EU launches Asia strategy to rival China's 'new Silk Road'

AFP, *Brussels*

As doubts grow over China's vast "Belt and Road" trade infrastructure project, the EU is launching an alternative plan for Asia that it says will not saddle countries with debt they cannot repay.

EU member countries are expected to sign off on the new "Asia connectivity strategy" -- which aims to improve transport, digital and energy links while promoting environmental and labour standards -- in time for a major summit of European and Asian leaders next month.

Brussels insists the scheme is not a response to any other player, but its launch comes as the sheen fades on Beijing's "new Silk Road" initiative, which envisions railways, roads and ports being built across the globe using billions of dollars in Chinese loans.

Federica Mogherini, the EU's diplomatic chief, said talks have been going on for several months with a number of Asian countries that were "interested in looking at the European way".

"Our initiative will aim at creating jobs and economic growth and benefits for the local communities," she told reporters.

"I would not say if this is different from other's proposal but this is our proposal."

The new strategy comes after European Commission President Jean-Claude Juncker called for a more muscular EU foreign policy to match the bloc's economic clout, taking on not just US President Donald Trump's "America First" approach but also China's energetic involvement in Africa and Asia.

Maaike Okano-Heijmans, an EU-Asia relations expert at the Clingendael Institute in the Netherlands, said the initiative was a "very important step" after criticism of the EU in some quarters that it has been slow to respond to Chinese soft power plays.

"We cannot accuse them of not having a vision any more. The challenge is how to turn this into something that's really an alternative to some countries. Because that requires money and more money and more money," Okano-Heijmans told AFP, saying "nobody can rival Chinese money".

President Xi Jinping said earlier this month that China's trade with Belt and Road countries had exceeded $5 trillion, with outward direct investment surpassing $60 billion.

But some countries are beginning to question whether the strings attached to the money make it more of a burden than a benefit.

While much of the hard detail of the EU scheme -- including the vital question of finance -- is yet to be worked out, the proposal stresses the importance of "high environmental and social standards" and of the "fiscal and financial sustainability of infrastructure projects".

This appears designed to directly address a major criticism of the Belt and Road plan, launched in 2013, that the apparent Chinese largesse is effectively creating debt traps.

These fears were highlighted last year when Sri Lanka had to grant a 99-year lease on a strategic port to Beijing over its inability to repay loans for the $1.4-billion project.

Concerns have grown and, in August, Malaysia said it was shelving three Beijing-backed projects, including a $20 billion railway, while Pakistan -- until recently an enthusiastic recipient of Chinese money -- has vowed more transparency amid fears about the country's ability to repay loans.

And as cyber security becomes an increasingly important consideration for governments around the world, the EU's insistence on transparency may prove more appealing than involvement in China's "digital Silk Road", said Philippe Le Corre of the Europe and Asia Programs at the Carnegie Endowment for International Peace.

"It's basically allowing Chinese telecoms companies to build infrastructures in these countries, gifting access to portals and e-commerce platforms, anything digital," Le Corre told AFP.

"You're basically having a Chinese footprint on a very long term and you're not leaving an alternative."

Some countries are beginning to realise, Le Corre said, that "it's not good to put all your eggs in the same basket and that being a dependent of the Chinese empire is a big risk, certainly when it comes to controlling information and controlling technology".

NOVARTIS

Riad Mamun Prodhani, managing director and country president at Novartis (Bangladesh) Ltd, and Paolo Agbotounou, country head for Sandoz Division of Novartis (Bangladesh) Ltd, receive "Dream Companies to Work For" award in pharmaceutical sector at "Bangladesh Best Employer Brand Awards-2018" at the Radisson hotel in Dhaka on September 23.

AB BANK

AFM Shahinul Islam, a general manager of Bangladesh Bank, and Syed Mizanur Rahman, head of retail and agent banking of AB Bank, attend a school banking conference in Kushtia on September 22. AB Bank organised the conference as the lead bank.

