NEW ZEALAND DAIRY

Shamsul Alam Mallik, managing director of New Zealand Dairy Products Bangladesh Ltd, speaks at a press conference at The Daily Star Centre in Dhaka yesterday announcing the start of a campaign for the company's reality show "Diploma Mistir Lorai - Season 6". Those interested to compete can register on Facebook page Delicious Dessert by Diploma.

German industry demands tougher EU line on China

REUTERS, *Berlin*

Germany's influential BDI industry association has called on the European Union to adopt a tougher policy towards China and urged companies to reduce their dependence on the Chinese market as concerns mount over price dumping and technology transfer.

The tougher tone is the latest sign that policymakers and business managers in Europe are becoming increasingly worried about China as a competitor and its state-driven economic model.

In a paper presented on Thursday, the BDI stressed that German firms need China as a market, but sounded the alarm about Beijing's reluctance to open up access and made 54 demands to Berlin and Brussels to help.

"Beijing should in its own interests further open its domestic market and properly implement its long-announced economic reforms," BDI President Dieter Kempf said.

The paper, first reported by Reuters in October, called for the EU to create a stronger economic framework for its own internal market to bind firms from non-market economies to its own liberal economic system.

"For the EU, it is more important than ever not only to spell out the importance of its own system and values internally but also to offensively represent them externally," said the BDI.

Among its demands are toughening up EU subsidy rules. Companies that don't produce goods in the EU should not be able to receive state subsidies, it argued. It also called for more EU investment in infrastructure and innovation.

As Germany's main business lobby group, the BDI's views carry weight and feed into government policy decisions.

Bilateral trade between Germany and China hit a record 187 billion euros in 2017, almost 30 percent of the total EU trade with the Asian giant. Some of the country's biggest companies, including Volkswagen and BMW, rely heavily on the rapidly-growing market.

Entitled "Partner and Systemic Competitor - How to cope with China's state-driven economic model?", the BDI paper stresses that China remains an important market.

"Nonetheless, it is generally sensible for the German industry to maintain diversified trade relations and make investment decisions," it said.

At China port, tariff drop a salve for hard-hit traders of American cars

REUTERS, *Tianjin, China/Shanghai*

In the Chinese port city of Tianjin, gray market traders of American-made cars, badly stung by a scything trade war and punitive tit-for-tat tariffs, are scrambling to take advantage of an opportunity they fear may prove only temporary.

At a car "supermarket" near the city's busy harbor, importers told Reuters they were rushing to get "Made in America" cars through customs and revving up orders after Beijing temporarily cut tariffs on US autos from Jan. 1.

The activity at the port - after a freeze since China hit US auto imports with a 40 percent tariff last July - illustrates how ebbs and flows in the protracted trade war between Washington and Beijing are impacting global businesses.

"Our business was harshly hit in 2018. Sales fell steeply and we were forced to hold cars in bonded zones to wait for tariffs to be cut," said Kevin Li, a dealer at the port whose firm brings in US-made luxury sport utility vehicles (SUVs).

"Now we are discussing with dealers in the US to start importing more cars once again." The higher tariffs have hit premium carmakers who import a large portion of the vehicles they sell in China, including Tesla Inc, Ford Motor Co's Lincoln brand, and Germany's BMW and Daimler AG, which both have manufacturing in the United States.

Chinese and US trade negotiators have been locked in talks in Beijing this week in a bid to end the trade tensions that have rocked markets. Those talks wrapped up on Wednesday, with hopes growing that a deal could be struck.

The two countries' leaders struck a 90-day trade truce last month after talks on the sidelines of the G20 meeting in Argentina, which saw China's steep levies on autos trimmed back for a three-month period until the end of March.

In the first ten months of 2018, US passenger vehicle exports to China, excluding those for public transport, were just under $6 billion, down from over $8.5 billion in the same period the year before.

Since the middle of last year, when China raised tariffs, US car exports to China have plunged between 35-55 percent each month versus the year before, far more steeply than in the first half of the year.

Shortly after the Chinese announcement, Tesla, Mercedes-Benz parent Daimler and BMW cut their prices for imported US-made cars to make their cars more affordable.

