Europe, US lurch closer towards trade war

REUTERS, *Paris*

With Italy in political turmoil, oil prices on the rise and North Korea tensions back on the burner, the last thing the global economy needs is a big lurch towards a trade war further clouding the outlook.

But that is exactly what the Trump administration faces if it does not extend temporary exemptions on steel and aluminium imports from Europe that expire on Thursday.

The Europeans have opportunities for last minute diplomacy when the Organisation for Economic Cooperation and Development holds its annual ministerial council in Paris on Wednesday.

For his part, French President Emmanuel Macron is to due to make the case for breathing new life into the international economic order in a speech before the OECD on Wednesday.

But there are few signs of US appetite for that ahead of talks between US Commerce Secretary Wilbur Ross and EU trade chief Ceclia Malmstrom on the sidelines of the OECD meeting.

"The question is how can we accept a situation where the Americans manage their dialogue with a rival like China the same way as with their allies without special treatment for being a US ally," a senior French diplomat said.

Even before Trump raised the specter of import tariffs, trade flows faced an increasing number restrictions as economies struggled to get back on their feet following the global financial crisis of 2008-2009.

G20 economies have put up 1,400 new trade restrictions over the last decade against only 200 liberalisation measures during the same period, according to an OECD tally.

OECD chief Angel Gurria said some governments were blaming globalisation, and by extension the broader multilateral trading system, rather than fixing bad policies that have failed to address voters' concerns about jobs going overseas.

"Globalisation does not have a face, globalisation does not have a neck from which you can hang it, so you use a proxy, the closest proxy is multilateralism," Gurria told journalists.

There is little prospect for a quick fix in the trade standoff between Washington and its allies after the Trump administration opened a new front on Wednesday by also threatening tariffs on auto imports.

US Treasury Secretary Steven Mnuchin will likely take flak over trade threats from his counterparts from other members of the Group of Seven economies when they meet in the Canadian Rocky Mountains on Friday and Saturday.

The prospect of a trade war is particularly a concern in Europe where the economy is already losing steam, complicating the European Central Bank's return to more conventional monetary policy as rising oil prices drive inflation higher.

"In this context, the ECB now faces a classic stagflationary shock, with higher inflation and slower growth," Oxford Economics Chief European economist James Nixon said in a research note.

"Nevertheless, we continue to believe the ECB will end quantitative easing this year in order to avoid the risk of second round effects at a time when there is clear evidence of increasing labour shortages," he added.

Preliminary May euro zone consumer price data due on Thursday will offer evidence of how close inflation has come to the ECB's just-below-2 percent target.

Economists in a Reuters poll predict on average that it rebounded to a 13-month high of 1.6 percent from 1.2 percent in April.

Among other data on the horizon next week are US non-farm payrolls on Friday for the month of May. Economists polled by Reuters forecast on average the world's biggest economy added 185,000 new jobs this month, up from 164,000 in April.

Drop in US aircraft sales drags down April durable goods

AFP, *Washington*

A sharp drop in sales of US civilian aircraft held down durable goods orders in April, offsetting strong gains in other areas, according to government data released Thursday.

Despite the overall decline, the numbers showed some signs of continuing health in the crucial manufacturing sector at the start of the second quarter. The April slump could still weigh on GDP growth, however.

Total orders for big-ticket manufactured items fell 1.7 percent for the month to $248.5 billion, slightly lower than economists were expecting. But for the year-to-date, orders were still up 9.6 percent over the same period in 2017.

Because of the disappointing result, Barclays lowered its forecast for second quarter GDP growth to 2.8 percent below President Donald Trump's three-percent target.

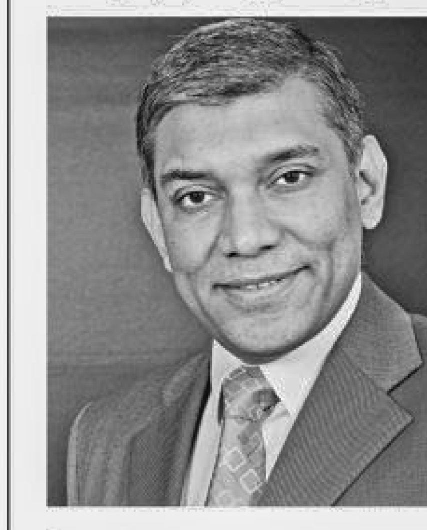
Volatile civilian aircraft sales fell 29 percent, giving back half of March's 60 percent increase and likely reflecting a decline in bookings by aerospace giant Boeing.

Auto sales rose a solid 1.8 percent ahead of the summer driving season, and defense aircraft rose 7.5 percent, reversing March's drop.

