UK and Mexico launch trade talks

AFP, *London*

Britain and Mexico kicked off negotiations on Friday to pin down a post-Brexit free trade deal, the UK government announced.

The talks, seeking to boost a trade relationship worth 4 billion (4.7 billion euros, $5 billion), will aim to replace a prior agreement inherited from the European Union.

"This enhanced deal would transform our relationship with Mexico, making the most of the immense opportunities its dynamic business landscape and young, growing population offer," said International Trade Secretary Anne-Marie Trevelyan in a statement.

The minister began talks with Mexican counterpart Tatiana Clouthier at midday.

Britain hopes to open up one of the world's largest consumer markets, with Mexico's population forecast to hit 150 million people by 2035.

"Mexico is a major market for UK exporters," added the statement from the government's Department for Business, Energy and Industrial Strategy (BEIS).

"It is in a strategically situated part of the world, serving as a gateway to the Americas as well as to the dynamic trans-Pacific region.

"UK negotiators will look to go further and deeper in areas like services and technology, boosting a trade relationship already worth over 4.0 billion." The UK left the European Union in January 2021 and has since been pursuing deals across the world to boost international trade.

Britain has so far clinched agreements with the EU and other European nations, and some distant countries like Australia.

Talks are still ongoing with Canada and India.

London regards a deal with Washington as a key priority but this has so far proved elusive.

A partial view of the metro rail project in the capital. Economists have called for caution during the years of 2027 and 2028 when Bangladesh will start paying interest due on four or five foreign loans taken for some mega-projects. PHOTO: STAR/FILE

MEGA PROJECTS' LOAN INTEREST PAYMENT

Bangladesh should stay alert for 2027-28: economists

STAR BUSINESS REPORT

Bangladesh's economy should be on guard for 2027 and 2028 from when the country will start to collectively pay back the interest due on four or five foreign loans taken for domestic mega-projects, according to Bangladesh Economic Association (BEA).

The BEA issued the alert while detailing its alternative national budget proposal of Tk 20.50 lakh crore for fiscal year (FY) 2022-23, which is three times higher than that of the ongoing year.

The association of economists held a press conference in this regard at its office in Dhaka yesterday.

The BEA had proposed a Tk 17.38 lakh crore budget for FY2021-22, which was also almost three times the government allocation of Tk 6.03 lakh crore for the year.

BEA President Abul Barkat said whenever the government formulates the national budget, its first concern was about the total money being spent.

"But this is a wrong way of thinking for constructing a society as money can never be the main issue. It can only be one of the means of achieving the overall goal," he added. Barkat went on to say that the process of preparing a budget begins with considering what was needed by the people to build decent lives.

"We are not in favour of balancing the budget or the economy. We are for social balance," he said.

As per the proposal, of the total Tk 20.50 lakh crore budget, Tk 18.70 lakh crore will come from government revenue while the remaining Tk 1.80 lakh crore will remain as budget deficit.

However, the BEA's proposed budget suggests that external sources would not play a role in financing the deficit.

Barkat said in order to eliminate inequality and poverty, not only in the upcoming budget but for at least the next five years, gaps in income, wealth, health and education will have to be continuously reduced until there were none.

"There has to be a fundamental structural change in income and expenditure in the budget. No tax slavery can be imposed on the poor or lower classes to determine the source of funding," he added.

The BEA president also informed that their estimates show two crore people had been eligible to come under the government's social safety net programmes before the advent of Covid-19.

During the pandemic though, this number has risen to at least 3.5 crore as many people have become unemployed, he said.

If the situation remains the same, the number of people receiving social protection will double, Barkat said.

In its budget proposal, the BEA said the total amount of untaxed income generated in Bangladesh between fiscals 1972-73 and 2018-19 was estimated at Tk 88.61 lakh crore, of which just Tk 7.98 lakh crore has been laundered.

In the upcoming 2022-23 financial year, the proposal recommends the recovery of at least 2 per cent (Tk 1.77 lakh crore) of the black money each year.

The BEA believes the recovered money could finance the budget deficit.

