China presses Trump for more tariff roll-backs in 'phase one' trade deal

REUTERS, *Washington*

China is pushing US President Donald Trump to remove more tariffs imposed in September as part of a "phase one" US-China trade deal, people familiar with the negotiations said on Monday.

The deal, which may be signed this month by Trump and Chinese President Xi Jinping at a yet-to-be determined location, is widely expected to include a US pledge to scrap tariffs scheduled for Dec. 15 on about $156 billion (£121 billion) worth of Chinese imports, including cell phones, laptop computers and toys.

A US official said the fate of the Dec. 15 tariffs is being considered as part of negotiations and a potential signing trip this month.

Another source briefed on the talks said Chinese negotiators want Washington to drop 15 percent tariffs on about $125 billion worth of Chinese goods that went into effect on Sept. 1. They are also seeking relief from earlier 25 percent tariffs on about $250 billion of imports from machinery and semiconductors to furniture.

A person familiar with China's negotiating position said it is continuing to press Washington to "remove all tariffs as soon as possible."

China's request to remove the Sept. 1 duties was earlier reported by Politico, citing sources. The Financial Times newspaper also reported the White House was considering whether to roll back the Sept. 1 tariffs, which cover some clothing items, flat-screen televisions, smart speakers and Bluetooth headphones.

Geng Shuang, a spokesman at the Chinese foreign ministry, said the two sides remained in touch.

"Trade consultations have made progress and are advancing in accordance to plan," Geng said.

On the tariff issue, Geng said he could only give an answer "in principle".

"Adding tariffs is not the correct way to resolve trade issues," he told reporters at a regular briefing in Beijing on Tuesday.Taoran Notes, an influential WeChat account run by China's Economic Daily, said the removal of the additional tariffs already imposed by the United States was China's "most core concern".

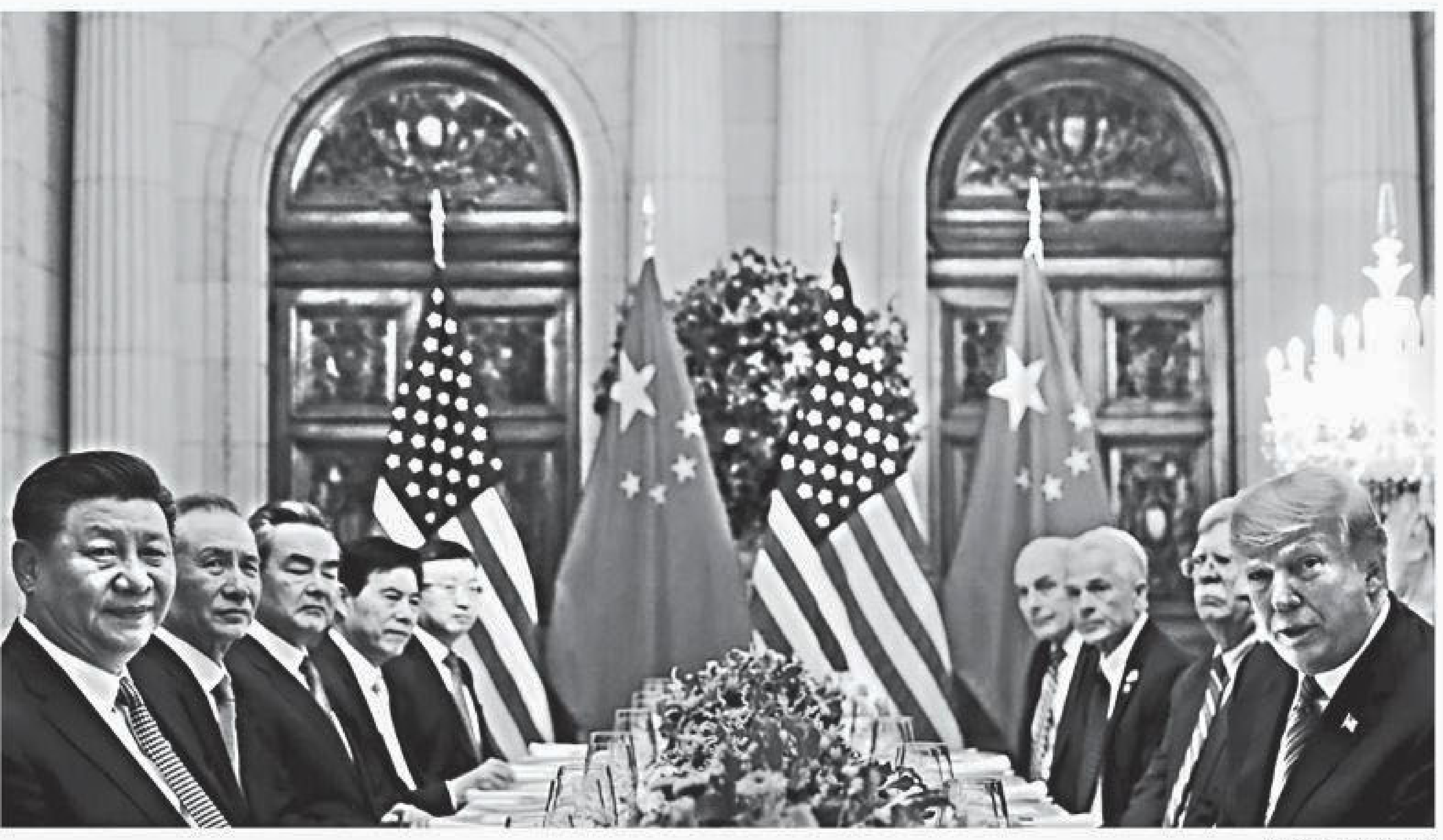
"Any miscalculation on this issue could well cause further back and forth in the consultations," it wrote.

