

India moves to offset GSP removal fallout

OUR CORRESPONDENT, New Delhi

India yesterday approved a scheme to make its exports of apparel and home textiles more competitive, two days after the US announced to scrap the preferential trade treatment for the country.

The approval was given at a meeting of the cabinet presided over by Prime Minister Narendra Modi.

Under the proposed measures, rebate of all embedded state and central taxes and levies for apparel and made-ups segments would make exports zero-rated.

The move is expected to boost India's competitiveness in export markets and

ensure equitable and inclusive growth of the textile and apparel sector, an official statement said.

The assessment in India is that the US decision to cancel the generalised system of preferences (GSP) is unlikely to have a big impact on the domestic textile and apparel sector.

The withdrawal of the GSP from the existing list of products will not have a major impact on India's garments export, but if the list is expanded the effect would be 30-35 percent of India's RMG exports going to the US, said Rahul Mehta, president of the Clothing Manufacturers Association of India.

According to the India's Apparel

Export Promotion Council, the US imports \$586.58 million worth of RMG products from different countries under the GSP status and India's share is \$17.97 million.

Tirupur Exporters Association President Raja M Shanmugam said though the impact seems to be minimal for the garment sector, which is the second largest employment generator in the country, even this could lead to job losses.

He asked the Indian government to help the industry, which will see price increase if the US decides to withdraw the status, by way of incentives. Tirupur in Tamil Nadu state is the largest hub of Indian apparel manufacturing.



Samir Vidhate, director for EMEA at Transfast, a global multi-channel cross-border payment solutions provider, poses at Synergy 2018-19 in a Dhaka hotel on Wednesday celebrating its partnership with banks in Bangladesh. Mohammad Khairuzzaman, country director of Transfast Bangladesh, was present.

Huawei fights back against US blackout with Texas lawsuit

REUTERS, Hong Kong/Washington

Chinese telecoms equipment maker Huawei Technologies sued the US government on Thursday saying a law limiting its US business was unconstitutional, ratcheting up its fight back against a government bent on closing it out of global markets.

Huawei said it had filed a complaint in a federal court in Texas challenging Section 889 of the National Defense Authorization Act (NDAA), signed into law by US President Donald Trump in August, which bars federal agencies and their contractors from procuring its equipment and services.

The lawsuit marks the latest confrontation between China and the United States, which spent most of 2018 slapping import tariffs on billions of dollars worth of each other's goods. The year ended with the arrest of Huawei's chief financial officer (CFO) in Canada at US request, to the consternation of China.

Long before Trump initiated the trade war, Huawei's activities were under scrutiny by US authorities, according to interviews with 10 people familiar with the Huawei probes and documents related to the investigations seen by Reuters.

"The US Congress has repeatedly failed to produce any evidence to support its restrictions on Huawei products. We are compelled to take this legal action as a proper and last resort," Huawei Rotating Chairman Guo Ping said in a statement.

"This ban not only is unlawful, but also restricts Huawei from engaging in fair competition, ultimately harming US consumers. We look forward to the court's verdict."

While Huawei had very little share of the US market before the bill, it is the world's biggest telecoms gear maker and is seeking to be at the forefront of a global roll-out of fifth generation (5G) mobile networks and services.

In its lawsuit, Huawei said its "equipment and services are subject to advanced security procedures, and no backdoors, implants, or other intentional security vulnerabilities have been documented in any of the more than 170 countries in the world where Huawei equipment and services are used."

The privately owned firm has embarked on a public relations and legal offensive as Washington lobbies allies to abandon Huawei when building 5G networks, centering on a 2017 Chinese law requiring companies cooperate with national intelligence work.

"The US Government is sparing no effort to smear the company and mislead the public," said Guo in a news briefing at Huawei's headquarters in southern China.

The NDAA bans the US government from doing business with Huawei or compatriot peer ZTE Corp or from doing business with any company that has equipment from the two firms as a "substantial or essential component" of their system.

Exports jump 10pc in Feb

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One of the major changes that the sector witnessed over the last few years is a shift to value added garment items from basic items, Rahman said.

