India, US closing in on package deal to remove trade irritants

REUTERS, New Delhi

Indian farmers and US manufacturers of medical devices could be among the main winners in a trade package under negotiation, as Washington and New Delhi look to remove long-standing irritants to ties, sources familiar with the talks said.

Having skirmished for months over tit-for-tat tariffs on steel and some agricultural products, the two sides began talks in June that also cover India's concerns over US steel tariffs and US problems with Indian tariffs on imported IT equipment.

"We are closely negotiating a discrete package of trade issues. It will amount to a pretty substantive agreement," said a source with knowledge of the negotiations.

Neither the office of the United States Trade Representative or India's trade ministry responded to a request for comment.

The source said the two sides expected to close the deal in the next few weeks.

US President Donald Trump, who dislikes multilateral trade agreements, said earlier this month that India had approached the United States to "start doing a trade deal," without giving any details.

The current discussions, however, are focussed on removing outstanding sources of friction, and are not aimed at creating a bilateral free trade agreement, sources from both sides said.

Having already waded into bigger fights with China and the European Union, Trump has previously called out India for unfair trade practices. At an estimated $126 billion, US goods and services trade with India last year was less than a fifth of its trade with China.

REUTERS/FILE

A man holds the flags of India and the US while people take part in the India Day Parade in New York.

Unlike some other countries India failed to be given a waiver after the Trump administration imposed new import tariffs on steel and aluminium imports in March.

New Delhi retaliated by raising tariffs on a number of US products but has held back from implementing them while it negotiates a package to soothe ties. The tariffs were to go into effect from Monday midnight but the government issued an order saying these had been deferred until Nov. 2.

"Our relationship with the US unlike many other nations has not deteriorated," said an Indian government official involved in the talks. "But if you think relations have become very friendly with a lot of bonhomie, I don't think that has happened either."

US companies are hungrily watching an Indian economy that is growing at more than 8 percent, as they seek presence in a market that has potential for massive growth.

One of the most prominent trade issues to erupt during Trump's presidency has involved India's treatment of medical devices imported from the United States. Last year, US exports of medical devices and equipment to India totalled $863 million.

India last year equated high profit margins of medical device makers with "illegal profiteering", capping prices for some heart stents - small wire-mesh structures used to treat blocked arteries - and knee implants, to help poor patients.

That measure provoked a storm of criticism from US companies, such as Abbott Laboratories, Johnson & Johnson (J&J) and Boston Scientific, which said such controls hurt innovation and future investment plans.

In June, India's federal think tank Niti Aayog invited industry views on a new policy which would cap trade margins, and not prices, to help patients while allowing the industry "reasonable profits".

Two Indian government sources said the think tank had recommended allowing a maximum 65 percent trade margin — the difference between the price at which a company sells to its stockists, after recovering its operational expenses, and the price paid by patients.

The recommendation has still to be accepted by Prime Minister Narendra Modi's office, another source said.

UNNAYAN SHAMANNAY

Atiur Rahman, former governor of Bangladesh Bank, meets Yuba Raj Khatiwada, finance minister of Nepal and former governor of Nepal Rastra Bank, at the latter's office in Kathmandu yesterday. They recalled working together as governors and shared potentials of sub-regional cooperation.

Alibaba's Jack Ma says US-China trade friction could last 20 years

REUTERS, Shanghai

Alibaba chairman Jack Ma said on Tuesday that trade frictions between the United States and China could last for two decades and would be "a mess" for all parties involved, citing weak trade rules.

Ma was speaking at an Alibaba investor conference hours after Washington said it would impose duties on an extra $200 billion worth of Chinese imports, drawing a warning from Beijing that it would retaliate.

Ma said trade tensions would likely impact Chinese and foreign companies immediately and negatively. He predicted that Chinese businesses would move production to other countries in the medium-term to get around the tariffs. "You may win the battle, but you lose the war," Ma said at the shareholder event in Hangzhou.

Pakistan PM Imran Khan leaves for Saudi Arabia amid bailout speculation

REUTERS, Islamabad

Pakistani Prime Minister Imran Khan left for Saudi Arabia on Tuesday, the foreign office said, amid speculation he may be seeking economic assistance from a staunch ally instead of another IMF bailout.

Khan, on his first international visit since taking office last month, was accompanied by Finance Minister Asad Umar and Foreign Minister Shah Mehmood Qureshi at a time when the country is trying to avert a balance of currency crisis stemming from a large current account deficit.