But outside the volatile transportation sector, which sees big swings from month to month, orders rose a healthy 0.9 percent from the prior month, the third straight monthly gain and faster than the 0.4 percent increase seen in March.

While orders for machinery fell, manufacturers in most other sectors saw significant increases, including computers and related products, and electrical and communications equipment.

Partex Star Group gets new CEO



STAR BUSINESS DESK

Partex Star Group has recently appointed a new chief executive officer for its complex-1.

Quazi Mohammad Shahed started his career at British American Tobacco Bangladesh and worked as chief human resources officer at Grameenphone and Telenor India, the group said in a statement yesterday.

He obtained a bachelor's degree in mechanical engineering from the Bangladesh University of Engineering and Technology.

BRAC BANK

Selim RF Hussain, CEO of Brac Bank, attends the first anniversary celebrations of women's banking solution Tara at the bank's head office in Dhaka recently.

S African trader AWOL in $80m bitcoin 'scam'

AFP, *Johannesburg*

An alleged bitcoin currency scam in South Africa has left speculators with losses of more than $80 million as an investment company admitted Friday its senior trader had disappeared without trace.

"This may prove to be the tip of the iceberg with potentially thousands more yet to discover they've lost money," said Yolisa Matakata of the Hawks police investigations unit.

"Unregulated, unusual investments at home or abroad come with a high risk that people could lose all their hard-earned pension and other savings," she warned.

BTC Global said that its services had been suspended after its primary trader, identified as Steven Twain, had failed to reply to emails requesting payments.

"We are as shocked and angry as everyone. But we all knew the risks involved in placing funds with Steven. We all became complacent," BTC Global said on its website.

"Until Steven Twain resurfaces or is found there is nothing the admin team can do."

South African police said they were investigating the alleged fraud, with more than 28,000 investors affected.

Police said the company had targeted potential investors with promises of two percent interest per day, 14 percent a week and 50 percent per month.

Payments to investors were reportedly made every Monday until they suddenly dried up.

Regulators worldwide are grappling with the boom in crypto-currencies like bitcoin, which lure investors with the promise of high returns but are not backed by any central banks.

On Thursday, a South African teenager was found four days after he was kidnapped by a gang who demanded a ransom in 15 bitcoins, worth about $123,000 (105,000 euros).

Police gave no details about any ransom payment.

Govt to recruit 60 engineers to beef up monitoring

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"Now, we are in discussion with the government and the other important stakeholders to determine what we will do next," he added. Some influential members, like H&M, Inditex and Primark, are already in discussion with the government on the next course of action with regards to Accord, said a union leader who is familiar with the talks surrounding the platform's extension.

"The issue should be resolved immediately as the major retailers of the world are the members of this platform," said the union leader requesting anonymity.

Currently, Bangladesh has about 6.5 percent market share in the global apparel trade and it could easily be taken to at least 11 percent with cooperation of the globally-renowned clothing brands, he added.

"Bangladesh's garment factories benefit materially, because buyers recognise that a factory that has completed its safety work presents far fewer risks for them," Accord earlier said in a statement.

Subsidy burden to be heavier

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Government staff will pay 5 percent interest for the loans, with the government bearing an additional 3 to 5 percent.

The subsidy in the power sector may be set at Tk 6,500 crore in fiscal 2018-19, up from Tk 6,000 crore this year.

Subsidies to the agriculture sector will go up to TK 9,500 crore from Tk 9,000 crore now, while export subsidy will increase by Tk 500 crore to Tk 4,500 crore as a number of new products have been added to the sectors that are eligible for cash incentives.

Food subsidy will remain unchanged at Tk 4,000 crore next fiscal year.

Pakistan seeks economic lifeline with fresh China loans

REUTERS, *Islamabad*

Pakistan expects to obtain fresh Chinese loans worth $1-2 billion to help it avert a balance of payments crisis, Pakistani government sources said, in another sign of Islamabad's growing reliance on Beijing for financial support.

Lending to Pakistan by China and its banks is on track to hit $5 billion in the fiscal year ending in June, according to recent disclosures by officials and Pakistan finance ministry data reviewed by Reuters.

The ramp up in China's lending comes as the United States is cutting aid to Pakistan following a fracture in relations between the on-off allies. In February, Washington led efforts that saw Pakistan placed on a global terror financing watchlist, drawing anger in Islamabad amid fears it will hurt the economy.

The new Chinese loans that are being negotiated will help bolster Pakistan's rapidly-depleting foreign currency reserves, which tumbled to $10.3 billion last week from $16.4 billion in May 2017.

The talks come only weeks after a group of Chinese commercial banks lent $1 billion to Pakistan's government in April.

The reserves decline and a sharp widening of Pakistan's current account deficit have prompted many financial analysts to predict that after the general election, likely in July, Islamabad will need its second International Monetary Fund (IMF) bailout since 2013. The last IMF assistance package was worth $6.7 billion.

