EU, China open talks over EV tariffs

AFP, *Brussels*

EU and China trade chiefs held "candid and constructive" talks on Saturday over plans from Brussels to ramp up tariffs on Chinese electric cars, and the two sides will hold further consultations, the EU said.

The European Union warned this month that it would slap additional tariffs of up to 38 percent on Chinese electric car imports from July after an anti-subsidy probe, in a move that risks provoking a bitter trade war.

An EU spokesman said European trade commissioner Valdis Dombrovskis and China's Commerce Minister Wang Wentao "had a candid and constructive call on Saturday on the EU's anti-subsidy investigation into battery electric vehicles produced in China".

"The EU side emphasised that any negotiated outcome to its investigation must be effective in addressing the injurious subsidisation," spokesman Olof Gill said.

"The two sides will continue to engage at all levels in the coming weeks."

The European Union warned this month that it would slap additional tariffs of up to 38 percent on Chinese electric car imports from July

China's commerce ministry wrote on X that the two sides "agreed to start consultations" during the call.

Brussels angered Beijing by launching the investigation last year in a bid to defend European manufacturers in the face of a surge of cheaper Chinese imports.

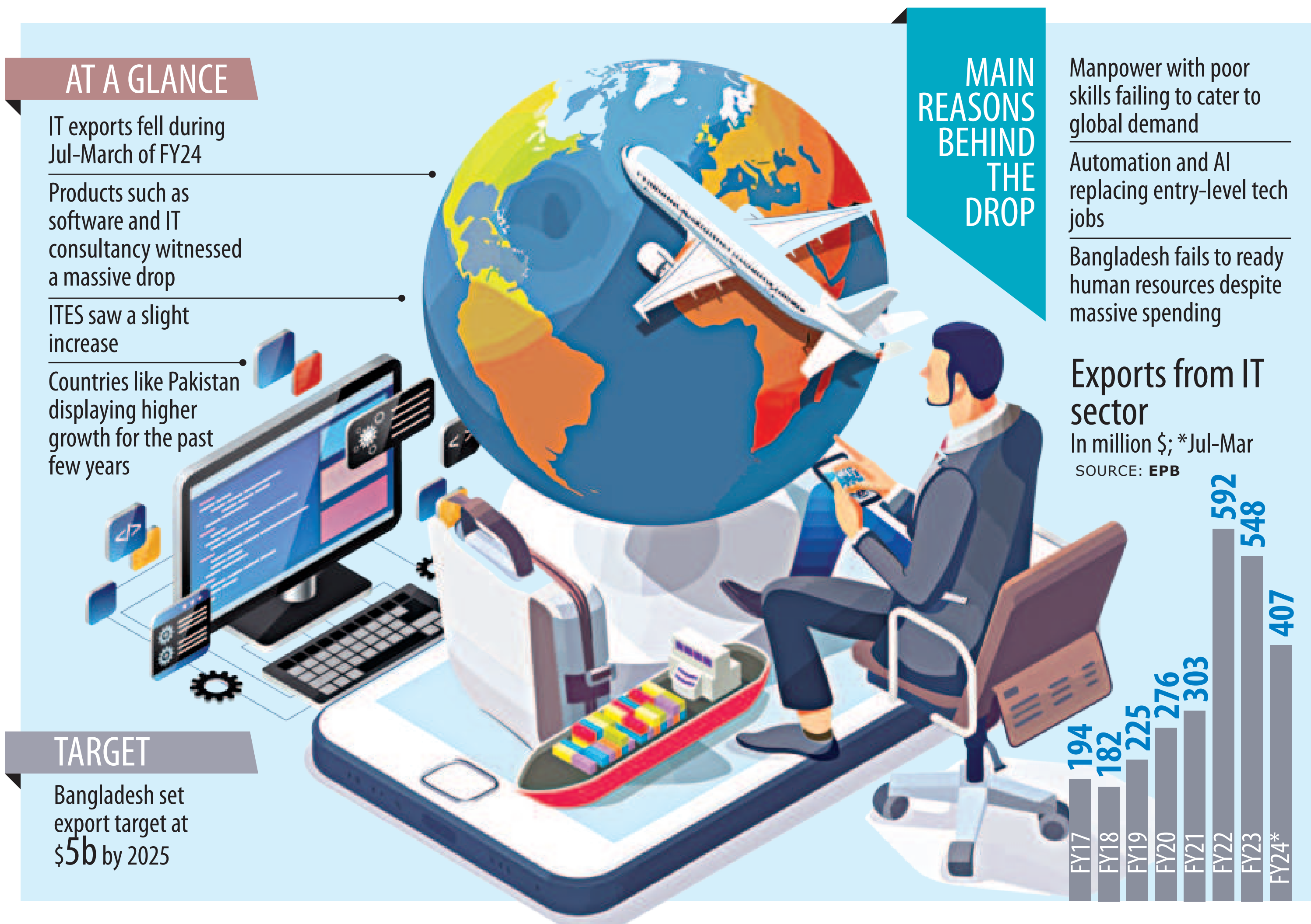
The European Commission has now proposed a provisional hike of tariffs on Chinese manufacturers: 17.4 percent for market major BYD, 20 percent for Geely and 38.1 percent for SAIC.

