

# China fiscal policy has 'ample room' to support economy

REUTERS, Beijing  
China's fiscal policy has "ample room" to support the economy, the central bank's chief researcher said in an opinion column on Friday, adding that the policy has not been active enough.

China's budget deficit goal this year of 2.6 percent indicates a contractionary fiscal policy and this year's actual deficit ratio should be higher than last year's 3 percent, Xu Zhong, the research head at the People's Bank of China (PBOC), wrote for the financial media website Wallstreetcn.com.

Chinese officials have long stated China would maintain a proactive fiscal policy. The government should use fiscal funds to replenish the capital of state-owned financial institutions and ease the strain in financial market deleveraging, Xu wrote.

The latest comments by Xu echo those from economists that China could deploy a much more active fiscal policy and fine-tune its monetary policy to shore up growth amid a slowdown in the world's second-biggest economy as it extends a prolonged crackdown on financial risks and battles a heated trade war with the United States.

"China's fiscal policy cannot be active if

it still keeps a lid on local government debt," wrote Xu.

Chinese regulators are in the third year of a campaign to clamp down on riskier lending practices. The so-called shadow banking sector has been a particular headache, being a source of off-balance sheet loans for local governments and their financing vehicles (LGFVs).

Local governments have been banned from providing implicit guarantee to LGFVs and some have halted several infrastructure projects.

Xu said that some local governments still have room for "leveraging" and could play a key part in ensuring a stable growth rate for the economy.

Polymakers have been trying to strike a delicate balance between the need for tougher supervision and reforms and ensuring the stability of the financial system, while keeping economic growth on track.

Analysts in a Reuters poll have raised their 2018 growth forecasts for China's economy to 6.6 percent, up from an April forecast of 6.5 percent - a surprising result given an escalating trade war with the United States, as they see a deleveraging drive and pollution crackdown having less of an impact than initially expected.

## US hedge fund demands \$770m from S Korea over Samsung merger

AFP, Seoul

A US hedge fund is demanding almost \$800 million from South Korea at an international tribunal over the controversial merger of two units of the giant Samsung conglomerate, officials said Friday.

The 2015 deal, in which fashion, food and leisure operator Cheil Industries took over construction company Samsung C&T for \$8.0 billion, featured in the sprawling corruption scandal that brought down ousted president Park Geun-hye.

The transaction -- which activist fund Elliott Associates and other shareholders said willfully undervalued C&T -- was seen as a key step to ensuring the succession of Samsung heir Lee Jae-yong.

It went through after the National Pension Service (NPS) -- C&T's biggest shareholder -- approved it.



Md Mahbubul Alam, chairman of Business Initiative Leading Development (BUILD), speaks at a policy dialogue on "Regulatory Predictability and Private Sector Development" organised by the BUILD with International Finance Corporation's (IFC) support at a Dhaka hotel on July 12. Md Nojibur Rahman, principal secretary to the prime minister, and Wendy Werner, country manager of IFC for Bangladesh, Bhutan and Nepal, were present.

## Dutch court backs record 1.3b euro Ageas deal over Fortis

AFP, The Hague

A Dutch court Friday ended a long-running saga over the 2008 dismantling of the Fortis bank insurance group, approving a record 1.3 billion euros (\$1.5 billion) settlement deal for out-of-pocket shareholders.

The Amsterdam appeals court ruled that the deal, initially brokered in March 2016 between the Belgian insurer Ageas and lawyers representing the shareholders, was "binding."

Drawing the curtain on a seven-year legal battle, it overturned an earlier court decision in June 2017, which had ruled the decision was "non-binding".

"The settlement is intended for anyone who was a shareholder of the then Belgian/Dutch Fortis in the period from 28 February 2007 up to and including 14 October 2008," the Amsterdam court said in its final ruling in the case.

"A total of over 1.3 billion euros is available for these shareholders," it added.

It was not immediately clear how many shareholders could be eligible, but earlier court filings said it was thought to be at least 150,000 to 200,000 people.

The Belgian-Dutch Fortis group was dismantled and partly nationalised in October 2008 at the height of the global financial crisis.

Its Dutch banking and insurance assets were nationalised by the Netherlands for 16.8 billion euros, while its Belgian banking arm was taken over by French giant BNP Paribas.

The Belgian insurance section, Fortis Holding, was then renamed Ageas in 2010.

Shareholders claimed they lost millions of euros because the bank's management had lied to the markets insisting Fortis was financially healthy in 2008 when in fact it was on the brink of collapse.

## China auto firms to set up ride-sharing platform

REUTERS, Shanghai

Chinese firms FAW Group, Dongfeng Automobile and Chongqing Changan Automobile have set up a venture to establish a ride-sharing platform, Changan said on Saturday, creating the kind of service pioneered by Uber.

