

# India considers surcharge on sugar to subsidise farmers

REUTERS, New Delhi

Finance Minister Arun Jaitley said on Friday that five state ministers would consider ways to subsidise sugarcane growers suffering from weak prices, including possibly making consumers pay a surcharge in addition to the Goods and Services Tax (GST).

Expectations of a bumper sugarcane crop this year have led to falling prices and caused financial losses for sugar mills, which are seeking federal and state government support to cover what they owe farmers.

India is the second largest sugar producer after Brazil, and Prime Minister Narendra Modi is keen to placate the country's 50 million cane growers, who have an influential political lobby.

Karnataka, among the largest cane growers, holds state elections next week, while a national election is due by early next year. Earlier this week, the Modi government decided to offer a subsidy of 55 rupees per tonne to sugarcane farmers and it is now considering ways to raise funds through an additional levy on retail sugar prices.

India had abolished a surcharge on

sugar, or cess, after the introduction of the nationwide GST last year, but the central government has proposed reintroducing it in response to requests by some states.

Speaking to reporters after meeting state and central finance ministry officials attending a GST council, Jaitley said five ministers were expected to deliver other recommendations in the next two weeks, including "the imposition of a cess or temporarily increasing the tax."

Wholesale sugar prices fell by more than 10 percent in March from a year ago.

Industry officials last month said the amount owed by sugar mills to farmers could leap to a record 250 billion rupees (\$3.8 billion) in the 2017/18 season.

Analysts said a proposed additional levy of 2-5 percent would undermine the goal of the GST, which had been hailed as a landmark reform that would create for the first time a single market for India's 29 states.

Atul Gupta, a senior director at Deloitte India, said that reintroducing a surcharge would send a wrong signal, and urged the council to focus on steps to reduce evasion of GST in order to raise funds.

## BMW races into 2018 with sales, profits record

AFP, Frankfurt

German high-end carmaker BMW said Friday it booked a strong first three months with record first-quarter shipments and profits, confirming its targets for the full year.

Net profit at the Munich-based group added 1.2 percent year-on-year to reach 2.3 billion euros (\$2.8 billion).

But operating, or underlying profits fell 3.1 percent to 2.8 billion euros, on the back of revenues down 5.1 percent at 22.7 billion.

BMW said its turnover and operating profit were both braked by currency effects, arguing sales would otherwise have remained around the same level as last year.

Away from the figures, chief executive Harald Krueger highlighted "crucial strategic decisions" the firm had taken in the first quarter to lay the foundations for more connected, electric-powered future cars.



PARTEX STAR GROUP

Aziz Al Mahmood, managing director of Partex Star Group, which owns Danish Foods Ltd and Danish Condensed Milk BD Ltd, attends the launch of Danish Foods' Garden Fresh Instant Powder Drink and Danish Condensed Milk's Garden Fresh Fruit Drink at Lakeshore Hotel in Dhaka on Thursday.

## UK car sales rebound

AFP, London

Britain's new car sales rebounded slightly in April, industry data showed Friday, having slid a year earlier on taxation changes for high-polluting diesel vehicles.

New registrations for all cars rose 10.4 percent in April year-on-year to 167,911 vehicles, the Society of Motor Manufacturers and Traders (SMMT) said in a statement.

That was the first increase since March 2017 and snapped a 12-month run of sliding sales, as plunging demand for diesel vehicles offset a surge in electric and hybrid car purchases.

Overall sales began falling in April 2017 after the government overhauled car tax to hike duties on diesel automobiles.

The market's recovery last month was aided also by the timing of holidays -- with Easter Sunday and Easter Monday falling on April 1 and 2 -- and freezing March weather conditions which delayed some purchases.

"Demand was affected by a number of factors, including the timing of Easter, which meant two additional selling days this April, and March's adverse weather, which pushed some deliveries into April," the SMMT added.

"Most significant, however, were the VED changes that came into force last April, causing a pull forward into March 2017 and a subsequent depressed April market."