Analysts say a fresh bailout package from the International Monetary Fund, which would be its 13th since late 1980s, is inevitable.

But Umar recently said an IMF rescue was a "fallback option" and that the government was exploring other avenues for assistance, which was broadly interpreted as Islamabad seeking help from China and Saudi Arabia, both of which have provided vast loans in the past.

"The Prime Minister will call on His Majesty King Salman and hold a bilateral meeting with the Crown Prince," Pakistan's foreign office said in a statement. "The two leaders will discuss issues of bilateral interest."

In 2014, six months after Pakistan obtained its last IMF bailout, Saudi Arabia loaned Pakistan $1.5 billion, which the government used to strengthen its rupee currency.

Pakistan's current account deficit widened 43 percent to $18 billion in the fiscal year that ended June 30, while the fiscal deficit has ballooned to 6.6 percent of the economy.

ICSB

Md Selim Reza, vice president of the Institute of Chartered Secretaries of Bangladesh (ICSB), and Itrat Husain, former president, calls on CQK Mustaq Ahmed, chairman of Financial Reporting Council, at his Mohakhali DOHS office in Dhaka yesterday.

Trade unions oppose provision of draft labour law

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The Skop leaders said the provision was discriminatory and two different laws for the same issue could not exist in a country. They urged the government to ensure equal treatment for both public and private sector employees.

Speaking at the media briefing, Chowdhury Ashiqul Alam, general secretary of rights group Bangladesh Trade Union Kendra, said many of the proposals recommended by the union leaders during the drafting of the law have not been included in the final version.

Labour rights will not be protected if the proposals of the Skop are not fully incorporated in the final law, he said.

In a written statement, Naimul Ahsan Jewel, joint coordinator of the Skop, said there were no trade unions in most of the factories.

In such cases, Workers' Participation Committees (WPCs) will act as trade unions. But the WPCs might not be able to defend labour rights because owners may influence the committees, he said.

The Skop leaders urged the government to formulate the labour law as per the provisions of the ILO to properly protect the rights of workers.

India's struggle to defend rupee shifts focus to rate hikes

REUTERS, Mumbai

Investors have increased bets that India's central bank will need to raise interest rates at least two more times this year to shore up the battered rupee after authorities' previous efforts to defend the currency failed to sway markets.

The government's latest measures to support the rupee announced last week were particularly underwhelming for market participants, who have since increased bearish positioning on the currency.

At the same time, policymakers' failure to stem the rupee's slide using central bank intervention and other means over the past month has shifted investor focus to the need for interest rate hikes to do the job.

Since August, money markets have gone from pricing this year's third 25 basis point RBI rate hike to pricing a fourth.

Rate hikes "will be far more effective to bring down the premium investors are demanding from ... India," said Jahangir Aziz, head of emerging market economics research at JP Morgan, who now expects two more hikes instead of one.

India's rupee has been punished for the country's widening trade gap and swept into the broader emerging market turmoil caused by rising US interest rates and an escalating US-China trade conflict. It is Asia's worst performing currency this year.

Heavy central bank interventions have not meaningfully slowed the weakening trend and administrative steps announced by the government late last week to reduce domestic dollar demand were met with more rupee selling.

Most of the money market repricing has come on the back of a slowdown in the RBI's currency interventions in recent months.

Data shows RBI spent $6.2 billion defending the rupee in June. This eased to $1.8 billion in July when markets stabilised, and is estimated to have remained around $2 billion in August despite renewed market volatility.

Traders believe intervention picked up in September as the RBI tried to protect the rupee from slipping past the 73 dollar level. The rupee touched a record low of 72.92 mark and traded at just above 73, some 13 percent lower year-to-date.

Since April, the RBI is believed to have spent $20-25 billion to defend the rupee, yet the currency has continued to weaken.

"The RBI needs to be more tactical in intervening," said A. Prasanna, chief economist at ICICI Securities Primary Dealership in Mumbai, who also expects 50 basis points of hikes by December.

Prasanna warned, however, that taking the foot off the pedal completely could backfire as depreciation expectations could become self-fulfilling.

A senior government official early last week said a rate hike might be on the cards, in a radical change of tack from government officials who previously complained about RBI hikes.

StanChart gets new HR chief

STAR BUSINESS DESK

Standard Chartered Bangladesh has recently announced appointment of Khairun Nahar Haque Urmee as country head of human resources.

