



Safiul Alam Khan Chowdhury, managing director and CEO of Pubali Bank, virtually chaired its countrywide 3rd Virtual Conference 2021 yesterday. Mohammad Ali, additional managing director and chief operating officer, and Zahid Ahsan, Mohammad Esha and Mohammad Shahadat Hossain, deputy managing directors, were present.



Aftab ul Islam, chairman of Asia Pacific General Insurance Company, virtually presided over its 21st annual general meeting yesterday. The company approved 10 per cent cash dividend for 2020. Bidhu Bhushon Chakraborty, chief executive officer, attended the meeting.

China quietly sets new 'buy Chinese' targets for state firms: US sources

REUTERS, Washington

China's government quietly issued new procurement guidelines in May that require up to 100% local content on hundreds of items including X-ray machines and magnetic resonance imaging equipment, erecting fresh barriers for foreign suppliers, three US-based sources told Reuters.

Document 551 was issued on May 14 by the Chinese Ministry of Finance and the Ministry of Industry and Information Technology (MIIT), with the title, "Auditing guidelines for government procurement of imported products," said one former US government official, who obtained a copy of the previously unreported 70-page catalog and read portions to Reuters, but requested anonymity.

The former official said that when China joined the World Trade Organization, it agreed not to issue such internal documents. The document also violated the spirit of the January 2020 Phase One trade deal with the United States, the former official said. "They need to reduce barriers, not create new ones."

Sent to Chinese hospitals, companies and other state-owned buyers, the document sets local content requirements of 25 per cent to 100 per cent for 315 items. They include medical equipment, ground-based radar equipment, testing machinery, optical instruments; items used for animal husbandry; seismic instruments, and marine, geological and geophysical equipment, the former official said.

The document has not been publicly released by Beijing.

China's Ministry of Finance and Ministry of Industry and Information Technology did not respond to queries about it.

Some US lawmakers and industry officials are increasingly concerned about Beijing's transparency on trade issues.

The new guidelines affect a wide range of goods, including medical devices, which Beijing agreed to buy more of under the terms of the Phase 1 trade deal. For example, magnetic resonance imaging equipment - a key export for US companies in the past - would face a 100 per cent local content requirements under the new guidelines, the former official said.

US trade experts said China's local content rules differed from planned increases in US "Buy American" thresholds because they were not publicly released, and affect far greater volumes of medical equipment and other goods since China's state-owned enterprises include hospitals and other entities.

China imported some \$124 billion in goods from the United States in 2020, much of which was purchased by vast state-owned and government-associated companies that control the education, health, transportation, agriculture and energy sectors.

US medical device exports, made by companies including Johnson & Johnson, GE and Abbott totaled \$47.5 billion in 2018, with exports to China valued at \$4.5 billion, according to Fitch Solutions data. Chinese imports of such goods fell during the US-China trade war in 2018 and 2019, but rose again after the Phase 1 trade accord was inked.

Doug Barry, spokesman for the US China Business Council, said his group has heard about the document, but has not seen a copy. The group's members who operate in China are reporting new problems in competing for and winning bids there,



A US dollar banknote featuring American founding father Benjamin Franklin and a China's yuan banknote featuring late Chinese chairman Mao Zedong are seen among US and Chinese flags in this illustration picture.

including areas such as testing equipment and transportation, he said.

The council is urging President Joe Biden's administration to complete its review of US-China trade policies and raise its concerns when Biden and Chinese President Xi Jinping meet in October.

Biden's predecessor Donald Trump, as part of his sometimes contentious China trade policy, was a strong advocate of "Buy American" and "America first."

Biden signed a "Buy American" executive order during his first week in office in

January aimed at harnessing the vast buying power of the federal government to boost American manufacturing, and last week unveiled new rules about US content levels in goods procured by the government.

The US Trade Representative's office, which is reviewing US-China trade policies, declined to comment on the Chinese document or whether it violates the US-China trade deal.