Despite rising overall sales, the sector remains blighted by slumping demand for diesel vehicles, as well as uncertainties arising from Brexit.

The number of new diesel-powered cars plunged 25 percent last month to 51,000, with demand sliding on UK government plans to improve air quality.

Consumers continued to ditch diesel cars for automobiles that are regarded as more environmentally-friendly.

Buyers also remain uncertain about any additional taxes and restrictions the government may seek to introduce for diesel vehicles. Britain's largely foreign-owned car sector meanwhile faces uncertainty over Brexit, with the nation scheduled to leave the European Union in March 2019.

"Political and economic uncertainty will continue to affect the market and further instability could cause additional disruption," noted SMMT chief executive Mike Hawes.

## Liquidity crisis brings cheer to state banks

FROM PAGE B1

Its total deposits stood at Tk 62,700 crore as of December.

Though the lowering of cash reserve ratio to 5.5 percent from 6.5 percent on April 3 has eased some liquidity stress, the scarcity of funds will continue in the long

run, said MA Halim Chowdhury, managing director of Pubali Bank.

The BB move poured in an additional Tk 10,000 crore to the banking system. As of January, the banking sector's total excess liquidity stood at Tk 77,700 crore, 43 percent of which were with the state banks.



KSRM STEEL

Md Jashim Uddin, senior deputy general manager for marketing and sales at KSRM Steel Plant Ltd, and Ma Juei, a project manager of China Communication Construction Company Ltd, attend a deal signing ceremony in Chittagong recently. KSRM will supply deformed bars to the Chinese firm for the construction of a multilane road tunnel under the Karnaphuli river.

## Top Greek banks would lose 15.5b euros of capital in stress scenario: ECB

REUTERS, Frankfurt

Greece's four biggest banks said on Saturday that no new funding plans were needed after stress test results showed they would lose around 15.5 billion euros of their capital by 2020 under an adverse economic scenario.

The health check by the European Central Bank, aimed at uncovering any capital shortage before Athens exits its 86 billion-euro (\$106 billion) bailout in August, was carried out separately from a stress test of other euro zone banks.

Test results for 33 lenders from other euro zone countries will be published in early November.

The ECB's stress test of Greece's four largest banks - Piraeus, NBG, Eurobank and Alpha - was done early to allow time for any possible capital shortfall to be filled before Athens leaves its bailout.

Among the banks, Alpha Bank performed best as its Common Equity Tier 1 ratio (CET1) would drop by 8.56 percentage points to 9.69 percent according to the adverse scenario of the test. It would drop by 8.68 percentage points to 6.75 percent for Eurobank, 9.56 percentage points to 6.92 percent for National Bank of Greece and 8.95 percentage points to 5.90 percent for Piraeus Bank.

According to the ECB, the 2018 health check was not a pass or fail exercise as no predetermined capital threshold was set that would trigger a need to recapitalize.

"Any recapitalisation decision will be taken on a case-by-case basis, after assessing each bank's situation in the light of the results of the stress test and any other relevant supervisory information, following a holistic approach," the ECB said.

After the release of the stress test results, Alpha Bank, National Bank and Eurobank said in separate statements that the input from SSM (Single Supervisory Mechanism) supervisors was that they had no capital shortfall and hence no capital plan was deemed necessary.

## Buffett says US and China will avoid 'something extremely foolish' on trade

REUTERS, Omaha, Nebraska

Billionaire Warren Buffett on Saturday said it is not likely that the United States and China will come to loggerheads on trade, saying the two countries would avoid doing "something extremely foolish."

"The United States and China are going to be the two super-powers of the world, economically and in other ways, for a long, long, long time," Buffett said at Berkshire Hathaway Inc's annual shareholders' meeting in Omaha, Nebraska.

"We have a lot of common interests and like any two big economic entities, there are times when they'll be tensions, but it is a win-win situation when the world trades," Buffett said.