Ralph Winnie, director of the China programme at the Eurasia Center, said wrapping up the interim trade pact would provide a boost to both the US and Chinese economies, while handing Trump an important win among farmers - a core constituency.

"It's in both countries' interest to have this trade deal," Winnie said. "If he seals the deal, it will be looked on very favourably by the American people. It's a win-win for both countries."

Speaking on Tuesday at an import fair aimed at burnishing China's free-trade credentials, President Xi Jinping called on countries to stand against protectionism and reiterated pledges to open China's economy and strengthen protection of intellectual property rights.

Foreign governments and business groups have become sceptical of Chinese reform promises and have longed warned that China would invite retaliation if it didn't match the openness of its trading partners.



REUTERS/FILE

US President Donald Trump and Chinese President Xi Jinping attend a working dinner after the G20 leaders summit in Buenos Aires.

India's October services activity contracts for second straight month

REUTERS, *Bengaluru*

Activity in India's dominant services industry contracted for a second consecutive month in October due to muted demand, a private business survey showed on Tuesday, driving business optimism to a near-three year low.

Although the Nikkei/IHS Markit Services Purchasing Managers' Index rose to 49.2 last month from 48.7 in September, it remained below the 50-mark threshold separating contraction from growth on a monthly basis.

The last time services activity contracted for two consecutive months was in August 2017 following the hasty implementation of a Goods and Services Tax (GST).

A sub-index tracking demand showed new business barely grew last month.

That, alongside a manufacturing slowdown, dragged a composite index to a more than two-year low of 49.6, pointing to further weakness in Asia's third-largest economy after growth fell to a six-year low of 5% in the April-June quarter.

"It's somewhat worrying to see the Indian service sector stuck in contraction, as firms react to muted demand by lowering business activity," said Pollyanna De Lima, principal economist at IHS Markit, in a press release.

"Perhaps even more concerning was the downward revision to future expectations, given the possible detrimental impact of subdued business confidence on investment and jobs."

Optimism about the coming year faded to its lowest since December 2016 and firms increased headcount at the joint-weakest pace in over two years.

The survey findings indicate 135 basis points of interest rate cuts by the Reserve Bank of India this year and recently announced reforms by the government have so far done little to boost business activity.

REUTERS/FILE

A waiter serves coffee to customers inside an Indian coffee house in Kolkata.

Weak demand also forced firms to absorb much of a jump in input costs, which increased at the quickest pace in a year, squeezing profit margins.

"Still, this was not sufficient to generate new work and we might see selling prices being discounted in the coming months as competitive pressures build up," added De Lima.

Oil prices rise on positive economic data

REUTERS, *London/Tokyo*

Oil prices rose on Tuesday on positive economic data and hopes for a Washington-Beijing trade deal that will lead to a de-escalation in tensions between the world's top economies.

Brent crude was up 66 cents, or 1 percent, at $62.79 a barrel at 1016 GMT. US crude rose 48 cents, or 0.8 percent, to $57.02 a barrel.