Beijing's attempts to prop up Pakistan's economy follow a deepening in political and military ties in the wake of China's pledge to fund badly-needed power and road infrastructure as part of the $57 billion China-Pakistan Economic Corridor (CPEC), a key cog in Beijing's vast Belt and Road initiative. "I think this month we will get that $1-2 billion," said a senior Pakistan government official, saying the funds will come from Chinese state-run institutions.

A second government official confirmed Pakistan was in "sensitive" talks with Beijing over extra funding for up to $2 billion.

Pakistan finance ministry officials did not respond to a request for comment. China's finance ministry and central bank, who were faxed questions about the loans, did not immediately respond to requests for comment.

Although Pakistan's economic growth has soared to nearly 6 percent, the fastest pace in 13 years, the structural problems with the economy are coming to the fore. It is similar to 2013, when foreign currency reserves dwindled and Pakistan narrowly escaped a full-blown currency crisis.

"The current situation appears to be a replica of what we experienced in 2013, albeit on a slightly larger scale," said Yaseen Anwar, who was the governor of the central bank, the State Bank of Pakistan (SBP), back in 2013.

The darkening macroeconomic outlook prompted the IMF earlier this month to downgrade its economic growth forecast for Pakistan to 4.7 percent for the next fiscal year ending in June 2019, way below the government's own ambitious target of 6.2 percent.

Over the past nine months Pakistan has enacted a series of measures to combat its ballooning current account deficit, including hiking tariffs on more than 200 luxury items and devaluing its currency by about 10 percent.

In the six months to end of March, Pakistan took bilateral loans worth $1.2 billion from China, according to the Pakistan Finance Ministry document reviewed by Reuters. During this period the government also borrowed about $1.7 billion in commercial loans, mostly from Chinese banks, finance ministry officials added.

In April, Pakistan's central bank borrowed another $1 billion from Chinese commercial banks to buffer its reserves, State Bank of Pakistan Governor Tariq Bajwa told the Financial Times (FT). A spokesman for the central bank told Reuters the FT report was accurate.

The $1-2 billion under discussion would be in addition to that loan.

So far, all the measures appear to have had a limited impact on Pakistan's economy and foreign exchange reserves continue to plummet.

The collapse of the reserves is mainly due to the central bank's efforts to maintain an artificially strong rupee over the past few years, analysts say. The currency is now trading at about 115.50/116 to the US dollar, down 9.8 percent in last six months after two separate devaluations since December.

In the past three weeks, reserves have declined by $1.2 billion and now stand at two months worth of import cover.

"This new (Chinese) money is a temporary bridge until August or September, when a new government will come into office and the country will likely opt for a new IMF programme," said Saad Hashmey, chief economist at brokerage house Topline Securities. Hashmey and several other economists are predicting another currency devaluation by the end of 2018.

Pakistan may also seek help from Saudi Arabia. The Middle Eastern ally loaned $1.5 billion to Pakistan in 2014 to shore up its foreign currency reserves.

The scale of the task facing Pakistan is huge as the current account deficit widened to $14 billion in the first 10 months of the current fiscal year, according to SBP data. Dollar-denominated debt repayments in 2018 are also expected to top $5 billion, analysts say.

Recover Tk 25,000cr black money next fiscal year: BEA

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Apart from recovering black money and the siphoned-off funds, the BEA suggested imposition of wealth tax, higher collection from alcohol, land the transport sector. The platform of economists said less than 100 pay Tk 1 crore or above in taxes a year at present.

But as per its estimate there are at least 50,000 individuals with the capacity to pay such sums of tax a year.

Subsequently, it advised the government to form a revenue commission by involving experts from various professions. It also urged the government to keep the income tax rate for individuals between 3 percent and 10 percent and come up with measures to detect the high income earners.

The BEA also called for: steps to ensure jobs for all unemployed, export incentive for firms producing high-value items, continuation of farm subsidy and allocation in the budget for old homes and insurance schemes for marginal and landless farmers.

It also proposed raising public investment gradually to 8 percent of GDP and quadrupling the investment in the health sector. BEA General Secretary Jamaluddin Ahmed read out part of the proposal at the event.

China praises Bangladesh as investment destination

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He said Chinese companies can focus more on ship-building, pharma-ceuticals, agro-processing, light-engineering, jute, ICT, infra-structure and tourism to pour their money into.

"There are numerous areas to further expand the ever-increasing trade and investment cooperation between Bangladesh and China."

AGRANI BANK

Zaid Bakht, chairman of Agrani Bank, presides over the bank's 11th annual general meeting at its head office in Dhaka yesterday. The bank's net profit increased 197 percent year-on-year to Tk 676 crore in 2017.