"We will have disagreements with each other (both Democrats and Republicans) and we'll have disagreements with other countries on trade," Buffett said about a trade war.

"It has nothing to do with us," Dominguez said last Friday, according to the Inquirer, a Filipino daily. The planned settlement is between the Bangladesh government and a private sector bank, he said.

The Philippines government has taken action. "We have penalised the banks that have not followed our procedures and we have filed

possible out-of-the-court settlement. At a press conference in Manila, Muhith said a case will be filed with a New York court in partnership with the NY Fed but an out-of-court settlement has not been ruled out.

"We are open to all options but nothing is happening," he added. The Philippines government though is maintaining a safe distance over the issue.

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## DCCI stresses tax cuts, low bank interest

FROM PAGE B1

"If you consider the overall economy and investment scenario in terms of value, it is healthy as every year \$5 billion is augmenting our economy. But it is not good in percentage. The businesspersons are expanding their current capacity," he said. New small and medium entrepreneurs are struggling to get access to bank loans, he said.

Khan proposed raising the tax-free individual income ceiling to Tk 3 lakh from the existing Tk 2.5 lakh and reducing the tax rate on annual individual incomes of Tk 5 lakh to 5 percent from the existing 10 percent.

He also proposed gradually decreasing the annual corporate tax rate by 5 percent, 7 percent and 10 percent respectively in the next three fiscal years.

The corporate tax is currently 25 percent for listed companies and 35 percent for the non-listed ones.

For banks and insurance and financial institutions, the rates are 40 percent and 42.5 percent while for mobile companies they are 40 percent and 45 percent respectively. Merchant banks pay 37.5 percent.

The DCCI suggested forming a "National infrastructure development and monitoring advisory authority" to maintain expensive infrastructure as report sometimes emerged of some requiring the government to dole out repair costs within a few years of their construction.

Better infrastructure ultimately brightens the country's image, he said, citing the example of Hazrat Shahjalal International Airport, the poor condition and services at which was a turn off for prospective foreign investors.

Khan said the chamber does not support legalising ill-gotten gains but backs imposition of "very high" tax on legal earnings. Only borrowers with good track records should be allowed to take more loans so as to encourage more investment in employment generation, he said.

"We are not in favour of government recapitalisation in the banking sector. If any bank fails, let it go. It is a lesson for it," he said. Khan also advocated for the price of liquefied natural gas to be rational and for increases to be adopted gradually so as to not hamper business, for it was a new concept in Bangladesh.

## Manila refuses to hand over \$20m Rizal paid in fine

FROM PAGE B1

Sri Lanka sent back the entire sum immediately and the Philippines just \$15 million in November 2016.

Of the \$67 million yet to be retrieved, the Philippines authorities could trace \$52.50 million, which is now in possession of several individuals and companies.

Bangladesh has been trying for the last two years to get back the rest of the amount but in vain.

In January, a high-powered team of the BB went to the Philippines and upon its return said they are now considering filing a case against the bank with a New York court.

A BB official said they are preparing to file a case but at the same time are considering any

possible out-of-the-court settlement.

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## German minister calls for new EU trade deal with US

REUTERS, Berlin

German Economy Minister Peter Altmaier has called for a new European Union trade deal with the United States that would focus on the industrial sector and result in an overall reduction in tariffs.

Altmaier told the Frankfurter Allgemeine Sonntagszeitung that a stalled comprehensive US-European trade deal known as the Transatlantic Trade and Investment Partnership (TTIP) had "proved to be unrealizable", but added:

"We should talk about doing something new, such as an understanding concerning

selected industrial products."

This should result in a solution "in which tariffs overall go down, not up", he said.

In the run-up to June 1, the date when US President Donald Trump says he will impose steel and aluminum tariffs on the EU unless it makes concessions, Berlin is urging its European partners to show some flexibility and pursue a broad trade deal that benefits both sides.

But some countries are resisting. France, the other half of the motor driving European integration, resents Germany's big trade surplus and wants a tougher EU stance against the US tariffs.