The EU said the amount depended on the level of state subsidies received by the firms.

Electric car producers in China that cooperated with the EU will face a tariff of 21 percent, while those that did not cooperate would be subject to a 38.1-percent duty.

This would be on top of the current import duty of 10 percent.

IT exports decline in July-March



MAHMUDUL HASAN

Bangladesh's IT exports declined in July-March of the current financial year, highlighting the country's struggle to gain a foothold in the global information and communications technology sector.

According to data from the Export Promotion Bureau (EPB), earnings of IT firms dropped 2.33 percent to $407.07 million in the first nine months of 2023-24. In the same period a year prior, shipments stood at $416.79 million.

Software exports dropped by 25 percent to $28.6 million and computer consultancy services plummeted 45 percent to $14 million. Earnings from IT-enabled services, however, increased by 4.64 percent to $361.30 million.

If the current IT export trend persists, the sector might see a drop in shipments for the second year in a row. In 2022-23, overseas sales from the industry fell for the first time in five years.

Industry people said the fact that the country has failed to produce big IT firms is an ominous sign for the government's export diversification efforts. Garment accounts for about 85 percent of Bangladesh's earnings from the external sector.

"The negative growth of software services gives a bad signal," said Fahim Mashroor, a former president of the Bangladesh Association of Software and Information Services (BASIS).

The export fall in July-March came although exporters are benefiting from a higher dollar rate, which has gained by 35 percent against the taka in the past two years. One explanation might be that exporters are not bringing in proceeds since the local currency is expected to weaken further amid the persistently lower level of foreign currency reserves.

"Although Bangladesh's software exports are declining, other countries like Pakistan have been displaying higher growth for the past few years," Mashroor added.

Pakistan's IT exports increased 25 percent year-on-year to $2.93 billion in July-May of FY24 although the country is far behind Bangladesh in various economic and social indicators.

Syed Almas Kabir, another former BASIS president, said big changes in global IT outsourcing have contributed to the negative growth in the sector.

He explained the IT services Bangladesh exports require low skills but they are now being replaced by automation and artificial intelligence (AI).

"For example, we used to export large volumes in the 2D graphics and manual data entry segments, both of which can now be handled through robotic automation and AI. These factors have primarily contributed to the downturn in ICT exports," Kabir said.

Earnings of IT firms dropped 2.33 percent to $407.07 million in the first nine months of 2023-24

"Global companies now want to outsource high-level tasks. Therefore, unless we can build a workforce capable of handling such tasks, we will continue to lose contracts. Our workforce needs to learn sophisticated tasks such as 3D animation, blockchain, data analysis, and AI.

"Unless these changes are made, exports will continue to decline."