Oil has been supported by hopes for a trade deal between the United States and China, the two biggest oil consumers, that could boost demand.

China is pushing US President Donald Trump to remove more tariffs imposed in September as part of a "phase one" US-China trade deal.

"If some of the existing tariffs were to be dismantled, that should restore some measure of global demand for oil as economic and trade conditions recover," said Han Tan, market analyst at FXTM. Investors are also keeping an eye on US inventory data due later.

US crude oil inventories were forecast to have risen last week, while refined products stocks likely declined, a preliminary Reuters poll showed on Monday.

The Federal Reserve's interest rate cut last week, recent weakness in the dollar, and improved US jobs growth in October also provided support, analysts said.

"We believe that the strength in oil prices will be short-lived, given the scale of the surplus that is expected over the 1H20," ING analyst Warren Patterson said, referring to the first half of 2020.

"The risk to this view is if Opec+ surprises the market in December by announcing even deeper than expected cuts for 2020."

The Organization of the Petroleum Exporting Countries, Russia and other producers, a group known as Opec+, have since January implemented a deal to cut oil output by 1.2 million barrels per day. Iranian Oil Minister Bijan Zanganeh said on Monday that he expected further production cuts to be agreed at the next meeting of the group in December.

Opec said it would supply a diminishing amount of oil in the next five years as output of US shale and other rival sources expands.

Opec's production of crude oil and other liquids is expected to decline to 32.8 million barrels per day (bpd) by 2024, the group said in its 2019 World Oil Outlook.

Opec Secretary-General Mohammad Barkindo said on Tuesday that the oil producer group fully supports the Paris Agreement on climate change, a day after the Trump administration said it had filed paperwork to withdraw the United States from the pact.

BRAC BANK

Brac Bank CEO Selim RF Hussain, *centre*, poses at the bank's financial disclosure for Q3 at its head office in Dhaka Monday. The bank's consolidated profit declined 23 percent to Tk 316 crore in the first three quarters of 2019.

Overproduction weighs on cement makers

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"It will take at least four years to get rid of the unhealthy competition as the demand will increase," he said, adding that per capita cement consumption will stand at 250kg in 2020.

Zahir Uddin Ahmed, managing director of Confidence Cement, said the industry was running at 55 to 57 percent of the capacity which is below the level needed to reach break-even. "This is alarming for the sector," he said, adding that the sector would need at least four years to ensure 100 percent use of the capacity.

Ahmed said mega projects undertaken by the government and rapid urbanisation were steering the growth of the sector.

Mohammed Amirul Haque, managing director of Premier Cement, said over-production may cause trouble for the market as competition would accelerate.

Ikram Ahmed Khan, managing director of Shun Shing Group, Hong Kong, sees good potential for the cement sector as the government was implementing a number of infrastructure projects where cement is one of the major raw materials.

For example, he said, the under construction Padma bridge project will consume 3 million tonnes of cement alone. Other mega projects will also need a huge amount of the key construction material. Khan said Bangladesh used to import 95 percent of its cement in 1990, but now the entire demand is met by the local industry, which has been growing by 15.6 percent over the last few years.

The market size of the sector is around $3 billion, or Tk 25,500 crore. Manufacturers have invested more than Tk 30,000 crore in the sector. Local companies are dominating the market. Of the total consumption, individuals account for 25 percent, real estate companies and developers 30 percent and the government 45 percent.

Exports slump 17pc in Oct

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Exports of leather and leather goods and shrimp, two major foreign currency earning sectors, also posted negative growth so far this fiscal year. Of the major export sectors, only jute and jute goods posted nearly 9 percent positive growth in July-October period.

Yet, Hasanat of Viyellatex Group, believes Bangladesh's exports will see positive growth at the end of the fiscal year in June 2020, though the target may not be achieved.

Oct inflation declines to 8-month low

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Then on September 29, India announced a ban on onion export with immediate effect, causing the prices to shoot up further in Bangladesh.

On October 29, onion prices stood at Tk 105-120 a kg, according to state-run Trading Corporation of Bangladesh.

In October, the prices of vegetables such as bean, radish and green papaya went down slightly from the previous month because of increased supply, the BBS said.

Overall inflation in rural areas fell five basis points to 5.36 percent in October, driven by a 46-point fall in non-food inflation.

Urban inflation declined to 5.67 percent from 5.80 percent, again aided by 52 basis point-fall in non-food inflation to 6.09 percent.

