HSBC will continue to invest in Bangladesh

Says regional head Ajay Sharma

MD FAZLUR RAHMAN

BANKING giant HSBC will continue to invest in Bangladesh to meet the growing consumer needs, maintain its pole position as the leading trade finance bank and grow further, a senior executive of the UK-based Asia-focused lender said.

"Consumer demand is changing and will trigger a need for businesses to evolve. At HSBC, we want to invest in the growing consumer needs, which will enable us to maintain our market leadership position," said Ajay Sharma, regional head for global trade and receivables finance at HSBC Asia Pacific.

"More importantly, we want to be seen as a bank that is innovative and leading change in Bangladesh market. You will see more and more innovations over time," he told The Daily Star in an interview in Dhaka last week.

"We have very strong ambitions for our business in Bangladesh. We are looking to grow."

Last week, he was in Dhaka to launch a new mobile banking application for exporters and importers in Bangladesh to give them an edge in tracking international trade transactions digitally.

Available for iPhone and Android platforms, the HSBCnet Trade Transaction Tracker App enables customers to view real-time transaction status details.

Of the 19 markets in the Asia Pacific region where HSBC operates, Bangladesh is the first country where the app has been launched.

Sharma said the bank has chosen Bangladesh as a launching pad because most of the clients use HSBC to do international trade, the customer base is large and there is significant trade potential for the bank in the country.

"We believe this app will be a useful one and will bring trading at the fingertips of our customers."

The app is expected to be launched across the region, and most markets will have the service by the end of the year, he said. Sharma, having more than 30 years of experience in banking, said the bank was quite excited about the Bangladesh

Ajay Sharma

market. He lauded the steady growth of the economy in the last eight years.

"The country has given us a steady base of business. We are seeing more investment are coming from outside. The consumption is growing. We have a very positive view of the country."

"From global and regional perspective, we think this is a very important market for us. We are focused. We have a very strong local team. We will continue to strengthen and supplement the team here, connecting customers to global opportunities. We are connected to 90 percent of the global trade GDP. We think there is enough talent in the market to serve our customers."

During his visit, Sharma met a number of customers and visited factories.

"A lot of investment has taken place in the last few years to meet international standards and expectations," he said.

"Bangladeshi exporters have invested to make sure that their factories are environmentally compliant, have control on manufacturing and maintain labour safety standards. These factories are no different from any factories anywhere in the world and they are the best in class."

He said his bank's customers supply products to some of the best companies in the world and meet international quality standards.

The banker said HSBC was the preferred choice for international companies planning to come to Bangladesh because the bank's network spreads throughout the globe and Bangladesh has the geographical advantage of being located in the world's most dynamic trading region between India and China.

"Customers are becoming more compliant to the rules and regulations of trading and they want to work with people who can advise them to do the right thing. We tell them 'there is no shortcut; this is the document and this is how it is done'."

Sharma touched upon the global trend in trade.

He said global trade had been under a lot of pressure two to three years ago due to falling commodity prices.

But the situation started to change at the end of last year and export markets recovered and actually grew much better than the expectations people had.

Trade volumes and values have gone up across various regions in the world. Asia also witnessed a strong recovery in trade, he said.

"There would be a shift in the long term. If we look at all the macroeconomic trends, a huge GDP and output growth will take place in Asia."

Sharma said Bangladesh is still an export-led economy. But the country will be a consumption-driven economy in the long run thanks to its spiralling population and increased spending on infrastructure.

India, China and Indonesia are already going through the trend, he said.

He said domestic trade in Asian markets would also grow. "This also gives us one more opportunity to find solutions for our customers. We are equally excited about it."

In Asia, HSBC is twice as large as its closest competitor. "We have significantly advantaged market positions."

Talking about the strength of HSBC, he said, "If you are an exporter, it is very, very likely that who you are exporting to is also our client. We deal with customers on both sides, which gives our customers a lot of comfort."

"The bank is also involved in the supply chain as well as in the end stores. We deal not only with the multinationals and large customers. We deal with all customer segments. That is our strength."

He said China's One Belt, One Road Initiative also opened up opportunities for HSBC because the bank has over 175 branches in more than 55 cities in the world's second largest economy.