Annually estimated inflation should be kept between 5 per cent and 7 per cent, the association said, adding that the inflation the government talks about was much lower than the actual inflation.

"The condition is that employment should be increased and fair wages must be ensured. Inflation cannot be taken to such a level that the economy will be put in the cycle of inflation. Food inflation cannot be raised under any circumstances," the proposal said.

US, S Korea sign pact on supply chains

AFP, *Washington*

The United States and South Korea have agreed to work more closely on crucial trade and supply-chain issues, the US Commerce Department announced Saturday.

Establishing a US-Korea Supply Chain and Commercial Dialogue, the statement said, would "foster increased collaboration and strengthen the international competitiveness of US and Korean industry."

The announcement, which offered little detail about the scope or workings of the new group, followed a roundtable meeting including prominent executives from both countries and led by US Commerce Secretary Gina Raimondo and her Korean counterpart Lee Chang-Yang.

The US delegation is accompanying President Joe Biden on a five-day trip to Korea and Japan meant to reconfirm a US-Asian economic partnership that was strained under former president Donald Trump.

The US statement said the two countries recognised that closer cooperation on "semiconductors, electric vehicles and batteries for electric vehicles, fuel cell and solar technology, and the digital economy will continue to transform our societies and drive our shared economic prosperity."

Roughly 75 per cent of the world's semiconductor chips are produced in East Asia, and supply-chain issues, made worse by the Covid-19 pandemic, have resulted in severe shortages affecting major buyers including the US auto industry.

Hyundai Motor to invest $10b in US

REUTERS, *Seoul*

Hyundai Motor Group said on Sunday it would invest an additional $5 billion in the United States by 2025 to strengthen collaboration with US firms in advanced technology.

The investments, announced during a visit to Seoul by President Joe Biden, are for robotics, urban air mobility, autonomous driving and artificial intelligence, the group said.

Hyundai Motor Group, which houses Hyundai Motor Co and Kia Corp, on Friday announced plans to invest $5.5 billion in Georgia to build electric vehicle (EV) and battery facilities.

The new investment brings its planned US total through 2025 to about $10 billion, above the $7.4 billion it announced last year.

The world's third-biggest automaker by vehicles sales did not say where in the United States the additional $5 billion would be invested.

"Thanks to Hyundai, we are being part of this transformative automobile sector and accelerating us on a road where we're going to be handing to United States of all electric future," Biden told a news conference.

Standing next to him after a meeting, Hyundai Motor Group executive chair Euisun Chung said, "I am confident that this new plant in Georgia will help us become a leader in the America automobile industry with regards to building high quality electric vehicles for our US customers."

The auto group said on Wednesday it would invest 21 trillion won ($16 billion) through 2030 to expand its EV business in South Korea.

Home textile now second

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The sector first crossed the $1 billion mark in fiscal 2020-21 thanks to a 49 per cent year-on-year hike in export earnings, driven mainly by higher costs and prices of raw cotton and other materials.

Export earnings were only 3 per cent of the total receipts of $38.75 billion for that year with garments accounting for 81 per cent, according to the EPB.

"Definitely the volume of exports has increased too," said Abul Basar, general manager of human resource, admin and compliance of Momtex Expo Ltd, another major exporter.

He said Bangladesh can offer competitive prices as labour costs here are the cheapest. Labour cost has increased in China, which once dominated the home textile market.

Political uncertainty in Pakistan has also discouraged buyers from placing orders there, Bashar said. "So, the increased order flow is likely to sustain," he added.

Harun-Ar-Rashid, managing director of Apex Weaving and Finishing Mills Ltd, said nearly 10 textile mills export home textile products from Bangladesh and the export volume is not that high. Bangladesh only has a 7 per cent share in the global home textile export market.

He went on to say that demand may decline due to a yarn shortage and the ongoing war in Ukraine.

Noman Group's Chowdhury said exports would grow if the government provides policy support. Increasing the cash incentive for exports to 10 per cent from the present 4 per cent and reducing congestion at ports will be instrumental for increasing export earnings from home textiles.

"We have political stability now but what we need is policy stability," he added.

