Look beyond traditional regional trading blocs

FBCCI president says as the federation intensifies efforts to explore new markets

Refayet Ullah Mirdha

BANGLADESH needs to look beyond traditional regional trading blocs in order to widen business opportunities and avoid squeezing of preferential trade benefit once the country becomes a developing nation, the country's top business leader said.

"Bangladesh's duty-benefit will go when Bangladesh graduates to a developing country. So, we need to create opportunities for preferential trade benefits for higher exports," said Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), in an interview with The Daily Star recently.

For instance, if Bangladesh can obtain preferential trade benefits in the Association of Southeast Asian Nations (Asean), a ten-nation bloc, the country's trade would get a shot in its arm.

Fahim, who was elected as the president of the apex trade body for 2019-2021, said the trade among the eight-country South Asian Association for Regional Cooperation (Saarc) is very low and it might be even below five percent of their total foreign trade.

The agreement to implement the South Asian Free Trade Area (Safta) came into force in 2006, but the Safta is still far from achieving the goal of tariff-free trade, largely because of para- and non-tariff barriers.

"The country should explore business opportunities in the blocs such as the BIMSTEC (the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) and from some bilateral trade agreements," Fahim said.

The comments from the entrepreneur came as Bangladesh is on course to becoming a developing country by 2024 from a least developed country on the back of its steady and higher economic growth.

Once Bangladesh becomes a developing nation, its duty-free market access to developed markets such as the European Union may be squeezed if it is not granted a new facility.

Of Bangladesh's $100 billion international trade last fiscal year, imports accounted for $60 billion and exports $40 billion, Bangladesh Bank data showed.

Trade bloc-wise, other Asian countries accounted for 34.5 percent of the imports in the April-June period of 2019, followed by the Organisation of Islamic Cooperation (21 percent), the Asean (16.8 percent), the Saarc (15.1 percent), the EU (6.9 percent), and the North American Free Trade Agreement (4.6 percent), BB data showed.

Sheikh Fazle Fahim

The EU members are the largest buyers of Bangladeshi products, accounting for 58.8 percent of the total exports in April-June, followed by the Nafta (19.7 percent), the OIC (4.9 percent), the Saarc (3.4 percent), and the Asean (2 percent).

"The FBCCI has taken some initiatives to explore business opportunities in new trade blocs," said Fahim, currently the managing director of Obsidian Bangladesh Ltd, which has business interests in manufacturing, distribution and engineering, procurement and construction.

The federation is going to hold several summits next year in Dhaka in association with a number of international trade bodies and regional trade blocs.

In order to deepen further engagement with the trade bodies and trade blocs, the apex trade body will hold a summit with the business chambers of the D-8 Organization for Economic Cooperation, the Commonwealth Business Forum, and the Commonwealth Asia Business Forum.

"Moreover, Bangladesh will be the focus country in the next year's China-South Asia Business Forum to be held in China," he said.

The inaugural Bangladesh Expo is scheduled to be held in December next year to showcase the country's traditional and non-traditional goods to international consumers. Businessmen and enterprises from more than 105 countries are expected to attend the event.

"Such year-long activities will improve the country's business ties with other countries," said Fahim, also the chairman of Euro Petro Product Ltd, a liquefied petroleum gas terminal and bottling plant.

Currently, the FBCCI, which has more than 500 members, has intensified efforts to deepen engagement with private sector organisations at home and abroad with a view to attracting more businesses and investment.

"Bangladesh has a lot of potential as the country has a commendable consumer base with handsome purchasing capacity. However, the country needs a lot of positive campaigns to reach foreign entrepreneurs," the business leader said.

Bangladesh's per capita gross national income jumped more than 9 percent to $1,909 last fiscal year from $1,751 a year ago, officials statistics showed.

Fahim said the investors and businessmen who attended the conference of the Confederation of Asia-Pacific Chambers of Commerce and Industry (CACCI) in Dhaka last month had initially even refused to travel to Dhaka because of travel alerts issued by their home countries.

"However, when they came, their perception about Bangladesh changed immediately after seeing the massive economic development in the country," he said.