"We have presence throughout the country. We are well-invested. We know lots of customers. If the customers want to come to parts of Asia or the world, we are often the logical choice to bank with."

The bank, which generates much of its profit in Asia, leads the local market in global connectivity and innovative trade solutions.

HSBC is the only international bank in Bangladesh which has a presence in all of the eight export processing zones of the country, facilitating trade. This is the first bank to facilitate trade settlement in the Chinese Renminbi.

HSBC has contributed to the country's infrastructure projects by leveraging group capabilities in export and specialised finance. In the recent past, $1.4 billion of infrastructure financing has been arranged.

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China calls US intellectual property probe 'irresponsible'

REUTERS, *Beijing*

China expressed "strong dissatisfaction" on Monday with the US launch of an investigation into China's alleged theft of US intellectual property, calling it "irresponsible".

The US Trade Representative formally announced the investigation on Friday, a widely expected move following a call from President Donald Trump earlier last week to determine whether a probe was needed.

The investigation is the administration's first direct measure against Chinese trade practices, which the White House and US business groups say are damaging American industry.

China's Commerce Ministry said in a statement that the move sent the wrong signal to the world, and would be condemned by the international community.

"The United States' disregard of World Trade Organisation rules and use of domestic law to initiate a trade investigation against China is irresponsible, and its criticism of China is not objective," an unnamed ministry spokesman said.

"China expresses strong dissatisfaction with the United States' unilateral protectionist action. We urge the US side to respect the facts, ... respect multilateral principles, and act prudently," the official said, adding that Beijing would take "all appropriate measures, and resolutely defend China's lawful interests".

The United States should instead work with China to find consensus and promote healthy trade relations, the ministry said.

Section 301 of the Trade Act of 1974, a popular trade tool in the 1980s that has been rarely used in the past decade, allows the US president to unilaterally impose tariffs or other trade restrictions to protect US industries from "unfair trade practices" of foreign countries.

Beijing would almost certainly challenge any such measures at the WTO.

But China's policy of forcing foreign companies to turn over technology to Chinese joint venture partners and failure to crack down on intellectual property theft have been longstanding problems for several US administrations.

Coal price surge justified by China's dynamics, for now

REUTERS

A worker shovels coal at a freight yard in Hefei, China.

CLYDE RUSSELL

HOW much of the current surge in thermal coal prices in Asia is because of a fundamental shift in the supply-demand balance, and how much is down to speculative froth?

This is a question often asked when a commodity experiences a strong gain - or drop - in price, especially when the fundamentals do not appear to have shifted that much, at least on a casual view.

Virtually everybody in the coal industry can agree that the strong performance in seaborne thermal coal this year is being driven by market dynamics in top importer China. What's harder to work out is whether this rally will run out of steam or whether there has been a structural change in the market.

The argument for a structural change in China is quite compelling. It goes a long way toward justifying some of the explosive 43.2 percent rally in spot cargoes from Australia's Newcastle port in the past three months.

The price has risen from the low so far this year of $71.30 a tonne on May 16 to end at $102.10 on Aug. 18, though it should be borne in mind that the gain since the end of last year is a more modest 9.2 percent.

The main fundamental reason is China's increased appetite for imported coal. Inbound shipments are up 18.2 percent to 152.7 million tonnes in the first seven months of the year compared with the same period in 2016, according to customs data.

And vessel-tracking data compiled by Thomson Reuters suggests that August will be another robust month for seaborne coal imports. As of Aug. 20, the amount of coal already discharged at Chinese ports was 15.68 million tonnes, according to the vessel-tracking data.

If search parameters are widened to include ships already en route and expected to complete discharging by the end of the month, an estimated seaborne imports of 21.46 million tonnes are due in August - up from the July's 20.1 million tonnes and the second-strongest month this year behind May.

The increase in imports has come against a backdrop of efforts by Beijing to curb excess coal mining capacity by closing unviable mines.

This is a structural shift aimed at boosting the efficiency of coal mining in China, but not necessarily at cutting output.

Coal production in the first seven months of 2017 was 5.4 percent higher than the same period a year ago at 2 billion tonnes, according to official statistics released on Aug. 14.