Of the total export of garment items from Bangladesh in a year, nearly 50 percent is high-end.

Usually, the prices of high-end garment items are higher than that of the basic garment items, he said.

Exports of some other goods also increased in the last eight months. Frozen fish and live fish shipments increased by 2.87 percent year-on-year to \$394.03 million.

Exports of vegetables, pharmaceuticals, handicrafts, cotton products, carpets, terry towels, ceramics and furniture also rose during the period.

On the other hand, leather and leather goods and jute and jute goods have failed to perform as per expectations although they have the potential to earn more than \$1 billion each at the end of the fiscal year.

In the eight months to February, export earnings from leather products declined by 11.5 percent year-on-year to \$694.72 million and jute and jute goods fell by 24.36 percent year-on-year to \$560.56 million.

Qatar raises \$12bn in bond sale despite political crisis

AFP, Doha

Qatar has sold bonds worth \$12 billion (nine billion euros), the finance ministry said Thursday, attracting strong demand despite an economic and diplomatic boycott by its former Gulf allies.

"The state of Qatar has achieved a successful return to the international

financial markets with a total of three tranches -- worth \$12 billion," said a ministry statement carried by the official Qatar News Agency (QNA).

The sale received orders of more than \$50 billion, it said.

Qatar has been economically and politically isolated by a Saudi-led bloc -- including the United Arab Emirates, Bahrain and Egypt -- since June 2017

over claims it supports terrorist groups and seeks better ties with Saudi arch-rival Iran.

Doha denies the accusations and says its opponents are seeking regime change in Qatar.

In 2018, the gas-rich state raised \$12 billion in its first dollar bond sale in two years, eclipsing Saudi Arabia's \$11 billion bond issue the same year.



Qazi Kholiquzzaman Ahmad, chairman of Palli Karma-Sahayak Foundation (PKSF); Md Abdul Karim, managing director, and Shahidul Islam, additional secretary to Economic Relations Division, attend a workshop on "The Role of PKSF as Direct Access Entity to Green Climate Fund" at PKSF Bhaban in Dhaka yesterday.

Stock turnover falls

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"Fears over a liquidity crisis in banks are a major cause for the fall of the market," said Mohammed Rahmat Pasha, managing director of UCB Capital Management.

Some banks ordered their subsidiaries to return some funds, if possible, as the banking sector underwent some pressure on the liquidity issue, said Pasha.

Moreover, the interest rate of the banking sector rose 1.5 to 2 percentage points, which is why the stock market was affected.

Pasha expects the stock market to get better in the coming weeks as the timeframe for maintaining the ADR was eased.