She was previously senior human resources business partner at the bank's Malaysian wing.

Urmee joined as a management trainee in 1998 in Bangladesh and has taken on various roles, the bank said in a statement yesterday.

She holds a Master of Development Studies degree from Brac University and a Bachelor of Business Administration degree from the Institute of Business Administration at the University of Dhaka.

Rising middleclass brings cheers for supermarkets

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The IDLC report said the supermarket industry's market size was around Tk 1,500 crore in 2015. With rapid urbanisation, the industry is expected to grow by 15 times by 2021 from the current one.

Yet, the share of the supermarket in terms of general trade is very insignificant: it stands at only 1.52 percent, indicating an untapped potential for further growth of the sector.

Bangladesh's consistent economic growth of over 7 percent for the last three fiscal years and the rising middle and affluent class who are estimated to be around two crore will drive the growth of the supermarket in the years to come.

Per capita income rose to $1,751 in the last fiscal year. Bangladesh is the 42nd largest economy in the world in nominal terms and 31st largest by purchasing power parity.

The consumers belonging to the middle and affluent class want to buy everything under a roof and here comes the supermarket where a wide array of products are available -- groceries, dry foods, fish & meat, household goods and equipment, electronic items, clothing and so forth.

"We want to double our outlets to 150 by two years to strengthen our market shares," Khan said.

Mahbubul Haque, acting branch in-charge of Agora's Uttara outlet, said an increasing number of customers were coming in to their outlets.

Zakir Hossain, general secretary of the Bangladesh Supermarket Owners Association, recalled that though the super shop culture was introduced 17 to 18 years ago, they had to struggle a lot to attract customers who were not familiar with the concept.

"Now many consumers prefer super shops to traditional marketplaces because of their convenience and quality of products," he said.

Hossain, however, said an existing 4 percent sales tax has created a burden, often deterring customers from making purchases at supermarkets.

EU business group laments China's 'reform deficit'

AFP, Beijing

Foreign companies cannot compete on a level playing field in China because the world's second-largest economy is stuck in a "reform deficit", a European business group said Tuesday.

Despite four decades of booming growth, Beijing has fallen behind on pledges to implement reforms and liberalise its economy, the EU Chamber of Commerce in China wrote in its annual report.

The comments come as China-US trade tensions fray, with Donald Trump on Monday announcing new tariffs on $200 billion in Chinese goods that will take effect next week.

"The root cause of the US-China trade war is China's incomplete market opening," said Mats Harborn, president of the EU Chamber.

"Reducing the reform deficit should also help with reducing tensions in the ongoing trade war," he added.

The 394-page position paper details the problems EU firms face in China, and represents the voices of 1,600 European companies, including big names such as Siemens, Volkswagen and Airbus.

The chamber said it received "a clear no" when it asked members whether international companies compete on a level playing field in China.

European firms face myriad issues in China, the report said, including preferential treatment for monopolistic state-owned companies, market access barriers and government red tape, as well as intellectual property protection and forced technology transfer.

10 firms to invest $220m in two years

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Ruhul Alam Al-Mahbub Manik, chairman of Fair Group, which got 3.5 acres of land, said they might set up a research and development centre that would work with artificial intelligence.

Fair Group, which is Samsung's local manufacturing partner, has started making different kinds of mobile handsets, refractors, microwave ovens and air conditioners in their plant in Narsingdi and the associated research and development might be run in Bangabandhu Hi-Tech City.

The authority has already signed agreements with the companies, renting out the land for 40 years at an annual rate of $2 per square metre.

Companies which are able to develop or manufacture products and services for export will get extra tax benefits.

"We are ready to give them more benefits but for that they also need to show what they are giving to the nation," Begum added.

The companies have also been directed to start developing their infrastructure within the next six months and to complete all of it within the next three years.

Prince Mojumder, co-founder and chief executive officer of Genex Infosys, the country's largest BPO company, said they were ready to move their firm but a train station over there along with facilities for employees needed to be up and running.

The government aims to earn $5 billion from ICT exports and generate 20 lakh jobs in the sector by 2021.

Azharul Islam, chairman of Uttara Bank, speaks at the bank's "Branch Manager's conference-2018" at its training institute in Dhaka recently. Mohammed Rabiul Hossain, CEO, was present.

UTTARA BANK