While this suggests domestic coal output is robust, to some extent it is still recovering from last year's decline, caused by official restrictions on the number of days mines could operate.

It's also worth noting that July's coal output of 294 million tonnes was the lowest since October and down 4.5 percent from June, with environmental restrictions, safety checks and a crackdown on illegal mines cited as reasons for the drop.

The rise in coal output this year has largely been matched by increasing demand from electricity producers. Thermal power generation has grown 7.8 percent in the first seven months of the year.

The writer is Asia commodities and energy columnist at Thomson Reuters.

US business economists fret over Trump policy agenda

AFP, *Washington*

US business economists worry about the prospects for President Donald Trump's policy agenda, and the potential damage to the economy from his trade and immigration policies, according to a survey released Monday.

The survey findings add to Trump's accelerating alienation with the business community. CEOs fled his advisory councils last week to distance themselves from his both-sides-are-to-blame response to a white supremacist rally in Virginia in which one woman among a group of counter-protesters was killed.

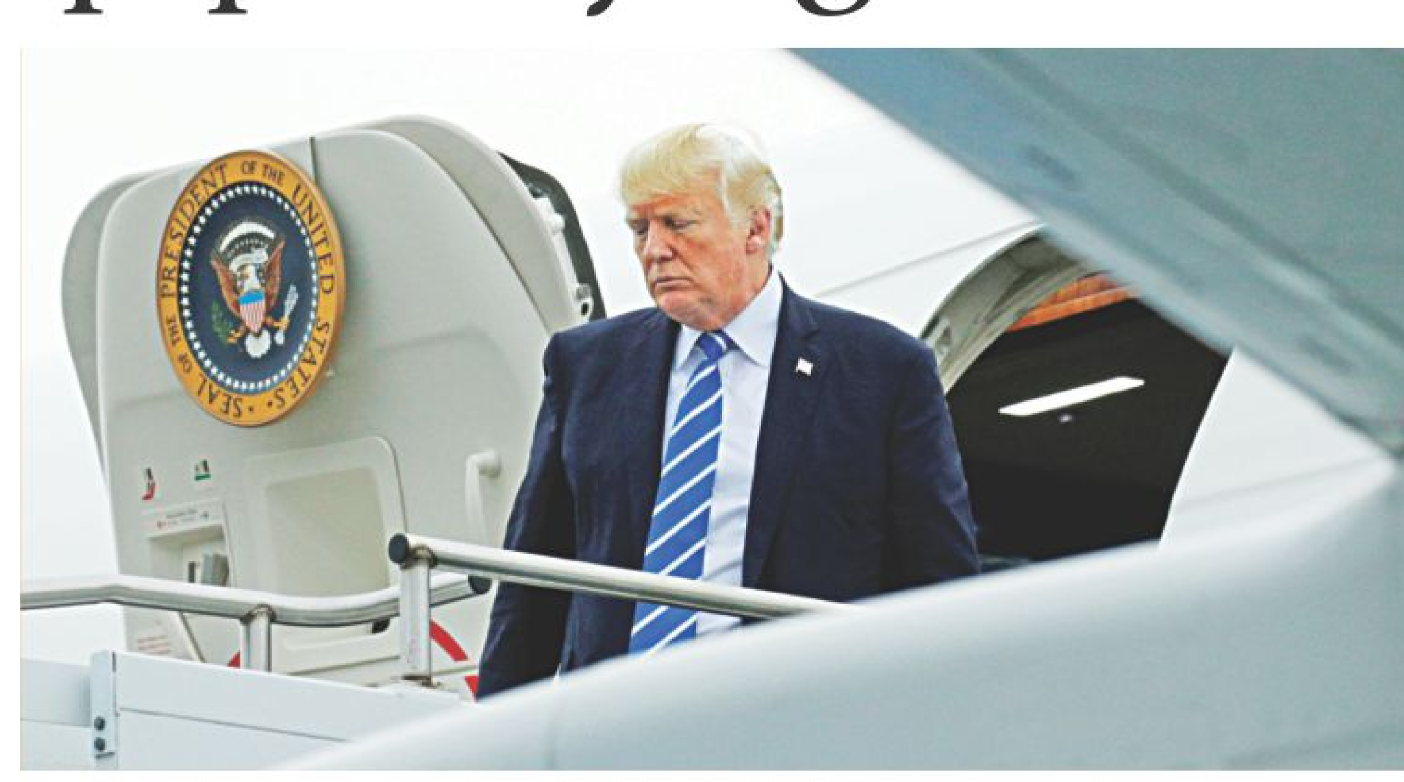
Although the survey was completed more than a week prior to the those events, they reflect growing concerns among businesses that had been cheered since the election about the possibility of seeing tax reform and infrastructure spending that could boost the economy.