MERCANTILE BANK

Kazi Masihur Rahman, CEO of Mercantile Bank, and Maqbool Habib Khalfan, managing partner of Arabian Exchange Company WLL, Qatar, exchange the signed documents of a deal at a programme at the bank's head office in Dhaka on Monday. Remittance sent through the company from Qatar can be collected at the bank's branches.

Indian cabinet approves incentives for 2018/19 sugar exports

REUTERS, *New Delhi*

India's cabinet on Wednesday approved incentives to encourage cash-strapped mills to export sugar in the 2018/19 season, a government statement said on Wednesday, part of efforts to trim bulging domestic stockpiles.

Prime Minister Narendra Modi's cabinet will give transport subsidies of 1,000 rupees ($13.77) a tonne to 3,000 rupees a tonne to sugar mills, depending on their distance from ports, the statement said.

Also, the cabinet approved raising the price the government directly pays to cane growers to 138 rupees ($1.90) a tonne in the new season beginning October 2018.

Both measures would cost the government 55.38 billion rupees, the statement said.

The world's biggest sugar consumer is trying to reduce a growing stockpile and the rise in shipments could add to pressure on global prices that are already trading near their lowest in a decade.

The food ministry would encourage sugar mills to export at least 5 million tonnes of sugar to cut massive stocks, two government sources who did not want to be identified said on Wednesday.

Reuters last week reported that India's government was considering such a proposal for the 2018/19 season.

India could start the new season with inventories of over 10 million tonnes of sugar and could produce another 35 million tonnes in the season, the Indian Sugar Mills Association (ISMA) estimates.

Indians, known for their penchant for anything sweet, consume about 25 million tonnes of sugar a year.

Saddled with massive mounds of sugar and a fall in prices, mills have said they are unable to pay cane farmers the government's fixed price on time.

Sugar companies owe about 135 billion rupees ($1.85 billion) in the current season to cane growers.

Ahead of a general election due by May next year, Modi's government is keen to help mills clear the money owed to the cane farmers, who form a large voting bloc.

US consumer confidence approaches all-time high

AFP, *Washington*

Confidence among American consumers in September rose unexpectedly for the second month in a row, hovering near an 18-year high, according to a survey released Tuesday.

The survey showed a sharp gain in optimism among consumers, with respondents apparently shrugging off worries about inflation and a trade war with China, and point to continued healthy spending boosting the economy.

The consumer confidence index rose nearly four points to 138.4, with views about current conditions rising modestly but with a six-point surge in expectations to 115.3, according to the Conference Board's monthly report.

Forecasts had called for a modest decline in the closely-watched reading of consumer sentiment.

"The September reading is not far from the all-time high of 144.7 reached in 2000," Lynn Franco, the Conference Board's director of economic indicators, said in a statement.

"Consumers' assessment of current conditions remains extremely favorable, bolstered by a strong economy and robust job growth."

The bump in expectations points to economic growth of higher than three percent in the remainder of 2018, Franco said.

"These historically high confidence levels should continue to support healthy consumer spending, and should be welcome news for retailers as they begin gearing up for the holiday season," she said.

The cutoff for the survey was September 14, meaning it would not have captured any reaction to US President Donald Trump's latest move to slap tariff on a whopping $200 billion in additional Chinese imports, almost undoubtedly increasing consumer costs.

But so far confidence measures have appeared undisturbed by trade tensions.

As trade war rumbles, China steps up opening of financial markets

REUTERS, *Shanghai*

The worsening Sino-US trade war has battered China's stocks and currency this year but that hasn't stopped foreign investors rushing into the country's capital markets, which are increasingly opening up despite rising protectionism.

If anything, the selloff has hastened bargain-hunting among investors, such as Fidelity International, UBS Asset Management and J.P. Morgan Asset Management, which believe the long-term growth potential of the world's second biggest economy outweighs the more immediate hit from trade disputes.

"In this environment, a handful of 'fallen angels' can be found," said Catherine Yeung, investment director at Fidelity International. She notes that compared with developed markets, China's A-shares have already priced in much of the uncertainty around trade.

