

India to inject \$14b into banks

REUTERS, New Delhi/Mumbai

INDIA on Wednesday unveiled details of a recapitalisation plan, pledging to inject nearly \$14 billion into twenty lenders this fiscal year, in a bid to boost lending in the economy and help tackle a record bad debt problem.

The lenders, majority-owned by the government, have more than two-thirds of India's banking assets. They also account for most of the record \$150 billion in bad loans, which have choked credit growth after years of profligate lending. "All public sector banks will be adequately capitalised and enabled

to serve people and support inclusive growth," said India's top banking bureaucrat, Rajeev Kumar.

The finance ministry will raise 800 billion rupees through recapitalisation bonds, and provide 81.4 billion from its budget to recapitalise the banks, Kumar said.

Total recapitalisation will cross 1 trillion rupees this year, including funds raised from sales of shares to external investors, he said.

That is part of a larger two-year 2.11-trillion-rupee (\$33.1 billion) recapitalisation plan announced last October. Of the total, 1.35 trillion rupees is to be raised via recapitalisation bonds, while the banks themselves will raise another 580 billion from share sales.

From recapitalisation bonds and budgetary allocations IDBI Bank, the lender with the highest stressed-loan ratio, will get the biggest chunk of 106.1 billion rupees.

Other banks with high levels of soured debt - Bank of India and UCO Bank - will get 92.32 billion rupees and 65.07 billion, respectively.

Top lender State Bank of India will get 88 billion rupees, while second-biggest state-run lender Punjab National Bank will get 54.73 billion.



India's Finance Minister Arun Jaitley attends a news conference sharing details about the recapitalisation of public sector banks in New Delhi yesterday.

US quizzes Moscow at WTO over 'made in Russia' laws

REUTERS, Geneva

THE United States asked Russia to explain how laws prioritizing the purchase of domestically produced goods can comply with World Trade Organization rules, according to a filing published on Wednesday.

WTO rules generally ban policies that discriminate against importers, and since the global financial crisis a series of disputes have arisen over governments telling manufacturers to source a certain proportion of their inputs from national firms.

The US statement on "made in Russia" listed 10 measures it said Moscow had taken since 2015 to prioritize Russian goods and services, and posed four questions about how the system worked.

"The United States has already asked Russia for information on a

number of these measures, but has not yet received any answers," it said. The United States, traditionally quick to challenge any apparent breach of the rules, has under President Donald Trump focused particularly on perceptions of unfair trading in state-dominated economies, with China and Vietnam already singled out.

It has also imposed high tariffs on a range of imported goods, this week adding solar panels and washing machines to the list, as part of a protectionist agenda billed by Trump as a way of safeguarding American jobs.

Russia's economy took a hit in 2014 after the United States and the European Union imposed sanctions over Moscow's annexation of Crimea, and ramped them up as pro-Russian separatist unrest spread to eastern Ukraine. Russia retaliated

by limiting food imports from a range of Western countries.

Until 2015 state-backed firms were required to prioritize Russian-made goods, but under law enacted that July other firms - including those with big projects and minority state funding - were also expected to do so. In 2014, Russia had also made it a priority for state-owned firms to source industrial products locally and gave the government a role in setting the terms of purchasing contracts, it said.

"Taken together, these laws grant the Government of Russia the authority to restrict the purchasing decisions of a large part of the Russian economy, separate and distinct from government procurement," the US statement said.

The trade ministry in Moscow did not immediately respond to a request from Reuters for comment.



Stall attendants brief visitors on a machine used in apparel factories, at one of the four exhibitions organised by the garment accessories makers at International Convention City Bashundhara in Dhaka yesterday.

Poverty to go by 2024: Muhith

STAR BUSINESS REPORT

Finance Minister AMA Muhith yesterday expressed sheer optimism that Bangladesh will be a poverty-free country by 2024.

The present government needs one more term to implement its ongoing development programmes, he told the opening ceremony of four concurrent international exhibitions at the International Convention City Bashundhara in Dhaka.