An official at China's main car dealers' association said he expected formal imports by carmakers to revive over the next few months given the lower tariffs. Reuters could not immediately confirm if numbers had already started to climb.

Car dealers at the port, however, said customers had started to return late last month. "We notice significantly more customers coming since the announcement of the tariff cut on US-made cars," said Peter Liu, a dealer at the port, who imports cars from the United States including Mercedes-Benz and Land Rover SUVs.

Liu's firm is offering 10-15 percent discount to customers to bring in much-needed cashflow after a tough six months with his cars stuck paying fees in portside parking lots to avoid the steep levies.

"The tariff cut on US-made cars has pushed us to now clear our cars parked in bonded zone through customs. We already successfully submitted documents to clear two Benz GLS 450s," Liu said.

Rival dealer Kevin Li said he was bringing 20 Mercedes-Benz SUVs through customs, making use of the tariff drop "window" to bring in cars even without firm orders. That was a gamble, with overall demand still weak, he acknowledged.

Data shows China's domestic car market likely contracted last year for the first time since 1990 and analysts say it isn't likely to turn around soon.

"There is a risk that car sales won't be that good in the first quarter, but we need to make use of the tariff drop," he said. "We are paying for the tariff before receiving orders."

The gray market trade in Tianjin is only a part of China's auto market, the world's largest, but it gives an important insight into the auto import trade. While carmakers prefer importing their own vehicles, Beijing has been encouraging alternative channels, fueling gray market growth.

This gray market channel made up roughly 14 percent of all imported cars in China in 2017, almost double the 7.7 percent in 2014, according to data from China's biggest auto importer, Sinomach Automobile Co Ltd.

Tianjin is the biggest port in China in terms of parallel car imports, bringing in around 70 percent of country's overall parallel car imports, according to a Commerce Ministry report.

Dealers estimate there are more than 10,000 US-made cars sitting in the port's bonded zones.

With no guarantee the lower tariff window would not close again at the end of March, firms were rushing to bring cars in, dealers and industry insiders said.

Su Hui, a senior official at the China Automobile Dealers Association's parallel car chamber, said it took around two months to complete the process from ordering a US-made car to completing customs clearance in China.

"So there is not much time for importers," he said.

The rush could also put pressure on customs in major Chinese ports, including Tianjin, Shanghai and Zhoushan.

Leo Liu, a Shanghai-based dealer at Yuanfang Global who sells 700 US-imported cars a year, told Reuters his firm was clearing 100 vehicles at Shanghai Waigaoqiao since the tariff cut announcement.

REUTERS/FILE

Imported vehicles are seen at a car dealership in Tianjin bonded zone, China.

India's inflation in Dec likely hit lowest since June 2017

REUTERS, *Bengaluru*

India's December retail inflation is expected to have eased to its lowest since June 2017 as food costs fell and fuel prices rose at a slower pace, a Reuters poll showed, giving the central bank breathing space to keep policy on hold.

Inflation likely cooled to 2.20 percent in December - close to the lower end of the Reserve Bank of India's medium-term target range of 2.0-6.0 percent - according to the Jan 3-9 poll of 41 economists. In November, inflation was at 2.33 percent.

"Food prices fell more in December. Which maybe just a seasonal thing, but I see that as the main factor, a potential downside factor for inflation," said Prakash Sakpal, Asia economist at ING.

If the latest consensus is realised it will mark the fifth month in a row consumer price inflation has held below the mid-point of the RBI's target band. Forecasts ranged between 1.80 percent and 3.00 percent, and suggested price pressures are easing off from earlier in 2018.

"Inflation has at least in the second half of 2018 surprised on the downside. I think it is common knowledge now that it is mainly driven by food prices," said Radhika Rao, an economist at DBS Bank.

"In fact, the food and beverages component in itself has been in disinflation. December will be the third month running, where prices have actually declined year-on-year."

Cooling inflation expectations have also been driven by lower oil prices and a rupee currency that has managed to stabilise after a steep sell-off.

