

# Nepal looks to diversify economic ties

## The Nepalese finance secretary says Bangladesh will be the first choice among Saarc nations

SAJJADUR RAHMAN and MD FAZLUR RAHMAN

**N**EPAL has initiated a number of moves to enhance bilateral trade with Bangladesh. "We depend fully on India for our export-import trade. Now we want to diversify," Krishna Hari Baskota, finance secretary of Nepal, told The Daily Star in an interview yesterday.

"Bangladesh will be our first choice in the Saarc region as we pursue trade diversification. The Nepalese people are particularly happy to learn that Dhaka is ready to broaden its economic ties with them."

The top bureaucrat of the landlocked Himalayan country also expressed gratitude towards the Bangladesh government for allowing it transit and access to sea.

"But we expect more routes and more transit facilities from Bangladesh," he said.

Two-way trade between the two countries averages Tk 500 crore a year, with Nepal exporting goods worth Tk 150 crore and importing Tk 350 crore.

Baskota is now in Dhaka to attend the fifth meeting of the Saarc finance ministers held in Ruposhi Bangla Hotel. Before the ministerial meeting, finance secretaries of the regional forum worked out proceedings for the ministers.

The Nepalese delegation led by its finance minister will call on Finance Minister AMA Muhith today at his office.

As part of improved bilateral relations,

Baskota said his government has already initiated a treaty to avoid the double taxation on income earned in any of these countries.

"I expect the treaty will be effective in a few months," said the bureaucrat.

Once the treaty is in place, he said Bangladeshi businesses can easily invest in Nepal and the Nepalese in Bangladesh. But this move alone cannot boost investments unless there is an investment protection agreement, he added.

"Accordingly, we have initiated to ink bilateral investment protection agreements with all members of SAARC," said Baskota.

The finance secretary also discussed his country's economy, intra-regional trade in SAARC, non-tariff and para-tariff barriers, harmonisation of different standards and rules, transit, hydro-power potential and exchange of students.

He said both Bangladesh and Nepal have to explore the trade potential between each other.

"Bangladesh can buy construction materials like stones and cement while Nepal can buy readymade garments from Bangladesh as we are fully depend on imports for clothing items."

Nepal is not a major export destination for Bangladesh's RMG items as the country charges 15 percent duties. But Baskota said the tariff can be reduced through bilateral talks.

The Nepalese feels that the SAARC countries need to remove all tariff, non- and



Krishna Hari Baskota

para-tariffs to spur economic cooperation in the region.

During the secretary-level talks on Sunday, all secretaries favoured the idea of setting up a regional development bank. "We have agreed to discuss more on the issue at an expert level," said Baskota.

Baskota said they are also discussing long-term investment in the region. "If we can have a regional agreement on protection and promotion of investment we will not need any bilateral deal."

He said an agreement could be signed on the issue at the next year's SAARC summit of head of governments in Kathmandu.

On transit, Baskota said he personally believes in regional connectivity to enhance trade and investment. "We need to establish a brotherhood among us. We have to trust each other. Once all the countries are connected to each other, trade in the region will automatically go up."

The intraregional trade among eight members of Saarc accounts for only 5 per-

cent of their global trade.

He said Saarc could set up an inter-governmental committee where each party will put forward the problems it faces in trading with any individual country.

"We also need more effective interactions between the chambers of all the countries. When they come to know each other's problems, they will be able to sit with their respective governments and solve them."

Nepal's \$20-billion economy had faced some difficulties last year. "We have fought back and transformed those challenges into opportunities."

"Now there is harmony among the political parties, industrial production has gone up and revenue growth is going up," he said.

He said his country is on the right track in bringing inflation below 7 percent from 8.2 percent at present, thanks to a number of steps taken by the central bank and government.

Nepal has a large trade deficit as it imports products worth 178 billion Nepalese rupees against an import of 30 billion rupees. But it has a 16.1 billion rupee balance of payment surplus, largely due to strong remittance inflow.