Food inflation in urban areas rose 21 basis points to 5.31 percent.

The decline in wage growth from 6.51 percent to 6.38 percent in October also contributed to the decrease in the overall inflation.

The demand for labour fell in agriculture and construction sectors when compared with a month earlier.

The government has targeted a 5.5 percent inflation rate for this fiscal year.

It was able to contain it at 5.48 percent last fiscal year, comfortably below the target of 5.6 percent.

Sustainable production to boost RMG orders

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He said the water level was depleting in Bangladesh, particularly in areas adjacent to Dhaka, for over consumption of ground water by textile mills.

So reduction in groundwater consumption will ensure sustainability in the garment sector, he also added.

Echoing the views of Borjesson was Shwapna Bhowmick, country manager of Bangladesh and Myanmar for British retail giant Marks & Spencer.

The prices of garment items will go up automatically when there is value added to the apparel items and when those are produced in a sustainable manner. Production in a sustainable manner basically increases the value of products, she said.

"The buyers should ensure sustainability in their supply chain through their purchase practices," said Atiqul Islam, mayor of Dhaka North City Corporation.

Bangladesh has become a safer apparel industry in the world thanks to inspection and remediation, which needed huge investment. "We are committed to ensuring safety, wellbeing and dignity," he added.

Canadian High Commissioner to Bangladesh Benoit Préfontaine said social dialogue was needed about the price of apparel items, supply chain and workplace culture.

The fourth industrial revolution will change the conventional work approach, said Shahriar Alam, state minister for foreign affairs.

"The global stakeholders have a responsibility to ensure sustainability and making supply chains more complaint," he added.

The sustainability roadmap will provide clear guidelines to the industry, said Mostafiz Uddin, founder and chief executive of Bangladesh Apparel Exchange.

"We need to take care of our planet as we do not have another planet. Sustainable production of goods can help greatly in caring for our planet," said Mohiuddin Rubel, a director of the Bangladesh Garment Manufacturers and Exporters Association.

The two-day long denim expo will end today.

CROWN CEMENT

Md Mukter Hossain Talukder, CEO of Crown Cement Group; A Majid Chowdhury, an adviser, and Zhang Zhong Wei, project manager of China Construction Seventh Engineering Division Corporation Ltd, attend a deal signing ceremony at The Westin Dhaka recently for supplying Crown Cement to South Asia Subregional Economic Cooperation Road Connectivity project. The Chinese company is the contractor of the project's "Working Package-10".

Tk 3,449cr project to ensure security

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The issue of cybersecurity is also critical.

Cyberattacks on nuclear power plants could have physical effects, especially if the network that runs the machines and software controlling the nuclear reactor are compromised.

This can be used to facilitate sabotage, theft of nuclear materials, or -- in the worst-case scenario -- a reactor meltdown.

In a densely populated country like Bangladesh, any radiation release from a nuclear facility would be a major disaster.

Earlier in September, the Kudankulam Nuclear Power Plant (KKNPP) in Tamil Nadu, India's biggest nuclear power plant, became a target of cyberattack.

VirusTotal, a virus scanning website owned by Google's parent company Alphabet, has indicated that a large amount of data from the KKNPP's administrative network was stolen.

If this is true, subsequent attacks on the nuclear power plant could target its critical systems more effectively.

One of the ambitious mega projects of the current Awami League-led government, construction on the $12.65 billion-power plant began in November 2017 by the Russian Rosatom State Atomic Energy Corporation.

It is expected to be completed by 2024 and would generate 2,400 megawatt electricity through two units.

"This project will ensure physical protection of the nuclear power plant," Finance Minister AHM Mustafa Kamal told reporters after the meeting.

The project was undertaken as per the requirements of the Russian contractor and the International Atomic Energy Agency and the Bangladesh Army will be tasked for ensuring security, he added.

This follows another project worth Tk 1,710 crore approved last week for the plant's security.

In yesterday's meeting, five other projects involving Tk 990 crore were also given the green light.

MINISTERS UNHAPPY WITH BANKING SECTOR

At the meeting, three ministers expressed dissatisfaction about the state of the banking sector, as per meeting sources.

Their response came when the topic of lacklustre investment scenario was brought up in the meeting.

They said the interest rate was too high. Subsequently, they called for merging of a few poor banks with solid once and relieving the Bangladesh Bank from the finance ministry's interference.