USTR spokesman Adam Hodge also declined to give any timetable for when USTR will conclude its review.

Asian markets drop as Delta fans recovery concerns

AFP, Hong Kong

Asian markets fell on Tuesday while oil held most of the previous day's losses as the impact of the fast-spreading Delta Covid variant on the global recovery fuelled concerns the outlook might not be as rosy as initially hoped.

While corporate earnings continue to impress, trader optimism has taken a knock after a series of below-forecast readings from the world's biggest economies including crucial growth drivers the United States and China.

At the same time, long-running fears that inflation could spike for months to come is fanning talk that central banks will be forced to taper their ultra-loose monetary policies to prevent prices spiralling, taking away a major pillar of the more than year-long rally in equity markets.

"I don't think the market is concerned about Delta as much as it's concerned about how it impacts inflation," Shana Sissel, of Spotlight Asset Group, told Bloomberg Television.

"The longer we have Delta spread globally, the longer the supply chain disruptions will continue.

"In a sign that markets are increasingly on edge over the outlook, the yield on 10-year US Treasuries, a key gauge of growth expectations, fell below 1.2 per cent.

That came after US growth missed expectations and figures showed growth in factory activity slowing.

Meanwhile, Hong Kong and Shanghai continue to be buffeted by uncertainty caused by China's crackdown on the tech, private tuition and property sectors, which has raised worries that officials will target other industries.

The move has also had a limited impact on markets elsewhere, particularly tech firms. After Monday's rally, Asian traders were given a tepid lead from Wall Street, where all three main indexes finished in negative territory.

Hong Kong led losses, falling one percent with tech giant Tencent down eight percent and extending its losing streak to around 20 percent since China announced its crackdown just over a week ago.

News that the city's government was to ease travel restrictions, which could provide a boost to the fragile economy, was met with a shrug. Tokyo, Shanghai, Singapore, Seoul and Manila were also in the red.

India's female labour participation rate falls

REUTERS, New Delhi

Female labour participation rate in India fell to 16.1 per cent during the July-September 2020 quarter, the lowest among the major economies, a government report said, reflecting the impact of pandemic and a widening job crisis.

The percentage of women in the labour force had fallen to a record low of 15.5 per cent during the April-June 2020 quarter, when India imposed strict lockdown to curb the spread of Covid-19 virus, said the report, released late Monday by the Ministry of Statistics.

According to World Bank estimates, India has one of the lowest female labour force participation rates in the world. Less than a third of women - defined in the report as 15 or older -

are working or actively looking for a job.

The female labour participation rate in India had fallen to 20.3 per cent in 2019 from more than 26 per cent in 2005, according to World Bank estimates, compared with 30.5 per cent in neighbouring Bangladesh and 33.7 per cent in Sri Lanka.

Most employed women in India are in low-skilled work, such as farm and factory labour and domestic help, sectors that have been hit hard by the pandemic. The unemployment rate among women touched 15.8 per cent, compared with 12.6 per cent among male workers during three months that ended in September 2020, the latest quarter for which data was released.

Most economic activities have resumed in the country after state

governments eased pandemic curbs in response to a decline in coronavirus infections from May peaks. That is likely to help create more jobs for all workers, government officials said.

India's July unemployment rate fell to 6.95 per cent from the June figure of 9.17 per cent, data from the Centre for Monitoring Indian Economy (CMIE) showed on Monday.

Many private economists have warned that the slow pace of vaccination and a slump in consumer demand could hurt growth prospects, and the economy is unlikely to attain its pre-Covid size before March 2022.

Asia's third-largest economy, which shrunk 7.3 per cent in the fiscal year ending in March, the worst recession in last seven decades, is expected to grow at 8-9 per cent year-on-year in the current fiscal year.

Labour market not tight, jobs recovery underway: Daly

REUTERS

Despite complaints from US employers that workers are hard to find, there are almost 10 million people who are unemployed and more sitting on the sidelines of the labor market, said San Francisco Federal Reserve President Mary Daly, who expects many or most of them to return to work as the economy recovers.