Assets under management in several of Fidelity's China-focused funds LP68140639 LP60033971 LP68127997 have increased this year, despite the market slumping more than 15 percent.

UBS AM, J.P. Morgan AM and Neuberger Berman have also stepped up A-share buying this year.

"China has accelerated the opening up of its capital markets this year to mitigate the negative impact (of the trade war)," said Hu Yifan, China economist at UBS Wealth Management.

Following global index provider MSCI's historic inclusion of China A-shares in June, regulators are redoubling efforts to integrate the $7 trillion stock market and $11 trillion bond market into the global financial system.

China's global market profile could grow over the next 12 months with the imminent launch of the Shanghai-London Stock Connect, the possible expansion of A-shares weighting in MSCI indices and the potential entry into FTSE Russell's global equity indexes. In a "dream scenario", BNP Paribas estimates China's efforts to connect its relatively isolated capital markets to the global financial system could create $1.3 trillion - $1.45 trillion of foreign demand for yuan assets.

During the first eight months of the year, China's stock market drew $47.7 billion of net foreign portfolio inflows, according to the Institute of International Finance (IIF).

"We've been positive about China's consumption growth opportunities for a while," said Shumin Huang, head of research for Greater China Equities at J.P. Morgan Asset Management.

Huang, whose team covers over 150 A-shares, sees long-term investment opportunities in battered sectors such as healthcare and education.

Several China-focused exchange-traded funds popular with long-term foreign investors have seen increased inflows. These include iShares FTSE A50 China Index ETF and Xtrackers Harvest CSI300 ETF.

Overseas holdings of China stocks have jumped nearly 50 percent over the past year, but still account for less than 3 percent of total market capitalization.

In the bond market, overseas holdings surged 70 percent over the past 12 months to 1.75 trillion yuan ($255.25 billion), although this too is meager, accounting for just 2 percent of the market.

However, Wang Xiaojian, Chairman of Shanghai Yaozhi Asset Management Co, expects foreign bond ownership to double over the next five years. His group plans to launch a bond fund in Hong Kong to help foreign institutions invest in mainland Chinese debt.

China's net capital inflows this year contrast with outflows seen in neighboring markets such as Thailand, Russia and South Korea, according to IIF data, drawn out by a

Italy budget will include basic income, lower retirement

REUTERS, *Rome*

Economy Minister Giovanni Tria said on Wednesday Italy's 2019 budget would include a basic income for the poor and allow people to retire earlier, meeting demands from the ruling coalition parties.

Tria told a retail association conference the so-called "citizens' income" would help manage the social consequences of technological change, and said allowing people to retire earlier would give firms a younger, more skilled workforce.

The anti-establishment 5-Star Movement, which governs with the right-wing League, threatened on Tuesday not to vote for the budget unless it included the citizens' income and a lower retirement age, along with other measures.

On Thursday the government will present its economic and financial targets that underpin the budget, which must be approved by the cabinet and presented to Brussels in mid-October.

Financial markets are banking on Tria, a former academic who is not affiliated to either party, to keep a lid on public finances and to water down some of the big-spending plans of the coalition that took office in June.

Italy's public debt, at around 131 percent of national output, is the highest in the euro zone after Greece's.

In his speech Tria tried to strike a balance between promising a growth-friendly, expansionary package while maintaining the confidence of markets and avoiding a head-on clash with the European Commission.

"We are working on a mix of policies that show everyone they should have confidence in Italy, not only in our public finances but in our economic growth," he said.

NRB BANK

Md Mehmood Husain, CEO of NRB Bank, poses with the participants of a two-day workshop on fintech for the bank's branch managers and head of the departments at the bank's head office in Dhaka recently.

BEXIMCO

Major General Md Emdad-Ul-Bari, vice chancellor of the Bangladesh University of Professionals, and Syed Naved Husain, Beximco Group director and CEO, attend a memorandum of understanding signing ceremony for collaboration between the entities on the campus of the university on Tuesday.