China overtakes US to become India's top trading partner

STAR BUSINESS REPORT

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China has regained its position as India's largest trading partner overtaking the US after two years, according to Indian media reports.

The two-way trade between India and China stood at $118.4 billion in fiscal year 2023-24 (FY24) buoyed by increased imports and exports from India.

The latest bilateral trade data was marginally higher than the two-way trade with the US of $118.3 billion in FY24, according to Global Trade Research Initiative (GTRI).

The US lost its crown as India's largest trading partner on having retained the top position for two consecutive years.

India, the third biggest economy in Asia, exported $16.67 billion of items in FY24, posting an 8.7 percent year-on-year increase.

Its imports grew 3.24 percent to $101.7 billion in the same year, reported several Indian media.

The main sectors, which recorded healthy growth in exports to that country, include iron ore, cotton yarn/fabrics/made-ups, handloom fabrics, spices, fruits and vegetables, plastic, and linoleum, according to The Economic Times (ET).

The Economic Times cited the GTRI and said from fiscal year 2019 to FY2024, India's trade dynamics with its top 15 trading partners underwent significant transformations.

This impacted both exports and imports along with the status of trade surplus or deficit across various sectors, it said.

It added that China witnessed a marginal decline in exports by 0.6 percent, from $16.75 billion to $16.66 billion, while imports from China surged by 44.7 percent, from $70.32 billion to $101.75 billion.

"This growth in imports led to an expanding trade deficit, rising from USD 53.57 billion in FY2019 to USD 85.09 billion in FY2024, highlighting concerns over stagnant exports amidst rising imports," GTRI Founder Ajay Srivastava said.

Trade with the US showed growth, with exports increasing significantly by 47.9 percent from $52.41 billion to $77.52 billion, according to The Economic Times report.

India's economic ties with China have been under close scrutiny due to a heavy reliance on Chinese imports in critical sectors such as telecommunications, pharmaceuticals, and advanced technology, said Mint, a business and financial daily of India.

Mint said the GTRI report highlighted significant dependence, noting, "India imported $4.2 billion worth of telecom and smartphone parts, accounting for 44 percent of total imports in this category, indicating significant reliance on Chinese components.

"Laptops and PCs imports from China totalled $3.8 billion, making up 77.7 percent of India's imports in this sector," it said.

In response, India has implemented various measures to reduce this dependency, including production-linked incentive schemes (PLI), anti-dumping duties, and quality control orders, according to the Mint.

Additionally, India's import of lithium-ion batteries for electric vehicles, primarily from China, was valued at $2.2 billion, representing 75 percent of such imports, underscoring the critical role China plays in India's push towards electrification of transport, reports the newspaper.

The report, according to the Mint, also compared other significant trading relationships, noting substantial changes in trade dynamics with countries like Russia and Saudi Arabia.

Russia's trade figures have seen a dramatic increase, with exports growing by 78.3 percent and imports soaring by 952 percent, leading to a significantly widened trade deficit.

In contrast, trade with Saudi Arabia showed a more balanced growth, with exports more than doubling and imports rising at a slower pace, reports Mint.

Misconceptions about risk management in import and export

AAM AMIMUL EHSAN KHAN

Cross-border trade is the main driver of the economic progress of a country. The World Trade Organisation Trade Facilitation Agreement (WTO TFA) has set standards to facilitate global trade. Bangladesh ratified the TFA in 2016, and risk management is a unique measure of it.

Risk management in import and export is a science-based and data-driven goods clearance system that assesses risk, identifies high-risk consignments, and channels those for physical inspection, and if required, for sample withdrawal and laboratory testing. Simultaneously, it ensures faster clearance for low-risk consignments without physical inspection or with minimum intervention.

Each WTO member state will have to concentrate on high-risk consignments and expedite the release of low-risk ones for customs controls and other border controls.

This means, there shall be no arbitrary intervention without assessing risk, and no same treatment for both high-risk and low-risk consignments. Rather, the compliant parties will benefit more through faster clearance.

However, some misconceptions among regulatory agencies and stakeholders regarding risk management are delaying and hindering its implementation. If not resolved, this unique facilitation measure may not bring the expected results.

One of the misconceptions is whether risk management ignores risks. No, it does not. Rather, it follows a science-based and data-driven method suggested by the WCO and the WTO and it has been adopted by almost all countries. India has been implementing it for a long time.

As a scientific approach is applied to addressing revenue, compliance, and security risks before or after the arrival at ports, the cargo is cleared addressing various types and levels of risks.