Big brands fret over China as middle-class spurns luxury

REUTERS, *Shanghai*

Chloe Kou, a 28-year old beauty brand marketing manager from Shanghai, won't be buying her usual "one or two" high-end handbags this year. Instead, she plans to save not spend, and that is a problem for luxury brands.

China's current zero-Covid policy, with its attendant lockdowns, restrictions and economic impact have taken their toll on consumers' financial security.

"Luxury clothing or handbags, I definitely think are unnecessary right now, [because of] the uncertainty around my financial situation," Kou said.

"I definitely feel that we need to protect ourselves from this uncertainty around the economy," she said.

If she is typical of many young, urban, middle class professionals in cities around China, that is bad news for luxury brands which have relied heavily on mainland China for stellar growth in recent years.

Last year, the country accounted for 21 per cent of the world's personal luxury goods market, behind North America and Europe, according to consultancy Bain & Co. It is expected to become the top market by 2025.

As life returns to normal in many places, luxury sales have spiked in recent quarters, most notably in the United States, but falling sales in China threaten the growth ambitions of luxury brands.

Officials of ACI Motors, the sole distributor and technical collaborated partner of Yamaha motorcycles in Bangladesh, attend the launch of R15 V4 and the FZ-X Yamaha motorcycles at the International Convention City Bashundhara in Dhaka on Saturday. PHOTO: ACI MOTORS

Bank staffers

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On May 18, the BB said its officials and employees will not be able to make any kind of foreign trips except for some emergency purposes.

In another notice earlier yesterday, the central bank imposed restrictions on the employees of banks and non-bank financial institutions, saying they will not be able to travel abroad under expenses paid for by their employers.

Banks and NBFIs were instructed to refrain from releasing foreign currencies on account of registration or participation fee for attending training, seminar and workshop abroad.

The central bank also advised the authorised dealer banks to stop executing transactions for the employees of banks and financial institutions.

In order to ease pressure on reserves, the government, on May 11, banned its officials from foreign trips and postponed the implementation of less important projects that require imports.

On May 16, the Finance Division said the employees of autonomous, state-owned, semi-government organisations and state-owned banks and financial institutions can't go on overseas trips.

The taka is set to face more pressure in the coming days as the central bank of the United States is hiking its benchmark interest rate to rein in inflation, a phenomenon that would make American greenback dearer.

Stocks keep bleeding

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Global stock markets are also feeling the pinch of the war and the pandemic.

The Dow Jones Industrial Average of the US dropped 8.27 per cent in the last month while India's BSE Sensex shed 6.06 per cent, Japan's Nikkei 225 was down 1.41 per cent, and Hong Kong's Hang Seng Index plummeted 14.84 per cent.

"The stock market witnessed another massive fall as the jittery investors went on a heavy sell-off to exit from the market," said International Leasing Securities in its daily market review.

Both the DS30, the blue-chip index, and the DSES, the Shariah-based index, lost 39.52 points and 21.31 points, respectively.

A stockbroker says as the level of trust in government data is low, investors' fear is high.

M Reazul Karim, managing director of Premier Bank, received a certificate of appreciation from Fazle Kabir, governor of Bangladesh Bank, on the central bank premises in Dhaka recently for achieving a loan disbursement target of a special refinance scheme under a Covid-19 stimulus package of Tk 5,000 crore. AKM Sajedur Rahman Khan, deputy governor of the BB, Md Awlad Hossain Chowdhury, executive director, Md Abdul Hakim, general manager, and Mohammed Emtiaz Uddin, senior executive vice-president of Premier Bank, were present. PHOTO: PREMIER BANK

Lend more to farmers

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import substitute crops begin.

Bangladesh Bank's directive comes at a time when commodity prices have gone up owing to supply disruptions, increased freight costs for the Covid-19 pandemic and the Russia-Ukraine war.

Locally, the prices of various essentials, especially edible oils, pulses and maize, have gone up. Bangladesh highly depends on their import.

In its circular, Bangladesh Bank also provided some guidelines to banks related to the disbursement of the loans among growers.