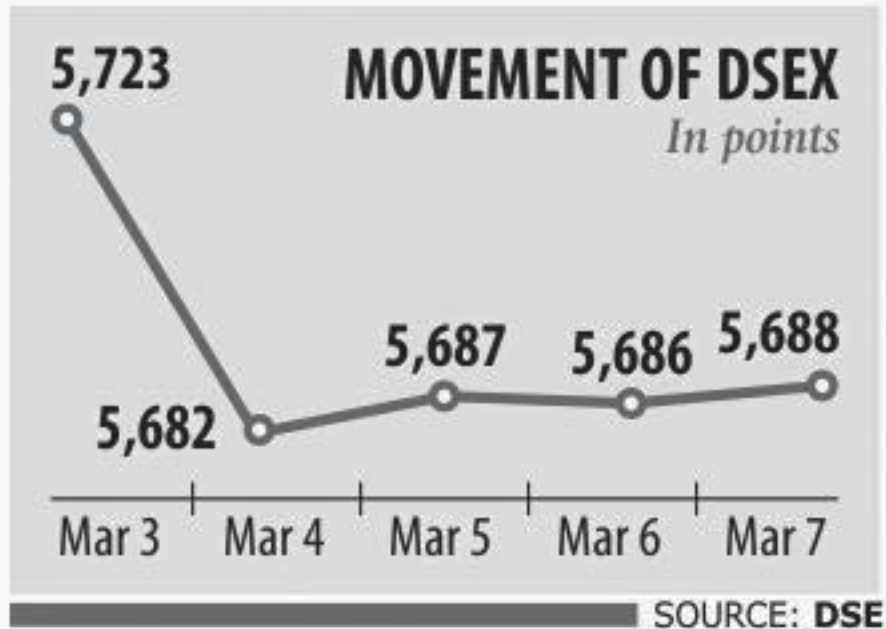
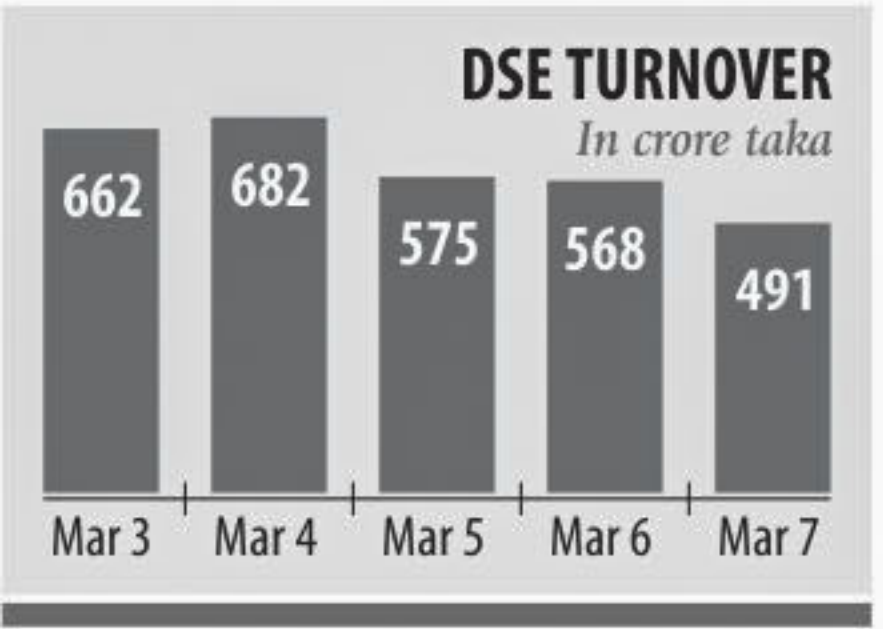
"A more positive side is that foreign investors are buying continuously," he added. A top official of a leading mer-

chant bank, requesting not to be named, said many institutional investors were inactive and adopted a wait-and-see approach last week.

General investors were also disappointed as the index did not gain as per their expectations after the national election, he added. DSEX, the benchmark index, soared to 5,950 points but could not cross the 6,000 mark after the polls. The index fell to 5,688.45 yesterday.

"The recent fall in stocks and turnover dampened their confidence further."

A top official of another stockbroker said institutional investors' participation was very low last week. Most of the turnover came from general investors but they were also suffering from a lack of confidence, he said asking not to be named.



Banks get six months more to lower ADR

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Accordingly, many banks have adopted a go-slow policy in disbursing loans, putting an adverse impact on the private sector credit growth.

Banks will have to submit their work plans within the first 10 working days every month on how they will bring down the ADR, according to the circular.

Bangladesh Bank could not but extend the deadline as 23 banks posted a higher ADR in the last week of January than the existing regulatory limit, a central banker said.

Private sector credit growth remained unchanged at 13.20 percent in January from the previous month, the BB data showed.

Prior to that, the credit growth faced a steep descent throughout last year as banks were forced to take a cautious lending stance to adjust the ADR. In December 2017, the year-on-year credit growth stood at 18.13 percent. The squeezing money supply also affected the stock market.

Many banks have recently offered more than 10 percent interest rate on fixed deposits, an indication that they are suffering from a liquidity shortage, said Hossain of Southeast Bank.

He expressed hope that yesterday's decision would push up the credit growth.

MA Halim Chowdhury, managing director of Pubali Bank, said the deadline extension would calm the recent volatility in the money market.

Banks will breathe a sigh of relief as the pressure for mobilising deposits will ease, he said.