"The three major car companies have joined forces to enter the field of shared travel, which provides an opportunity to transform traditional car enterprises," a notice posted by Changan on its Wechat social media account said.

The new venture, called T3 Mobile Travel Services, would introduce partners from other industries to build the service and seek to make use of the development of driverless cars to offer safer and more efficient travel services to customers.

The three firms signed a cooperation agreement in December.

A business delegation of Bangladesh Indenting Agents' Association led by its president, Muhammad Ayub, meets Chinese Ambassador to Bangladesh Zhang Zuo at the embassy in Dhaka on July 12.



## Mistrust towards banks an 'ominous sign'

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Kabir was addressing a conference titled "Prevention of money laundering and terrorist financing" jointly organised by the Association of Bankers, Bangladesh (ABB) and the Association of Anti-Money Laundering Compliance Officers of Banks in Bangladesh at Pan Pacific Sonargaon Dhaka.

The country's exports have not increased in comparison to higher imports of industrial raw materials, he said, asking

bankers to follow a cautious policy.

Mobile financial services have been playing a key role in expediting the country's financial inclusion but simultaneously the service is being misused, Kabir said.

Bangladesh Bank Deputy Governor Abu Hena Mohd Razez Hasan, Bangladesh Financial Intelligence Unit Adviser Deb Prasad Debnath and ABB Chairman Syed Mahbubur Rahman also spoke among others.

## Light engineering shows signs of strength

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Mafia Engineering has supplied six small-scale film blowing machines so far this year and has now orders to make eight such machines.

Titu is one of 40,000 light engineering product manufacturers who are catering to sectors such as agriculture, automobile, pharmaceuticals, food industries and ship-building, helping the country cut import dependence and costs.

Shankar Chandra Mondal, owner of Raja Engineering Works on Tipu Sultan Road in Old Dhaka, manufactures spare parts for textile machineries and different kinds of gears. He started the business in 1991 and can repair all kinds of textile machines. Raja Engineering Works also manufactures zipper plate and clamp manufacturing machines for the textiles sector, said Mondal.

Similarly, Monoranjan Modal, who also has a workshop on Tipu Sultan Road, manufactures patterns for machines used in car engines, saw mills and jute mills. He said profit is very limited and he has no scope to expand because of a lack of capital.

Md Abdur Razaque, president of Bangladesh Engineering Industry Owners Association, said, "We are providing support to industrial, agricultural and construction sectors by manufacturing a wide range of spare parts, castings, moulds and dices, oil and gas pipeline fittings and light machinery. We also repair them."

Electrical products like switch, socket, light shed, channel, cables and electrical fans, and generators manufactured by the light engineering sector now meet 48 to 52 percent of the country's demands, which were earlier met through imports, he said.

The market size of light engineering machinery and spare parts was about Tk 25,000 crore in 2017, Razaque said. This is up from Tk 20,000 crore a decade ago.

The Business Promotion Council under the commerce ministry estimates that local light engineering industries produce 3,815 types of machinery, spares and accessories.

The Bangladesh Investment Develop-

ment Authority said more than 90 percent of light engineering industries meet local demand. It lists the sector as one of the important areas for investment owing to its potential for both domestic and foreign markets.

A number of light engineering products are also exported either directly or via subcontracting. These include spare parts of paper and cement mills, bicycle, fancy light fitting, construction equipment, iron chain, cast iron article, carbon rod, and automobile spares, according to a paper of the Export Promotion Bureau.

According to the EPB, this newly emerging sector has witnessed exponential growth and contributed about 1.5 percent to the export earnings in the financial year that ended in June 2016. The EPB data showed that engineering products fetched \$510.08 million in 2015-16.

Razaque said modernisation is taking place in the sector. Use of computerised machinery is expanding gradually. "These advanced machines help increase productivity and quality," he said.

He said the sector needs trainers to develop skilled workforce as well as the government's policy support to flourish, as its growth is very sluggish in absence of investment and government's support.

"The potential of the sector is immense, but it has remained untapped for years because of lack of support," he said.

"Our mechanics with no academic qualification can manufacture almost everything riding on their quick learning skills. Training can improve their skills."

Razaque urged big business groups to invest in the sector so that it develops into high tech engineering.

Agrani Bank Chairman Zaid Bakht, who conducted research on the sector, said the sector has a bright future in Bangladesh and contributes to the industrial sector.

"The sector needs sophisticated technology for rapid growth and there is no scope to ignore it, as it contributes about 2 percent to the GDP," he said.

# J&J vows to overturn \$4.7b talc verdict but experts see hurdles

REUTERS, New York

Johnson & Johnson has vowed to appeal a \$4.7 billion verdict awarded to 22 women who claim asbestos-contaminated talc in the company's products gave them ovarian cancer by arguing the plaintiffs' science was flawed and the case should not have been heard in Missouri.