"I do think that is some of the concern, that everything that has transpired recently, especially over last week, may impair the administration's ability to get its legislative agenda passed," said Frank Nothaft, a policy analyst with the National Association for Business Economics.

Stressing that he was not speaking for the NABE panelists in the semi-annual policy survey, Nothaft told AFP that the administration has a number of very important legislative proposals that could stimulate growth and boost spending.

However, "with everything that's transpired it puts that legislative agenda at jeopardy. Will anything get passed?"

While the survey showed most economists judge fiscal policy to be "about right" currently, they "quite pessimistic about prospects for 'meaningful, revenue-neutral tax reform' in the near term," the survey showed.



US President Donald Trump

Conducted July 18 to August 2 with 184 members, the survey showed only a 10 percent probability of such legislation this year and a 15 percent (median) probability of passage in 2018.

Over half the respondents said tax reform could add less than one percentage point to real GDP growth over the next 10 years, while a third put the impact on growth at between one and two percentage points.

Business economists also worry about the "unfavorable consequences" of Trump's trade an immigration policies.

In those areas "survey participants give the administration unfavorable scores," said NABE Policy Survey Chair Richard DeKaser, who also is executive vice president and corporate economist at Wells Fargo.

Nothaft, chief economist at CoreLogic, explained that anything that clouds the environment for businesses to make investment decisions, whether for exports or imports, can cause firms to delay spending and impact the economy.

When policies are "in flux and the environment can change dramatically, companies may hold back," he said, noting that "investment is an important part of GDP and economic growth."

Meanwhile, restrictions on immigration hurt companies that are having trouble finding workers, notably in homebuilding and high-tech. On monetary policy, Nothaft said the survey shows economists now have a "much stronger belief" compared to six months ago that the Federal Reserve will raise the benchmark interest rate one more time this year.

While 61 percent said monetary policy was "about right," 53 percent are expecting a third rate hike, NABE said, although there is less agreement about next year.

Rosneft finalises strategic deal in India

AFP, *Moscow*

Russia's state-controlled oil giant Rosneft announced Monday it had closed a deal with India's Essar Oil that is the single largest foreign investment in India and is strategically important for Russia.

Announced in October 2016 as oil prices plunged, the deal values at $12.9 billion the Indian group that owns one of the world's most modern refineries -- Vadinar -- and controls over 3,500 petrol stations.

Rosneft is acquiring a 49 percent stake, while another 49 percent is being acquired by a consortium including global commodities giant Trafigura.

Essar in a statement called it "Russia's single largest foreign investment made anywhere in the world" and also "the single largest foreign investment in India."

One of the brothers who founded the company, Shashi Ruia was quoted as saying "Today is a historic day for Indo-Russian economic ties."

He said the deal "reflects the shared vision of two of the world's most dynamic leaders."

India under Prime Minister Narendra Modi is one of the emerging countries with whom Russian President Vladimir Putin has built up dialogue in recent years.

"Together with our partners we intend to support the company (Essor) to significantly improve its financial performance and, in the medium term, adopt an asset development strategy," Rosneft head Igor Sechin, a close ally of Putin, was quoted as saying in a statement.

"The closing of the deal is a remarkable achievement for Rosneft too: the company has entered the high-potential and fast-growing Asia Pacific market," Sechin said.

The deal is seen as a strategic triumph for Russia, allowing it to move into other markets, while the country and Rosneft specifically are under EU and US sanctions over Moscow's actions in Ukraine.

Rosneft has said that Essor's Vadinar refinery will allow it to process crude oil produced in Venezuela, which is difficult to refine.