The IT entrepreneur added if broadband is not extended to remote areas and the curriculum is not updated, the export earnings would not receive a boost.

The grim scenario of Bangladesh's IT exports comes despite the government spending thousands of crores of taka on IT infrastructure and skill development projects over the past decade and a half.

Asked if these initiatives have created skilled manpower capable of competing globally, Kabir said: "Unfortunately, not."

He said there are good intentions at the top level of the government to make Bangladesh an ICT powerhouse, but failures have occurred in implementation.

"Suppose 100 youngsters have taken part in a three-month training course in any area of ICT. There should be a third-party audit to assess how much they have learned. But we see no such things."

"Since the government is spending heavily for the ICT sector's development, it is crucial to evaluate if the expenditure is fruitful and being done the right way."

Rashad Kabir, managing director of Dream71 Bangladesh Ltd, a software firm, does not think the export slowdown is unusual.

"It was anticipated about a year ago. The primary cause is the worldwide economic slowdown and an unprecedented level of inflation for a longer period."

Following significant workforce reductions in 2022 and 2023, the tech layoff wave is still going strong in 2024 globally, which indicates that the business growth of technology companies is weak.

Since the main export area for the IT companies of Bangladesh is resource outsourcing, their revenue stream has been impacted.

Local IT companies mainly work with startups because they tend to outsource for cheaper prices. Due to the global economic slowdown, startups are also facing difficulties in raising funds. Consequently, they have stopped upgrading or developing new tech products.

A lack of skilled human resources in the areas of advanced technologies like AI, data science and blockchain is another reason for the decrease in exports.

"The worldwide demand for IT resources has shifted from traditional technologies to advanced technologies," Rashad added.

"But due to various reasons, Bangladesh has not been able to produce enough skilled human resources for modern technologies.

READ MORE ON B2

Elon Musk's $56b pay: Tesla, critics clash over how to resolve legal dispute

REUTERS, *Wilmington*

Tesla and opponents of Elon Musk's compensation clashed on Friday over ways to resolve the legal quagmire that has engulfed the CEO's $56 billion pay package and billions of dollars in potential legal fees generated by the case.

Tesla said in a court filing that a Delaware judge should recognize a vote by Tesla shareholders in favor of the pay package and reverse her January ruling that voided the compensation.

In response, shareholder attorneys said the vote to ratify Musk's pay has no legal effect and the only way for Tesla to challenge the January ruling is to appeal to the Delaware Supreme Court.

The shareholder attorneys said that before Tesla can appeal, Chancellor Kathaleen McCormick has to determine the legal fee that the company should be ordered to pay them for winning the case.

They had previously asked for 29 million shares of Tesla stock, which is worth more than $5 billion. But on Friday they said Tesla could as an alternative pay at least $1.1 billion in cash, which would be justified by the court's precedent, although they described that as "unfairly low."

Tesla and the legal team for Richard Tornetta, the shareholder who sued over the pay package, have been wrestling over the best way to resolve the case and compensate the company's chief executive.

Musk said earlier this year that unless he had a larger stake in Tesla he would prefer to build some products outside the company, creating uncertainty about his future while Tesla is struggling with slower sales and stiffer competition.

PHOTO: REUTERS/FILE

Tesla CEO Elon Musk and his security detail depart the company's local office in Washington.

Tesla's investors voted on June 13 in favor of the package of stock options. Many investors said they felt Musk should be rewarded because the value of the company increased more than 10 times after the pay package was originally agreed in 2018.

Tesla urged the judge to put aside the fee dispute and determine the impact of the shareholder vote, which in turn could drastically reduce the legal fee. It said that it plans to make a motion to reverse the January ruling and that it should now win the case.

The company has argued that by having the pay package reviewed by an independent board member and reapproved by shareholders it fixed McCormick's finding that Musk dominated the pay negotiations and that shareholders lacked key information in the 2018 vote.