But several legal experts said that even though J&J has been successful in winning appeals of other talc cases in Missouri, it will face a challenging road in appealing the verdict handed down on Thursday in the Circuit Court of the City of St. Louis.

John Beisner, a lawyer for Johnson & Johnson, said, "One of the hardest things will be prioritizing what to appeal first." He described to Reuters the company's jurisdictional and scientific arguments for overturning Thursday's verdict.

In a statement responding to the verdict, J&J reiterated its position that its products never contained asbestos and were not carcinogenic.

Thursday's verdict is the largest to date arising from lawsuits alleging talc-based products like J&J's baby powder have caused cancer. The jury reached its decision in less than a day, following five weeks of expert testimony from both sides.

The stakes are potentially high for J&J, which is

facing 9,000 cases nationwide over talc. The company has had previous success in overturning large verdicts in talc cases as well as others alleging harm from its products.

But several legal experts said Missouri courts, including at the appellate and supreme court level, were historically plaintiff-friendly and could prove unresponsive to J&J's arguments.

"J&J has strong arguments, but unless they get to certify this case to the US Supreme Court, which are very long odds, this decision is likely to stand," said Lars Noah, a law professor at the University of Florida. He said he expected J&J would go through the appeals process but would ultimately wind up settling the case.

Beisner said he was not aware of any interest in settlement. "Our attention will remain focused on the appeals from this and the other trials awaiting review."

Beisner said jurisdiction will be one major basis for J&J to appeal Thursday's verdict. Most of the 22 plaintiffs were not Missouri residents, and he said they should not have been allowed to sue New Jersey-based Johnson & Johnson in St. Louis under a recent US Supreme Court decision that severely restricted state courts' jurisdiction over injury lawsuits brought by non-residents against out-of-state companies. J&J seized on that deci-

sion to successfully overturn previous talc verdicts in Missouri. Mark Lanier, the plaintiffs' lawyer who won Thursday's verdict, said he was ready for that argument.

Lanier said his team amassed "hundreds of pages of evidence" showing lobbying efforts and baby powder focus groups J&J conducted in the state. He also spotlighted the claim by 15 of his non-resident clients that they used a specific short-lived J&J talc-based product manufactured by Missouri-based contractor.

"I hope they focus their appeal on jurisdiction because I'm confident we'll win that," Lanier said. He did say that he expects the punitive damages award to be halved during the appeals process due to a Missouri state law that caps such damages, but is confident the verdict would stand overall.

The \$4.69 billion in total damages includes \$550 million in compensatory damages and \$4.14 billion in punitive damages.

Elizabeth Burch, a law professor at the University of Georgia, said that even under the new Supreme Court guidance, the women's claim that they used the specific product, if true, provided "a pretty strong link to Missouri."

At trial J&J had unsuccessfully sought to cast doubt on the 15 women's claims to have used the same product that was only available for a few months, depicting it as a ruse designed to bypass the jurisdiction issue. Beisner said J&J would make the same argument on appeal.

Along with jurisdictional arguments, Beisner said the company would continue to put forth its case that scientific studies overwhelmingly show talc itself is safe and the company's talc-based products never contained asbestos.

"None of plaintiffs' experts were able to put forward a valid theory and there is simply no science to support what they call asbestos in the product," said Beisner.

J&J says decades of testing by laboratories and independent agencies, including a study by the US Food and Drug Administration, support its position. The company said plaintiffs' tests showing asbestos contamination were "junk science."

But Lanier argued that it was the agencies and labs cited by J&J that used flawed testing methods that failed to detect asbestos.

Noah said Missouri judges have historically applied a lower standard than federal court for admitting scientific evidence. Last year the state passed a law requiring its courts to adopt the federal standard, but he said state courts would be interpreting that requirement for years to come.

"Missouri judges aren't going to suddenly change their tune," Noah said.



Containers of Johnson's baby powder made by Johnson and Johnson are displayed on a shelf in San Francisco, California on Friday.

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Earlier this year, four state-owned banks and the Investment Corporation of Bangladesh, acting on the government's instruction, injected Tk 715 crore in fresh equity into Farmers Bank to rescue it from the liquidity crisis.

Farmers Bank, which was given a licence on political consideration in 2013, has landed in choppy waters within a few years of its establishment thanks to disbursing more than half of its total outstanding loans

of Tk 5,130 crore through malpractices, BB investigations found. The central bank has held the private bank's former chairman Muhiuddin Khan Alamgir, also an Awami League lawmaker, and ex-chairman of its executive committee Mahabubul Haque Chisty responsible for a series of scams.

The two resigned from the bank board in November last year after the BB asked them to quit over their alleged involvement in loan scams. The bank has repeatedly failed to repay depositors' money on time.