

International Business News

India eases external borrowing rules

PALLAB BHATTACHARYA, New Delhi

With Indian banks likely to face a cash crunch for lending, the government has relaxed the norms for external commercial borrowings (ECB) for domestic companies engaged in infrastructure sectors such as power, roads, airport and ports.

Under the revised guidelines issued by the finance ministry on Monday, companies developing infrastructure projects can now borrow up to \$500 million a year for spending in the Indian Rupee in India. This represents a five-fold hike over the existing ceiling of \$100 million.

The move is expected to give flexibility to borrowers looking at long-term funds since domestic interest rates are high, analysts said. The companies will, however, have to seek permission from Reserve Bank of India to bring funds into India for expenditure in the Indian Rupee.

Despite the global financial turmoil following the collapse of American investment bank Lehman Brothers and snapping-up of Merrill Lynch by Bank of America, funds can still be accessed overseas at cheaper interest rates than in India, analysts said.

With higher interest rates at home, many Indian companies find it difficult to raise money for their expansion plan.

As infrastructure companies can now raise more funds from abroad, the pressure on domestic banks' funds will come down to some extent, allowing other sector companies to generate money from market at home, the analysts said.

HK investors may sue sellers of Lehman-backed bonds

AFP, Hong Kong

Hong Kong investors who bought complex financial products backed by collapsed US investment bank Lehman Brothers were considering suing the institutions who sold them, a lawmaker said Tuesday.

Investors argued that the banks who sold the instruments guaranteed by the failed Wall Street titan did not fully explain the high risks associated with the products.

"The investors are considering mounting legal action against the banks for misrepresentation," Albert Ho, chairman of the Democratic Party and a lawyer, told AFP.

Many of the investors, who paid a total of 12.7 billion Hong Kong dollars (1.63 billion US), had been sold mini-bonds which are based on derivatives linked to major firms' stocks but are worthless if the guarantor goes bankrupt.

"These products used to be sold by only investment banks to clients who had at least 1 million US dollars," said Ho.

"But a few years ago, commercial banks wanted to snatch a piece of the pie and started to convince their elderly customers to buy the mini-bonds without explaining to them the risks involved," he said.



Indonesian women look at imitation gold jewellery at the street vendor stall in Jakarta yesterday. An Indonesian parliamentary commission said that it had agreed to revise down the net debt issuance target for 2009 to 103.478 trillion rupiah (\$11.14 billion) from 112.478 trillion rupiah.

SKorea offers liquidity to credit-strapped firms

AFP, Seoul

South Korea will offer local banks and financial firms a credit lifeline if necessary in the wake of the global financial turmoil, a minister said Tuesday.

"We will support banks and financial firms to actively resolve problems that small and medium enterprises have," said Minister of Strategy and Finance Kang Man-Soo.

"The Bank of Korea (central bank) will provide liquidity if necessary at an appropriate time to help firms avoid a temporary liquidity crunch."

Kang was speaking after a special meeting with the heads of the supervisory Financial Services Commission and the central bank to consider the effect of the global credit crunch.

Despite the latest US financial upheavals, Kang said local financial institutions are maintaining a sound level of foreign currency liquidity.

A top business leader said separately that Korean businesses are finding funding harder to obtain in the wake of the US crisis.

Singapore's GIC reports 7.8pc annual return

AFP, Singapore

The normally secretive Government of Singapore Investment Corp, which has bailed out banks hit by the global financial crisis, said Tuesday its nominal annual rate of return over the past 20 years was 7.8 percent in US dollar terms.

GIC -- one of the world's largest sovereign wealth funds (SWFs) -- released the figure in its first annual report on the management of its portfolio.

But the 48-page report contained few other financial details.

"GIC's investment objective is to achieve a reasonable rate of return above global inflation with due regard to risks," the firm's deputy chairman and executive director, Tony Tan, told reporters.

Tan said the company had met its investment objective despite global shocks including the Asian financial crisis a decade ago and the ongoing credit turmoil in the international markets.

INTERVIEW

Insurers short on skills

Green Delta top boss shares his thoughts on his 50 years in career

SAJADUR RAHMAN

Professional manpower is scarce in the country's growing insurance industry when over 60 companies have sprung up in the private sector in a span of 22 years.