Crude oil prices are down over 30 percent since Oct 3, when it hit the highest in almost four years, and the rupee has bounced nearly 6 percent after touching a lifetime low of 74.48 on Oct 11.

According to separate Reuters polls, the rupee is not expected to depreciate sharply from here and oil prices are predicted to rise just modestly this year.

Those expectations should keep inflation in check. And given concerns about a slowing economy after growth cooled sharply in the July-September quarter, the RBI is likely to hold interest rates next month and move to a more dovish stance, economists say.

"We expect them (the RBI) to move from 'calibrated tightening' to 'neutral', so a change in stance is very much on the cards," said DBS's Rao.

"But I don't think they would go ahead and cut rates in February, but dovish language would keep the door open for easing in subsequent meetings."

Japan labour data 'incorrectly collected since 2004'

AFP, *Tokyo*

Japan may have underpaid billions of yen in unemployment benefits after it emerged that the government has been incorrectly collecting labour market data for as long as 15 years.

Officials are supposed to gather data from all firms with 500 or more employees but in Tokyo, only about one third of 1,400 such firms were surveyed, according to a civil servant at the labour ministry.

Labour minister Takumi Nemoto has ordered a thorough investigation but admitted he received a report about the problem as early as December 20.

This means the ministry published data they knew had sampling problems, undermining confidence in data from the world's third-biggest economy. According to public broadcaster NHK, the problems could date back as far as 2004.

A ministry official speaking on condition of anonymity told AFP that the problem could have resulted in underpayment of unemployment benefits and industrial injury insurance benefits.

And citing government sources, local agency Kyodo News said the budget may have to be reworked if benefits are paid back retroactively.

The monthly labour survey serves as a key indicator of the country's employment conditions, and closely watched by the government and the Bank of Japan as a clue for their economic policy decisions.

AFP

A probe has been launched after it emerged that only a third of the relevant 1,400 firms in Tokyo were surveyed as part of the necessary data collection.

Britons ready to pay more for fair fashion but trust in brands lacking

THOMSON REUTERS FOUNDATION, *London*

Most British consumers would pay more for their clothes if factory workers received fairer wages, but lack trust in the ethical pledges made by brands, a poll found on Thursday, amid growing concerns around labour abuses in the fashion industry.

Six in 10 people in Britain said they would spend up to 5 percent more on clothing if it meant garment workers were paid the so-called "fair living wage" that would allow them to cover the basic needs of their families, according to two charities.

Yet more than two-thirds said it was difficult to know if the brands they buy from have high ethical standards, while less than a fifth would trust information on sustainability provided by clothing companies, showed an opinion poll by Ipsos MORI.

The advent of fast fashion, with consumers constantly buying and discarding clothing, has fuelled the risk of worker abuses such as forced labour in global supply chains as factories come under ever greater pressure from leading brands, activists say.

"People expect brands to take responsibility for what happens in their supply chains, both in terms of their workers and the environment," Urska Trunk, a campaign adviser for the Changing Markets Foundation, said in a statement.

"All the indications are consumer mindsets are changing: they want more accountability and more information and they are increasingly putting their money where their mouth is."

British lawmakers are scrutinising sustainability in fashion, and in November called several online retailers to parliament over concerns that rising demand for cheap clothing is leading to poor working conditions and exploitation.

The poll - based on interviews with 7,700 adults across seven nations from Britain and France to the United States - found consumers considered luxury brands to be no better than budget or high-street retailers when it came to sustainability.

About 6 percent of respondents associated Italian label Gucci and budget chain Primark with having sustainable supply chains, according to the poll, which was commissioned by the Changing Markets Foundation and the Clean Clothes Campaign.

Yet such polling should be viewed with suspicion as academic research shows that consumers often say one thing yet do another, Andreas Chatzidakis, a marketing professor at London's Royal Holloway University, told the Thomson Reuters Foundation.

A study published last year by Ohio State University (OSU) in the United States found that consumers may forget or tune out uncomfortable information about the origin of products they buy if they learn those items were made unethically.

REUTERS/FILE

A woman carries shopping bags as she walks along Oxford Street in Central London.