Another misperception is risk management is a customs function alone. All cross-border trade agencies have responsibilities within their scope. The role of customs and other border-related controls are clearly mentioned in the TFA. There are about 70 regulatory agencies in the overall process of import and export in Bangladesh.

Suppose a plant product consignment is identified as "not risky" from the customs' point of view. Then, customs will not conduct a physical inspection. But can it release the consignment? The reply is "never".

The customs will have to wait until the Plant Quarantine Wing (PQW) issues a release order. If the PQW does not follow risk management, the release will be delayed. Therefore, the risk management of the customs is not sufficient alone for the speedy release of goods. All other agencies will have to follow it.

Risk management allows deploying more human resources and logistics in risky consignments to establish overall control. Simultaneously, the post-clearance audit (PCA) provision empowers agencies to audit traders' functions even after the clearance of goods. So, implementing risk management will empower agencies to exercise their legal and institutional authority, instead of undermining their power.

The concept of waiving risk management for plants, fish, animals, and related products or foodstuffs is not correct. No such waiver is referred to in the TFA.

As agencies create risk profiles, it is their sole mandate to select high-risk consignments. As a result, stakeholders will not have the opportunity to exert pressure. Moreover, transparency will be in place when the entire process is automated.

The notification sent by Bangladesh to the WTO mentions the deadline for the risk management implementation is June 2026. During these two years, a lot of things need to be done, including inserting risk management and PCA provisions in the regulatory agencies' legislation.

At present, only the Customs Act contains it and amendments to numerous legislations are a lengthy process. Another option could be to enact an overarching umbrella like the "Trade Facilitation Act", incorporating all facilitation measures and without amending agency-wise separate legislations.

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IDLC's profit rises slightly in Q1

STAR BUSINESS REPORT

IDLC Finance PLC posted a profit of Tk 35.33 crore in the first quarter of 2024, up 2 percent year-on-year.

The leading non-bank financial institution of Bangladesh logged a profit of Tk 34.50 crore in the January-March quarter of the previous year. Thus, the consolidated earnings per share rose to Tk 0.85 from Tk 0.83, according to a filing on the Dhaka Stock Exchange.

Albeit slightly, the profit in the first quarter was an improvement from the overall loss IDLC suffered in the financial year that ended on December 31. The profit dipped 21 percent year-on-year to Tk 151.31 crore in 2023.

The consolidated net operating cash flow per share was Tk 17.53 in negative in January-March this year against Tk 6.69 in negative a year prior.

The consolidated net asset value per share rose to Tk 46.56 on March 31 from Tk 45.71 on December 31.

Shares of IDLC Finance closed down 2.09 percent to Tk 32.80 on the DSE yesterday.

BTRC to seek Tk 87.18 lakh dues from Software Shop

The regulator also imposes Tk 2 lakh fine

MAHMUDUL HASAN

The Bangladesh Telecommunication Regulatory Commission (BTRC) has decided to seek dues totalling Tk 87.18 lakh from Software Shop and impose a fine of Tk 2 lakh on the company for violating different rules. The telecom regulator has instructed its finance and accounting division to send a letter to the company demanding payment of the dues.

These dues stem from non-payment of revenue sharing and social obligation fund contributions.

The imposition of the Tk 2 lakh administrative fine on Software Shop was decided for various violations, including providing services with expired tariffs and failing to comply with commission directives.

Software Shop is a holder of the Telecommunication Value Added Services (TVAS) registration certificate issued by the BTRC.

The TVAS providers offer various services through mobile carriers under a revenue-sharing model. Customers are charged by mobile phone operators.

The services include welcome tunes, voice messages, news alerts, missed call alerts, call block, call forwarding or diverting, music, videos, mobile games, streaming services and balance transfers.

The decision of the commission comes against the backdrop of an inspection carried out on the office of the company by a team comprising officials of the BTRC's enforcement and inspection directorate.

The inspection team afterwards submitted a report to the commission.

According to BTRC documents, the company was providing its services with expired tariffs in a clear violation of the telecom law.

It also changed it address without informing the commission and did not provide "online monitoring terminal's user ID and password" -- which was in violation of the clauses of a TVAS guideline.

The company also violated the commission's instructions by providing services using expired shortcodes. The commission also directed its engineering and operations division to take legal action against Software Shop for using expired shortcode of 16444.

Software Shop was supposed to pay Tk 1.25 crore as a part of a 5.5 percent revenue sharing agreement and 1 percent social obligation contribution from October 2018 to September 2023 to the commission.

However, it only paid Tk 38.74 lakh to the commission, according to the documents.

Nurul Huda, chief external affairs officer of Software Shop, said they were holding negotiations with the BTRC over this matter.