According to Fahim, many foreign investors are interested to invest in Bangladesh. The foreign delegates, who attended the CACCI conference, sought information on investment opportunities in energy, smart agriculture, training and skills development projects.

For instance, many Australian and Korean investors want to invest in training up nurses so that they can recruit them, he said.

The foreign entrepreneurs also wanted to know about Bangladesh's port operations, trade and logistic facilities, said Fahim, who earned a Master of Liberal Arts degree in political economy from St Edward's University in Austin, Texas and attended Harvard University as part of the graduate programme.

The FBCCI is working to facilitate start-ups, especially at the district level, in order to create new entrepreneurs. It plans to launch an MBA programme at school-level so that children can start acquiring business knowledge from their childhood.

BOJ debated monetary, fiscal policy mix as cost of ultra-low rates rises

Reuters, *Tokyo*

A few Bank of Japan board members said the central bank must work carefully with the government in dealing with the next economic downturn, minutes of the BOJ's October rate review showed on Tuesday.

The nine-member board also debated the demerits of prolonged monetary easing, with one warning that life insurers could struggle to meet provisions guaranteed to policy holders if current ultra-low interest rates persist, the minutes showed.

The deliberations highlight the growing view within the BOJ that fiscal policy may need to play a bigger role in battling risks to the economy, given the rising cost and diminishing return of monetary easing.

"The BOJ should prepare for the next economic downturn as among risk scenarios. In doing so, it's important not only to take monetary policy action but enhance cooperation with the government" such as through fiscal policy, the minutes quoted a few board members as saying at the October meeting.

At the Oct. 30-31 rate review, the BOJ kept policy steady but gave the strongest signal to date that it may cut interest rates in the near future, underscoring its concern that overseas risks could derail a fragile economic recovery. It kept monetary settings unchanged at a subsequent meeting in December, as a preliminary truce in U.S.-China trade talks took some pressure off the BOJ to deploy immediate stimulus.

As the BOJ's massive money printing keeps borrowing costs low, the government compiled a $122 billion fiscal package on Dec. 5 to pre-empt the risk of another recession. Years of aggressive asset buying have failed to fire up inflation to the BOJ's 2 percent target, forcing it to maintain a massive stimulus despite the hit inflicted on financial institutions' profits from prolonged ultra-low rates.

REUTERS/FILE

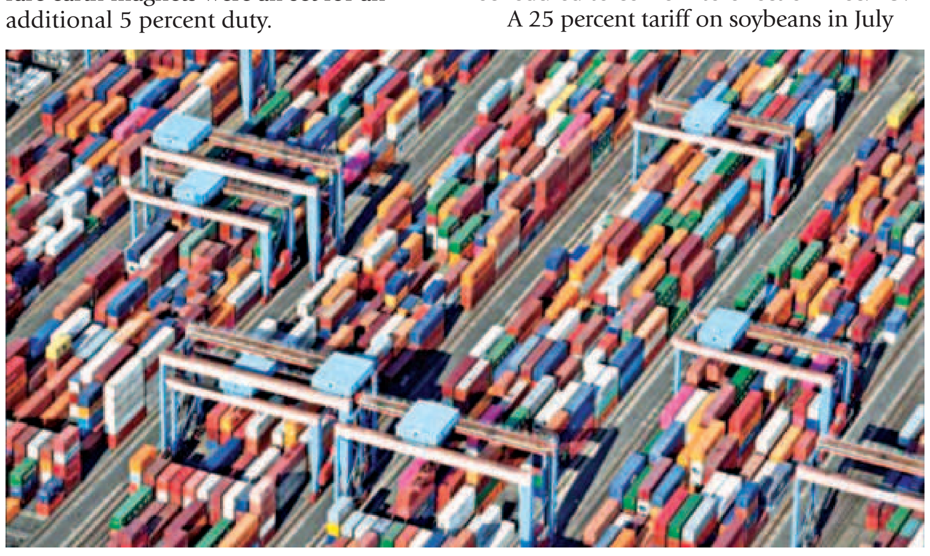
A security guard walks past the Bank of Japan headquarters in Tokyo.