Tornetta's legal team has rejected that approach. They argued the board process for proposing a ratification vote was flawed, the law was misused by Tesla and the shareholder vote was coerced by Musk's threats to take potential products from Tesla.

The shareholder lawyers want a decision on their legal fee as the next step in the case.

When the company achieved the last milestone in the pay package, it was worth $56 billion, according to Tesla. The package is worth around $48 billion at Friday's share price of $182.19.

Cash is leaving China again, pressuring yuan

REUTERS, *Shanghai/Singapore*

A sliding yuan and extensive outflows of cash from the mainland into Hong Kong show China's domestic investors are shelving expectations for any immediate recovery in their home markets and fleeing to the closest better-yielding assets.

The yuan has dropped to seven-month lows this week, alongside a reversal in equity investment flows into China.

Analysts said Hong Kong's stockpile of yuan deposits has also grown as mainland investors use their limited offshore investment channels to seek higher yields and companies prepare to pay annual dividends, adding to the pressure on the currency.

"Sentiment on China soured over the past month as the market has rallied ahead of improvement in macro data which continues to disappoint," said Gary Tan, a Singapore-based portfolio manager at Allspring Global Investments.

Tan, whose funds are underweight on Chinese stocks, said sentiment had come a long way from a time when mainland markets were considered "uninvestible", however, and he expected that would improve further.

But investor patience has worn thin after months of waiting for authorities to roll out more stimulus, mainly to support a sinking property sector.

The Shanghai benchmark stock index rose 20 percent between early February and mid-May but is down 6 percent since.

READ MORE ON B2

Beyond Nvidia: the search for AI's next breakthrough

AFP, *Toronto*

For a few days, AI chip juggernaut Nvidia sat on the throne as the world's biggest company, but behind the its staggering success are questions on whether new entrants can stake a claim to the artificial intelligence bonanza.

Nvidia, which makes the processors that are the only option to train generative AI's large language models, is now Big Tech's newest member and its stock market takeoff has lifted the whole sector.

Even tech's second rung on Wall Street has ridden on Nvidia's coattails with Oracle, Broadcom, HP and a spate of others seeing their stock valuations surge, despite sometimes shaky earnings.

Amid the champagne popping, startups seeking the attention of Silicon Valley venture capitalists are being asked to innovate -- but without a clear indication of where the next chapter of AI will be written.

When it comes to generative AI, doubts persist on what exactly will be left for companies that are not existing model makers, a field dominated by Microsoft-backed OpenAI, Google and Anthropic.

Most agree that competing with them head-on could be a fool's errand.

"I don't think that there's a great opportunity to start a foundational AI company at this point in time," said Mike Myer, founder and CEO of tech firm Quiq, at the Collision technology conference in Toronto.

Some have tried to build applications that use or mimic the powers of the existing big models, but this is being slapped down by Silicon Valley's biggest players.

"What I find disturbing is that people are not differentiating between those applications which are roadkill for the models as they progress in their capabilities, and those that are really adding value and will be here 10 years from now," said venture capital veteran Vinod Khosla.

The Nvidia GB200 NVL72, a computer with powerful hardware in a single rack, is on display during Computex 2024 in Taipei. Nvidia's processors are the only option to train generative AI's large language models.

PHOTO: AFP/FILE

The tough-talking Khosla is one of OpenAI's earliest investors.

"Grammarly won't keep up," Khosla predicted of the spelling and grammar checking app, and others similar to it.

He said these companies, which put only a "thin wrapper" around what the AI models can offer, are doomed.

One of the fields ripe for the taking is chip design, Khosla said, with AI demanding ever more specialized processors that provide highly specific powers.

"If you look across the chip history, we really have for the most part focused on more general chips," Rebecca Parsons, CTO at tech consultancy Thoughtworks, told AFP.

Providing more specialized processing for the many demands of AI is an opportunity seized by Groq, a hot startup that has built chips for the deployment of AI as opposed to its training, or inference -- the specialty of Nvidia's world-dominating GPUs.

READ MORE ON B2