Meanwhile, Software Shop should have received 40 percent of the revenue from mobile operator Robi Axiata but received 30 percent.

The commission has also decided to seek an explanation from Robi in this regard.

Motor and bike show in Dhaka from May 23

STAR BUSINESS REPORT

The 17th Dhaka Motor Show and the 8th Dhaka Bike Show 2024 are going to kick off in Dhaka on May 23 to showcase locally-made automotive components and vehicles.

The fairs will also demonstrate the industry's capacity to attract foreign direct investment (FDI) in the automotive sector.

The participants at the three-day expositions at Bangabandhu Bangladesh-China Friendship Exhibition Centre in Purbachal will showcase brand new cars, commercial vehicles, motorcycles and all kinds of automotive parts and accessories.

Meanwhile, visitors and exhibitors will get to know each other too.

This year "Dhaka Motor Show" will host more than 600 booths and over 175 companies from more than 17 countries including Japan, India, China, Malaysia, South Korea, the USA and many more.

"The motor show will serve as a one-stop

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Maldives gets IMF debt warning as more Chinese loans loom

AFP, *Malé*

The International Monetary Fund warned the Maldives against looming "debt distress" Monday, as the small but strategically placed luxury tourist destination looks set to borrow more from main creditor China.

Since winning office last year, President Mohamed Muizzu has reoriented the atoll nation -- known for its upmarket beach resorts and celebrity vacationers -- away from traditional benefactor India and towards Beijing.

Last month his party won parliamentary elections in a landslide after promising to build thousands of apartments, reclaim more land for urban development and upgrade airports, all with Chinese funding.

Without naming the archipelago's main lender, the IMF said the Maldives remained "at high risk of external and overall debt distress" without "significant policy changes".

"Uncertainty surrounding the outlook is high and risks are tilted to the downside, including from delayed fiscal consolidation and weaker growth in key sources markets for tourism," the IMF said in a statement.

It urged the Maldives to urgently raise revenue, cut spending and reduce external borrowing to avoid a major economic crisis.

The Maldives is a small nation of 1,192 tiny coral islets scattered 800 kilometres (500 miles) across the equator, but it strategically straddles key east-west international shipping routes.

The world can survive a strong dollar – for now

ANALYSIS

REUTERS, *London*

The dollar is casting a long shadow over the world. The US currency has surged on the back of American economic resilience and higher interest rates. Prudent fiscal management and less foreign currency debt has helped to insulate most countries from the effects of this imbalance. But if the greenback keeps rising, commodity importers and emerging markets have a lot to worry about.

The dollar is on a tear. An index that tracks its value against a weighted basket of currencies of major US trading partners has risen by around 17 percent since 2021. This year alone, the greenback is up 10 percent against the Japanese yen, nearly 8 percent relative to the Swedish crown and almost 2 percent compared with the Chinese renminbi, despite Beijing's tight foreign exchange controls.

The surge is largely due to the extraordinary economic performance of the United States. Since 2021, US GDP has grown at an average of 3.4 percent a year. That's more than double its cruising speed between 2006 and 2015, and 70 percent faster than a group of advanced economies in the 13 years before the pandemic, International Monetary Fund data show. Inflation pressures prompted the Federal Reserve to raise interest rates and hold them at a high level, increasing the attractiveness of dollar-denominated assets for investors.

In previous cycles, such a sharp upward move in the dollar could have damaged countries that relied on the United States to grease their economic wheels. The most devastating example was the Asian financial crisis that started in 1997. Countries like Thailand, Malaysia and Indonesia failed to defend fixed exchange rates, leading to capital flight and long recessions.

There are two main reasons other countries have avoided the doom loop this time. First, the twin inflationary shocks of the pandemic and Russia's invasion of Ukraine hit around the world, prompting central banks to hike interest rates at roughly the same time, lowering the risk of capital flight. Indeed, some central banks began tightening monetary policy before the Fed. Brazilian policymakers started raising rates in March 2021 – a year before their US counterparts. Official borrowing costs in the country are now 10.5 percent, nearly double the level in the United States.

Many emerging markets had also put their fiscal houses in order. The biggest difference with the past has been the sharp increase in the percentage of debt issued in local currencies. Domestic-denominated debt accounted for 95 percent of the $3.9 trillion in new borrowing by governments in emerging markets last year, according, opens new tab to the Organisation for Economic Co-operation and Development.

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Pedestrians walk past a line of currency exchange shops in central Tokyo on April 17. If the dollar keeps rising, commodity importers and emerging markets have a lot to worry about.

PHOTO: AFP