How China tariffs on US commodities, energy stand after Phase 1 trade deal

Reuters, *Beijing/Singapore*

CHINA and the United States have agreed terms of a Phase 1 trade deal under which the United States reduced some tariffs and Beijing cancelled retaliatory duties that were scheduled to take effect on Dec. 15.

Before the Dec. 15 deal, US corn, sorghum, wheat, undenatured ethanol and refined copper cathodes had faced an additional tariff of 10 percent on shipments to China. Propane, cotton, aluminium scrap, copper scrap and rare earth magnets were all set for an additional 5 percent duty.



REUTERS/FILE

Shipping containers are seen at Yangshan Port of Shanghai.

Below is a list and timeline showing how China's tariffs on key US commodities and energy items stand after the Phase 1 accord.

CRUDE OIL

China imposed a 5 percent tariff on US crude oil shipments from Sept. 1, the first time US oil had been targeted since the trade war between the world's two biggest economies started more than a year ago. The 5 percent tariff was not affected by the Phase 1 deal.

China, the world's biggest crude importer, has cut US shipments from a record high last year. Chinese customs data showed imports in the first 10 months were halved year-on-year to 146,275 barrels per day.

PROPANE

China removed an additional 5 percent tariff on US propane shipments that was set to take effect from Dec. 1. A 25 percent duty that China imposed on US propane on Aug. 23, 2018, remains in place. Chinese firms process US propane into petrochemicals such as propylene. Imports last year were worth an estimated $2 billion.

LIQUEFIED NATURAL GAS (LNG)

China imposed a 10 percent punitive tariff on US LNG shipments in September 2018, raising it to 25 percent in June. LNG duties were not affected by the Dec. 15 deal.

Imports of the super-chilled fuel in the first 10 months of 2019 shrank 87.2 percent on the year to 258,955 tonnes, according to Chinese customs.

METHANOL, ETHYLENE GLYCOL (MEG)

China imposed tariffs of 25 percent on US methanol and MEG in June this year. They were not affected by the Dec. 15 deal.

SOYBEANS

No additional duties had been scheduled to come into effect on Dec. 15.

A 25 percent tariff on soybeans in July 2018 had halted all buying by commercial buyers, but Chinese crushers went back to the US market following a trade truce in December last year. An additional 5 percent duty came into effect in September. The Chinese government has given tariff exemptions to some US soybean imports.

China bought 11.3 million tonnes of soybeans from the United States in January-October, down 31.8 percent from last year. The United States has sold at least another 1.5 million tonnes of beans to Chinese crushers since early November.

PORK

American pork faces total import duties of 72 percent after including the 12 percent "most-favoured nation" tariff. These duties were not changed in the Dec. 15 deal, but China is expected to boost US meat imports. An outbreak of African swine fever in China has decimated the world's largest pig herd and sent domestic pork prices soaring to record levels.

Total import tariffs on US frozen pork will go down to 68 percent from Jan. 1, when the cut in tariff rates on frozen pork shipments from all countries - which does not apply to carcasses, chilled pork and offal - takes effect.

New Boeing boss faces EU pressure over Embraer tie-up

Reuters, *Paris*

AS Boeing's new boss tackles the immediate crisis over its grounded 737 MAX jet, he also faces pressing questions from European regulators over a deal to buy the commercial arm of Brazil's Embraer - seen as key to its longer-term strategy.

European Union regulators investigating the $4.2 billion (3.3 billion pounds) tie-up have asked for more than 1.5 million pages of information and data on over 20 years of sales campaigns, two sources familiar with the matter told Reuters.

The volume of requests highlights the European Commission's concerns over a deal it suspects would reduce the number of major participants in the global jet market from three to two, the sources said, speaking on condition of anonymity.

Any delay or derailing of the transaction would be a further setback for Boeing, which on Monday named David Calhoun as its new CEO amid a crisis over the grounding of its top-selling 737 MAX following two fatal crashes.

Calhoun knows Embraer from his former senior role at engine maker General Electric and is expected to push hard for the tie-up, one industry source said.