This is what Nasir A Choudhury, a doyen in Bangladesh's insurance business, spelt out his experience on completion of his 50 years of successful career.

"The country needs insurance professionals who can assess the risks of the business properly," said Choudhury.

Half a century is a long time and very few people succeed in staying in any business for such a period. This is indeed a rare landmark not only for him, but also for the whole industry.

Choudhury, now the managing director and chief executive officer of Green Delta Insurance Company Limited, will turn 74 on December 1 and is still work-monger.

Looking back to early days, he said, "Insurance as a subject appeared to be dull at the very beginning. I tried to switch over to other professions. But a one-year training in London in 1961 had changed everything. Insurance remains a part of my life till today."

"I was lucky to get a one-year-long training course on insurance in London. I was exposed there with the global insurance experts and that's changed my life," Choudhury recalled, adding that a two-month training on reinsurance in 1962 had helped him gain expertise.

Starting his career as a trainee executive in the then state-owned Pakistan Insurance Corporation in



Nasir A Choudhury

September 24, 1958, the charismatic personality served in different positions. He was the general manager of Shadharan Bima Corporation, the state-run general insurer, but left his job in 1983 and joined a Hamburg-based textile equipment manufacturing company's Dhaka office.

After a brief exile from the insurance industry, the chance to return to his area came again in 1985 when the Bangladesh government allowed private sector insurance business.

"Some of my friends asked me to float a company. I was doubtful whether I would be able to lead a company or not,"

Choudhury said. "Finally I agreed and got the registration for Green Delta Insurance Company in January 1986," he went on.

Since then he has been heading Green Delta, a leading general insurance company. The insurance pioneer did not confine himself only to the insurance business. He diversified the business from housing loan provider to telecom.

Talking to The Daily Star on his long insurance career, he dwelt on the past, present and future of insurance business.

"Insurance business is changing everyday. It appears to be challenging," Choudhury said, pointing to the fact that

now people come to insure for their business interruptions.

The insurance doyen criticised successive governments for licensing so many companies in a limited market. "That has created an imbalance in the sector," he observed.

Of the 60 private insurance companies, 43 are general and 17 life insurers. In addition, the government has two companies. The premium market for general companies is only around Tk 1,000 crore.

"The neighbouring Indian market is Rs 29,000 crore and only eight private companies are operating there," Choudhury continued.

Different government per-

INSURANCE HIGHLIGHTS			
▶ Total companies: 62			
▶ Private sector: 60: general insurance companies-43 and life insurers-17			
▶ Public sector: Sadharan Bima (general) and Jiban Bima (life)			
Gross premium income by private general insurers			
	2005	2006	2007
	709	797	1,000
Green Delta's income:	63	76	111

Figure in taka crore

“Some of my friends asked me to float a company. I was doubtful whether I would be able to lead a company or not”

mitted insurance licenses on political biasness, resulting in a lack in the required services for clients, the Green Delta chief said.

"If a company offers 60 percent commission, how it will make profit after its operational costs," Nasir Choudhury questioned. Ultimately, these companies failed to settle claims, he added. "That has generated a negative perception about the insurance people," he lamented.

On the new law on insurance, he is hopeful that things would change and help flourish the industry.

"Merger between the small companies can rectify the

things in the industry," he suggested. The new law that has already been approved by the Council of Advisers raised the paid-up capital for the insurance companies. Choudhury believes small companies would fail to comply with the new laws in terms of capital.

He believes insurance business has a bright prospect in Bangladesh. The premium of Green Delta was Tk 6.5 crore in 1986, but it reached Tk 110 crore in 2007. "That tells how the business is growing in Bangladesh," the optimistic Choudhury added.

sajjad@thedailystar.net

COLUMN

SYED SAIFUDDIN HOSSAIN

Fast-tracking Saarc trade

The challenge for customs nowadays is to offer the best possible service to traders and citizens in a planet characterised by economic globalisation, by rapidly increasing trade flows and by worldwide security concerns. Despite having enormous potential, South Asia is in an economically disadvantageous position, compared to other regional blocs. This is further aggravated by related bottlenecks that exist within the public administration, particularly the customs. Lack of adequate infrastructure at ports, complex rules and regulations concerning international trade, ambiguities related to customs valuation and tariff classification, pervasiveness of corruption among a section of customs personnel, inefficiency of government bureaucracy, and lack of cooperation among the various government agencies pose serious threat to the region's external sector performance. Raising effectiveness of trade facilitation measures within the Saarc region is crucial to supporting global integration of Saarc countries and promote their trade and commerce. Such an endeavour will largely depend on adopting and implementing a number of measures including the following. The Saarc Secretariat could play a key role in it.