"Myriad factors are tempering labor supply at the moment - the need to care for children, fears of Covid, generous unemployment benefits," Daly said in a blog post on Tuesday. "But there is no reason to expect those to be permanent or even highly persistent features of the labor market."

Daly made her remarks after two of the US central bank's more hawkish policymakers - Fed Governor Christopher Waller and St. Louis Fed President James Bullard - said in recent days that they believed the job market recovery is nearing completion, clearing the way for the Fed to begin reducing its support for the economy in a matter of months.

Daly didn't address the Fed's potential taper of its bond-purchasing program in her remarks.

Challenges facing SMEs during pandemic

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This compels SMEs to take loans through informal channels at higher interest rates.

SMEs face several supply-side constraints related to insufficient infrastructural facilities and difficulties in accessing appropriate technologies and information. Due to their small scale, it is costly and challenging to solve the infrastructural-related supply-side problems if SMEs work in isolation. A cluster-based approach is, therefore, needed to solve the infrastructural deficiencies of SMEs.

The clustering of SMEs can generate external economies of scale. The whole idea of having an industrial park for SMEs, like the BSCIC industrial park, is very consistent with promoting external economies of scale.

However, the BSCIC industrial park initiative remained unsuccessful due to various reasons. The prime reason is the failure to integrate SME development policy in the broad industrial policy and generate necessary policy and programmatic supports to make the estate successful.

SMEs also have challenges related to inexperience in business, lack of technical knowledge, poor managerial skills, lack of planning skills, and market research skills.

The ongoing pandemic has had some intense impacts on the SME sector.

According to the quarterly firm-level surveys conducted by the South Asian Network on Economic Modeling (SANEM) since June 2020, SMEs in Bangladesh have been more affected than large enterprises. In particular, the impacts are devastating for micro and small enterprises.

Also, the business environment has been turning out to be more unfavourable for SMEs during the pandemic.

The survey in April 2021 also found that the SMEs were seriously lagging larger enterprises in terms of economic recovery. While, on average, by April 2021, large firms made a recovery of 77.3 per cent of their businesses to their pre-pandemic states, medium firms managed to record a 63.6 per cent recovery, and micro and small firms registered a 46.9 per cent recovery.

Large firms also received more stimulus

packages than micro, small and medium firms. While 46 per cent of the surveyed large firms received stimulus packages, this rate was 30 per cent for medium firms and only 9 per cent for micro and small firms.

The adjustment costs induced by the lockdown and "strict" restrictions are very high for SMEs. Many SMEs have lost their businesses during the crisis.

Given the difficulty of obtaining loans and other forms of assistance through established means, the recovery path for many SMEs is likely to be uncertain. However, the resonant performance of SMEs is critical for the recovery of the overall economy.

While lockdown and "strict" restrictions contain the spread of the virus, they hamper the livelihood of poor people and small businesses. The economy is unable to afford the long-term suspension of economic activities. Though more than a year has passed since the start of the pandemic, there have not been any health-related area and sector-specific effective protocols, which can substitute lockdown and "strict" restrictions, to maintain economic activities.

The governments should undertake several policies and support measures to help the SME sector come out of the crisis.

Examples of these support measures include deferring income and profit tax payments, providing tax reliefs, easing debt repayment schedules and rent and utility charge payments, providing soft loans (working capital) at low-interest rates, ensuring salary subsidies for job protection, introducing temporary regulations to prevent large-scale lay-off, and allowing alternative work arrangements.

As is observed in the SANEM's survey, SMEs are least successful in availing stimulus packages compared to larger counterparts. Therefore, the barriers to access to stimulus packages by the small and medium firms need to be identified and solved.



Employees work at a diamond jewellery manufacturing factory in Mumbai, India.

The author is executive director of the South Asian Network on Economic Modeling.