In the last week of February, the BB had instructed banks to maintain statutory liquidity ratio and cash reserve ratio against the outstanding deposit of offshore banking operations, creating an additional pressure, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of bank CEOs.

The latest decision will give banks some relief from the current tight situation, said Rahman, also the managing director of Dhaka Bank.

China says higher budget deficit will spur growth

REUTERS, Beijing

China's decision to increase its budget deficit ratio to 2.8 percent this year from 2.6 percent in 2018 is appropriate for the economy, and leaves room for policymakers to manoeuvre, Finance Minister Liu Kun said on Thursday.

But a proactive fiscal policy does not mean China will open the floodgates for stimulus, Liu said at a news conference on the sidelines of the annual parliamentary meeting in Beijing, reiterating past government pledges of restraint.

Global investors are closely watching how forcefully Beijing will support the economy after growth in 2018 slowed to a near 30-year low. A key market focus is how policymakers will balance the need for growth against the threat of a further flare-up in financial risks and debt. "We will not spend a penny that is not supposed to be spent, and we'll strive to guarantee the money that is supposed to be spent," Liu said.

Premier Li Keqiang told the opening of parliament on Tuesday that China is planning billions of dollars in additional tax cuts and infrastructure spending, amid pressure from softer domestic demand and a trade war with the United States.

The premier also announced the slightly higher target for the budget deficit to GDP ratio and a lower annual economic growth target of 6-6.5 percent, both of which had been widely expected.

For 2019, Beijing is planning cuts of

nearly 2 trillion yuan (\$298 billion) in taxes and fees for companies, featuring long-awaited reductions in value-added tax for manufacturing, transport and construction sectors. It has not yet announced when the VAT cuts will take effect.

Liu acknowledged that the planned tax cuts will exert some pressure on local government finances, but he pledged more funds will be transferred from the central government to localities.

"Considering the downward pressure on the economy and the upcoming policy of larger tax and fee cuts, some regions will still face relatively big budgetary pressure this year," said Liu.

Many provinces across China are in the midst of a long-term economic transformation as President Xi Jinping urges industries to move away from low-value, polluting manufacturing.

Shanxi, a northern province traditionally known for its coal resources, is building solar plants in old mining districts in its renewable energy push, and like other provinces, has not been spared from the broader economic slowdown.

To shore up its corporate sector, Shanxi reduced taxes by 57.3 billion yuan (\$8.5 billion) in 2018 and cut fees of 6 billion yuan, with 90 percent of the companies benefiting from the tax cuts being private firms, Wu Tao, head of the Shanxi provincial government's finance department, said on the sidelines of parliament on Wednesday.

India fines Volkswagen Rs 500cr for eco-damage

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The auto giant, however, said it did not violate the BS-IV norms and that the test results were based on "on-road testing" for which there were no prescribed standards.

The NGT bench said, "Sustainable development is the main guiding factor. We are unable to accept the manufacturer's objections to the report."

It said that the apex pollution monitoring body may consider utilising the fine amount towards improving air quality in the national capital region and other highly polluted areas.

On November 16 last year, the NGT-

appointed committee had said that the use of "cheat device" by Volkswagen in diesel cars in India leads to inference of environmental damage and had directed it to deposit an interim amount of Rs 100 crore with the Central Pollution Control Board (CPCB).

It had also constituted a joint team comprising representatives of the CPCB, the heavy industries ministry, the Automotive Research Association of India, and the National Environmental Engineering Research Institute, which had recommended Rs 171.34-crore fine on Volkswagen as "health damages" for causing air pollution in Delhi.

Women far behind men

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The gender gap in mobile expenditure in Bangladesh is 51 percent, way higher than 18 percent in China and 19 percent in India, the study said.

It found that Latin American countries such as Argentina, Brazil and Mexico are in good shape where women use more mobile phones and internet than men.



M Shaifur Rahman Mazumdar, managing director of Chittagong Stock Exchange Ltd (CSE), attends a roundtable on "Ring the Bell for Gender Equality" organised by the CSE at its conference room in Chattogram yesterday marking International Women's Day 2019.

CSE