Around 450 local and foreign companies are displaying their latest products in apparel manufacturing technology, garment accessories, yarn and fabrics, packaging, printing technology and machinery at the GARMENTECH Bangladesh 2018.

The Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA), Zakaria Trade and Fair International, ASK Trade and Exhibitions jointly organised the shows, according to UNB.

The 9th edition of the

International Yarn and Fabrics Sourcing Fair is presenting the latest collection of natural and synthetic yarn and fabric and its blends, both for woven and knit sectors.

The 9th edition of the GAP Expo-2018 comprises readymade garment accessories and packaging used by the industry.

The 1st edition of the PRINTECH Bangladesh 2018 features machinery and technology related to apparel printing, highlighting their increasing demand along with the fast growing niche segment offering scope for product diversification and value addition.

Entry to the fair is free and the shows will be open till Saturday from 11:00am to 7:00pm.

Siddiqui Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association, Abdul Kader Khan, president of the BGAPMEA, and Abdus Salam Murshedy, president of the Exporters Association of Bangladesh, also spoke on the occasion.

Palestinians get 3G mobile services in West Bank

REUTERS, Ramallah, West Bank

Palestinian cellular providers launched high-speed data services in the occupied West Bank on Wednesday, narrowing a technological gap with Israel after a lengthy and costly Israeli ban on the operation of local 3G networks.

Two Palestinian companies, Jawwal and Wataniya Mobile, will compete with the West Bank's black market high-speed providers - Israeli cellular firms.

Industry experts said the Israeli providers already have a customer base of some 500,000 Palestinians using smuggled, pre-paid SIM cards that connect with 3G and 4G network cell towers in Israel and Jewish settlements.

Israeli cellular companies say they have no control over where the SIM cards - many of them purchased by Palestinians working in Israel and classified as illegal by the Palestinian Authority (PA) - are used.

EU fines Qualcomm \$1.2b over Apple mobile chip deals

REUTERS, Brussels

EU antitrust regulators hit US chipmaker Qualcomm with a 997 million euro (\$1.23 billion) fine on Wednesday for paying Apple to only use Qualcomm chips, rather than those made by rivals such as Intel.

The European Commission said its investigation, launched in 2015, covered the period from 2011 to 2016 and took into account Qualcomm's market dominance in LTE baseband chipsets, which enable rapid mobile broadband connections.

"Qualcomm paid billions of US dollars to a key customer, Apple, so that it would not buy from rivals. These payments were not just reductions in price - they were made on the condition that Apple would exclusively use Qualcomm's baseband chipsets in all its iPhones and iPads," European Competition Commissioner Margrethe Vestager said in a statement.

"This meant that no rival could effectively challenge Qualcomm in this market, no matter how good their products were," she said.

The fine represented 4.9 percent of Qualcomm's 2017 turnover, the Commission said.

Qualcomm shares fell as much as 5 percent in pre-market trading. Vestager told a news conference there would be no repercussions for Apple in the case.

EU antitrust regulators have come under pressure after European judges sent a case against US chipmaker Intel back to an EU court for an appeal. Intel was fined 1 billion euros in 2009 for paying computer makers to buy most of their chips from them.

Google has also appealed against a record 2.4 billion euro fine for giving prominent placements in searches to its shopping service and demoting rival offerings.

This is the Commission's first decision on market abuse since the Intel ruling last September. Vestager said the ruling had given guidance on how to prove its case.

"We have carefully examined the ruling and the evidence in our case to make sure that our decision fully complies with the guidance given by the court," she said.

Apple and Qualcomm are meanwhile locked in a wide-ranging legal battle over Qualcomm's business practices, which started a year ago, with Apple suing Qualcomm for nearly \$1 billion in patent royalty rebates that the chipmaker allegedly withheld from the phone maker.

China's state-owned firms to face more mergers, bankruptcies

REUTERS, Davos, Switzerland

CHINA'S state-owned enterprises will face more mergers and bankruptcies as the government overhauls the lumbering state sector, the head of the country's state asset regulator told Reuters.