Boeing has agreed to buy 80% of Embraer's commercial jets division which competes with Europe's Airbus in the market for planes below 150 seats.

Airbus had earlier bought the main competitor to Embraer's 80-120-seat E2 jet family from Canada's Bombardier and is racking up sales of the renamed A220 while its US rival's takeover of Embraer makes slow progress.

Originally set for 2019, the Boeing-Embraer deal was delayed after the Commission decided in October to deepen a competition probe, now scheduled to end in late February.

The sources said the Commission had requested the extra data on top of the hundreds of thousands of pieces of information shared by other regulators, and that it was examining data on over 1,000 actual or potential sales campaigns over two decades.

US sources deny the deal would reduce the market from three to two players, saying the mainline and regional markets are separate, even though Airbus has a foot in both camps.

Lawyers on all sides are now waiting to see whether the Commission launches a "statement of objections," a step that can lead to a request for concessions to secure approval.

The Commission and companies all declined to comment.

The United States, Japan and China have approved the deal and Brazil is expected to confirm preliminary backing soon.

Airbus and Boeing share the market for jets above 150 seats and their deals with Bombardier and Embraer respectively are extending their rivalry into smaller, regional jets. Beyond the battle between the E2 and the A220, broader issues are at stake as the two companies lay the foundation for longer-term contests against China.

Boeing is interested in Embraer's lower-cost engineering, industrial footprint and technology such as landing gear. That means Embraer is likely to play a key role in developing the portfolio that eventually replaces jets including the MAX.

The probe also intensifies a noisy European battleground for Boeing as it faces questions from Europe's safety agency over the MAX and the likelihood in 2020 of EU counter-tariffs after Washington taxed Airbus jets in a subsidy dispute.

European officials deny any link between competition and trade dossiers, but EU experts say the simultaneous challenges reflect Europe's growing international muscle as its regulators speak with a louder voice on multiple fronts.

Without linking the Embraer case to the subsidy dispute, Airbus is anxious to ensure a level US playing field for the A220, which has already been targeted with separate US tariffs that were later overturned, one European trade source said.

Airbus has held several contacts with officials probing the deal and incoming CEO Guillaume Faury met the EU's Competition Commissioner in March, people familiar with the talks said.

David Calhoun

A US industry source said top-level contacts early in the process are unusual and Brazilian reports say Airbus has argued against the deal. An Airbus spokesman said any claims that it was lobbying the EU against the deal were "without substance".

IMF calls for 'urgent' action by India amid slowdown

Afp, *Washington*

INDIA'S government must take steps quickly to reverse the economic slowdown of an economy that has been one of the engines of global growth, the International Monetary Fund said Monday.

Declining consumption and investment, and falling tax revenue, have combined with other factors to put the brakes on one of the fastest growing economies in the world, the IMF said in its annual review.

After lifting millions out of poverty "India is now in the midst of a significant economic slowdown," Ranil Salgado, of the IMF Asia and Pacific Department, told reporters.

"Addressing the current downturn and returning India to a high growth path requires urgent policy actions." However, the government has limited space to boost spending to support growth, especially given high debt levels and interest payments, the fund warned IMF chief economist Gita Gopinath last week said India's slowdown had "surprised to the downside," and said the fund is set to significantly downgrade its growth estimates for the Indian economy in the World Economic Outlook which will be released next month.

The IMF in October slashed its forecast for 2019 by nearly a full point to 6.1 percent, while cutting the outlook for 2020 to 7.0 percent.

Salgado said India's central bank has "room to cut the policy rate further, especially if the economic slowdown continues." The Reserve Bank of India (RBI) cut the key lending rate five times this year to a nine-year low, but at its last meeting earlier this month defied expectations by keeping policy unchanged.

The central bank slashed its annual growth forecast to 5 percent from 6.1 percent, as consumer demand and manufacturing activity contracts.

India's economy grew at its slowest pace in more than six years in the July-September period, down to 4.5 percent from 7.0 percent a year ago, according to government data.

Salgado said "the government needs to reinvigorate the reform agenda," including restoring the health of the financial sector in order to "enhance its ability to provide credit to the economy."