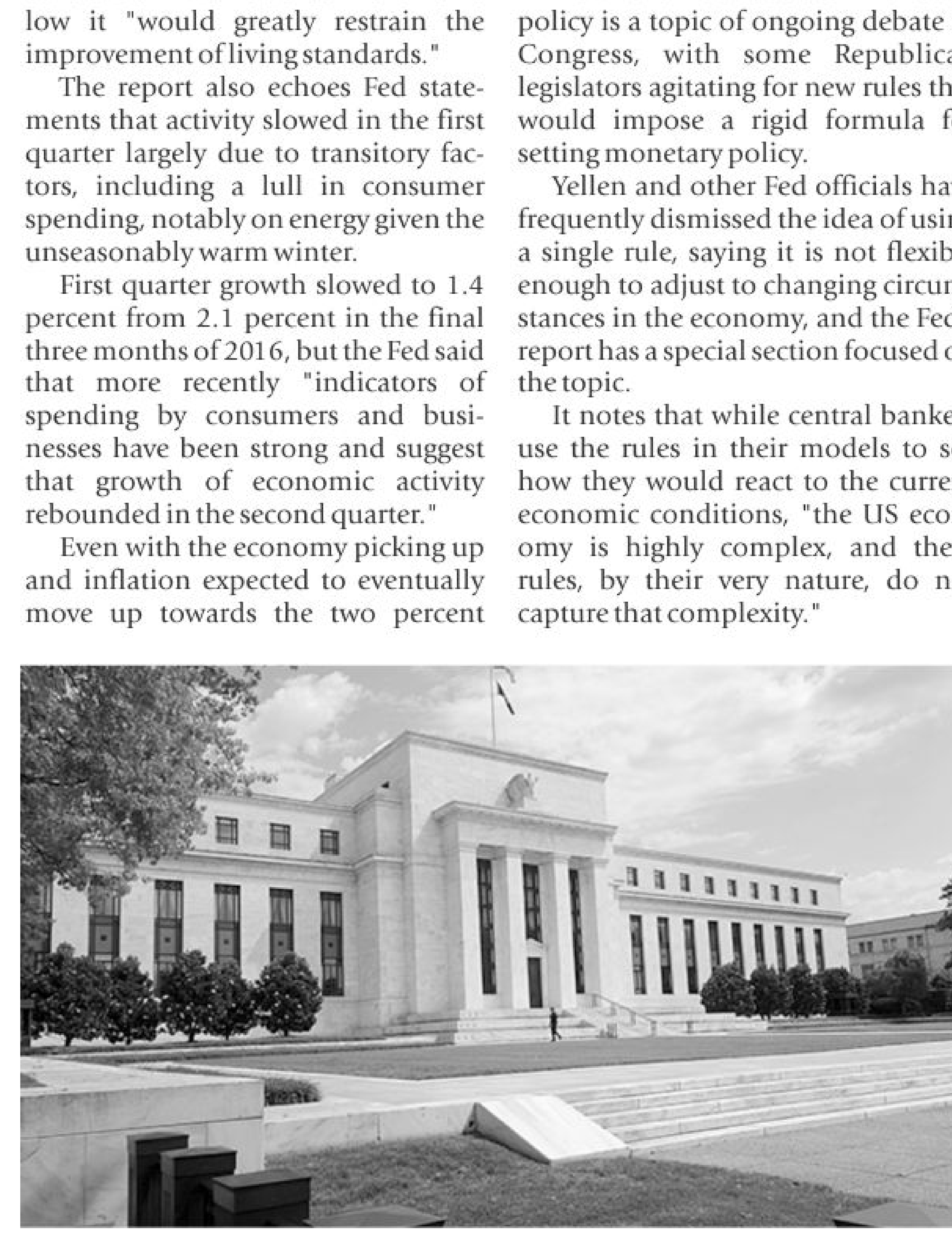
Even with the economy picking up and inflation expected to eventually move up towards the two percent target, from about 1.4 percent currently, the Fed repeated its view that "the ongoing strength in the economy will warrant gradual increases in the federal funds rate."

But central bankers will "carefully monitor" inflation and other economic data in making the decision.

How the Fed decides monetary policy is a topic of ongoing debate in Congress, with some Republican legislators agitating for new rules that would impose a rigid formula for setting monetary policy.

Yellen and other Fed officials have frequently dismissed the idea of using a single rule, saying it is not flexible enough to adjust to changing circumstances in the economy, and the Fed's report has a special section focused on the topic.

It notes that while central bankers use the rules in their models to see how they would react to the current economic conditions, "the US economy is highly complex, and these rules, by their very nature, do not capture that complexity."



AFP

The building of US Federal Reserve in Washington, DC is seen.

Brazil prices fall for first time since 2006

AFP, *Rio De Janeiro*

Brazilian consumer prices fell last month for the first time in more than a decade, a potential boost for President Michel Temer as he faces bribery charges.

The inflation rate turned negative, with consumer prices contracting by 0.23 percent in June compared to May, the state statistics institute IBGE said.

That was the first overall price drop since 2006, and followed a steady monthly decline in inflation this year.

The trend has raised hopes that Latin America's biggest economy is emerging from the worst recession in its history.

The central bank has been cutting interest rates for several months to spur economic activity. Analysts said Friday's data may prompt it to speed up rate cuts.

June's fall was driven by lower food, housing and transport prices, the institute said. Brazilian inflation had hit 10.67 percent at the end of 2015 and 6.29 percent last year.

Analyst Alex Agostini of consultancy Austin Rating said Friday's data gave a mixed signal about the country's economic health.

He judged it good news for the prospect of lower interest rates but cautioned it was also "bad news in that it reinforces the sense of lethargy in the economy."

Temer, a conservative, has launched austerity reforms that he says will strengthen public finances and the economy. But he now risks being put on trial on bribery charges.