Saarc Single Window initiative
Saarc leaders should work towards endorsing a Single Window initiative to share information on single windows, and develop a strategic action plan to implement single windows in Saarc. The Saarc Secretariat may set up a special working group to carry forward this initiative. The Apec Single Window initiative can be a reference point. Besides, more productive use of information technology has to be made to increase efficiency, effectiveness and transparency of revenue collections by exped-

iting customs clearance procedures. Such a measure will be a step forward towards effective utilisation of the automated system. Furthermore, this will enhance transparency and help eliminate corruption among customs officials.

Customs-to-customs cooperation
Harmonisation of customs procedures in Saarc countries will largely depend on the degree of cooperation among the customs authorities in the region. A mechanism will need to be put in place to ensure proper and adequate exchange of information among the customs authorities. Policy should also be developed to implement periodic training programmes, in which customs authorities in one country -- individually or jointly with another customs administration -- will train officials from customs and other border agencies from Saarc countries on latest relevant developments both within and outside Saarc. Such measures are crucial to ensure supply chain security not only within the region, but also with regard to extra-Saarc trade performance of these countries.

Customs-to-business cooperation
To ensure effective utilisation of the automated system, Saarc members need to set up required infrastructure and provide training to customs officials and representatives of the private sector including traders, shipping agents and freight forwarders. This is important not only to ensure 'informed compliance' on the part of the business community, but also to strengthen their relationship with the customs authorities. A sound and effective customs-to-business consultation mechanism should also be developed to ensure adequate participation of all relevant stakeholders.

Authorised economic operator
The concept of 'authorised economic operator' (AEO) or 'authorised traders' relates to businesses sufficiently known and trusted by the customs authorities to be exempted from the ordinary controls and subject to much lighter or flexible procedures and requirements. Such businesses correspond to frequent and reliable users, having a good compliance record of accurate declarations and timely payments. All the members of the Saarc should work out a common set of criteria to determine traders' eligibility as AEOs. The underlying objective of the initiative is to benefit both importers and exporters of South Asia with expedited clearance and increased security for shipments entering or leaving the region. Such benefits may also include option of periodic payment of duty for the compliant traders. The AEO programme was officially launched in Europe on January 1. The 'SAFE Framework', developed by the World Customs Organisation (WCO), details out the conditions and requirements for the AEOs.

Strengthened regulatory framework
Saarc members need to undertake a review of the existing laws and regulations to modernise the legal and regulatory framework. The approach will be to initially focus on priority amendments and eventually to rewrite the laws to ensure clarity, transparency and predictability. Such exercises should be carried out in light of the standards and practices set out by the Revised Kyoto Convention.

Enhanced risk management
State of the art automation system has to be put in place to ensure customs' 'data mining'. This is critical not only in terms of simplifying document lodgement, but also to ensure effective risk management proce-

dures including (i) screening shipments against pre-determined risk criteria based on documents lodged, (ii) identifying the nature and level of risk, and prioritising accordingly, and (iii) treating the risk.

Greater political will
Saarc leaders have to have a strategically well-designed political will among themselves to transform the differences into common interests. They must strive towards creating an economically strong region while recognising the specific trade related capacity building needs of individual member states. To this end, the Saarc Secretariat may act as a platform to



devise a common voice that needs to be raised at various international fora (such as the World Trade Organisation) to attract trade related technical assistance. Such political will is also crucial to establish an integrated transport system within the South Asia region. This will play an important role in promoting greater intra-regional connectivity within Saarc procedures to facilitate and ease intra-Saarc trade flows.

The writer is a senior research associate for the Centre for Policy Dialogue (CPD). Views expressed here do not necessarily reflect those of CPD.