In a rare interview with a foreign news outlet, Xiao Yaqing, chairman of the State-owned Assets Supervision and Administration Commission (SASAC), stressed Beijing's commitment to streamline its bloated and debt-ridden state-owned sector and create conglomerates capable of competing globally.

China embarked on a revamp of its state-owned enterprises (SOEs) in 2015 to tackle rising corporate debt and also to make them more profitable and responsive to market forces.

It has claimed progress in its SOE restructuring through mergers, reductions in excess capacity, the relocation of workers, closure of "zombie" firms, and implementing a controversial scheme under which debt is converted into equity.

"Our wish is for them to be bigger, stronger and more efficient. And this is what they're about to be in the future," Xiao told Reuters on the sidelines of the World Economic Forum in Davos on Tuesday.

He said the focus would be to strictly separate government functions from the SOEs' business operations, though it was vital for the ruling Communist Party to retain control of the state sector during the process.

The number of enterprises administered by the central government has been reduced to 98 from 117 in 2012.

The merger of China's top coal miner, Shenhua Group Corp, and



Chinese national flags flutter near a steel factory in Wu'an, Hebei province, China.

China Guodian Group Corp, among the country's top five state power producers, created the world's largest power utility worth \$278 billion.

When asked about further SOE consolidation, Xiao said the number of central government-owned companies would continue to decrease through mergers in "a voluntary process", though the SASAC did not have a target for this reduction.

Xiao also pointed out the importance of the relocation of workers during the reforms, saying that SOEs, with the help from local governments, ought to create programs to absorb laid-off workers after consultation with them.

"We do not want them to be laid off or just fired in this pro-

cess," he said. "We need them to be allocated into new positions."

Enterprises owned by China's central government reported robust growth in 2017, with total profit up 15.2 percent, the fastest in five years.

In the interview, Xiao attributed the rebound of SOEs' profitability to China's stable economic growth, rising commodity prices and ongoing state-sector reforms.

"We reduced a lot of 'zombie enterprises'. Now the management efficiency of the companies is significantly improved," he said.

The Communist Party's People's Daily reported this month that central government-owned SOEs had met their target of shutting 1,200 zombie enter-

prises by the end of last year.

Moreover, state-owned enterprises will target coal capacity cuts of 12.65 million tonnes in 2018, and will also aim to reduce excess capacity in coal-fired power, non-ferrous metals, shipbuilding and construction materials.

Xiao said SOEs' leverage is at "healthy levels", and bankruptcies and liquidation have only happened at second-tier companies, not at the holding group level.

SASAC has pledged to further lower debt ratios of central government-owned firms by another 2 percentage points by the end of 2020.

Xiao expects market-driven SOE bankruptcies to continue. "As long as you're market player, you have your good times

and you have your bad times, and sometimes you just go bankrupt," Xiao said.

As SOEs spearhead investment in infrastructure projects overseas under Beijing's Belt and Road initiative, the strengthened leadership of the Communist Party at SOEs is raising concerns that political factors will be prioritized.

The value of overseas assets held by China's centrally owned enterprises has exceeded 6 trillion yuan (\$940 billion), with investments in more than 185 countries and regions.

While saying the government will slowly move to play a less direct role in the business operations of state firms, Xiao defended the Communist Party's control of the state sector.

Imposing party discipline on state firms remains a key part in choosing top management and in fighting graft at SOEs, he said, adding that he did not see any conflict of interest between state political goals and commercial interests of SOEs.

"SOEs are owned by the general public, which means everyone in this country is a shareholder. Then we need a representative, which is the Chinese communist party, to supervise and play a scrutiny role for the companies," Xiao said.

Xiao said that during his meetings with CEOs in Davos, business leaders had expressed strong interest in China, in working with its SOEs and in the future of SOE reforms.

"I can't tell you what the SOE sector will be in 10 or 20 years, but we do hope that SOEs could be exactly like other companies: they will have higher liquidity of their assets and respond more efficiently to market changes," Xiao said.