Nepalese living abroad sent home 250 billion rupees in 2011, up 35 percent over the previous year, said Baskota, adding that the country is expected to receive 300 billion rupees in the current fiscal year ending in June 15. It has a foreign currency reserve worth 369 billion rupees.

# Asia's new rich

SHAYNE NELSON

**A**S Asia emerges as the world's largest wealth region, the one question foremost on the minds of all private bankers should be: what does a typical Asian client look like?

One thing is for certain: believing that what has worked for wealthy clients in Europe or the US in the past will work in Asia, too, would be a big mistake.

In Standard Chartered Private Bank -- with more than two-thirds of our assets under management originating from Asia -- we are seeing a new generation of Asian clients who stand out very clearly from those in other regions of the world.

Our relationships with these clients are different. Their expectations and outlook are different, hence they need different things from us.

Much of this comes down to demographics. Asia's high net-worth individuals (HNWIs) -- people with \$1 million or more in investable assets -- are younger than their western counterparts. Forty-one percent of Asia-Pacific's HNWIs are 45 or under versus a global average of 17 percent, according to Capgemini and Merrill Lynch. This means they are still creating and growing their wealth, as opposed to western HNWIs who tend to focus more on wealth preservation.

Another important difference is that a greater proportion of Asian HNWIs (63 percent in the case of our clients) are business owners, mostly first or second generation. They have earned their money the hard way, and are more reluctant to let others manage it, meaning that the private banking model applied for decades in the West may not work for them. Instead, many Asian clients prefer a much more hands-on approach, talking to their bank more often and looking for a faster turnover within their portfolios.

Asian HNWIs also tend to be more ambitious -- obvious perhaps given the higher returns they will have seen in the past couple of years. We see the same trend among Asia's entrepreneurs, the region's future rich. The 2012 Futurewealth survey, by Standard Chartered Private Bank, Scorpio Partnership and SEI, shows that entrepreneurs in Asia set themselves considerably higher wealth goals and expect to get there faster than their counterparts in the West.

Futurewealth also shows clear differences when it comes to what Asian clients like to spend their money on -- and more generally what they prioritise in life. Asian wealth creators tend to be more driven and focused on achieving their professional goals. They are also more interested in buying luxuries such as cars, watches, jewellery and works of art.

All this naturally affects what Asia's swelling band of millionaires needs from private banks. So what should banks do to serve them?

For starters, clients who are entrepreneurs typically have much of their wealth tied up in the business. On the one hand, they need finance for the business to grow and prosper, while on the other, they need to separate out and protect



Employees of a Taiwan company perform a traditional fortune praying ceremony in downtown Taipei yesterday as the Taiwan Stock Exchange resumed trading after the Lunar New Year holidays.

their personal wealth. A private banker, who only offers them investment opportunities with a similar risk and reward profile to their own business, will not add much value.

Because their wealth goals are more aggressive, Asian HNWIs also tend to be more willing to take risks. Their portfolios are often heavily skewed towards domestic Asian markets -- markets which they understand better and whose growth story they believe in. Many Asian clients also prefer the comfort of investing in tangible assets, such as real estate, a strategy validated in recent years as prices on property in most Asian cities have risen to record levels. However, the flip side is that Asian HNWI portfolios may not be adequately balanced for wealth protection in the long term, with a lack of diversification across asset classes and markets, including the West.

There is a role for private banks that understand the local Asian environment, but have the global reach to help Asian clients balance their portfolios with investments outside their domestic markets -- into other Asian and emerging markets and high-yielding pockets of the West. Private banks that can cater for greater risk appetites with exclusive opportunities, such as IPOs, private equity and single-manager hedge funds. Private banks that can draw on corporate and SME banking expertise to serve Asian entrepreneur clients holistically -- meeting the needs of both the business and the owner. Private banks that acknowledge that the rules of engagement are different in Asia, and develop more relevant ways of serving younger and more entrepreneurial HNWIs. At the most basic level, this means investing in new technology to reach Asian clients in ways that fit with how they live their lives. The traditional monthly account statement may not be enough for younger clients. They may prefer the ability to trade or review their portfolio from their smartphone or iPad -- or interact with their bank on social media.

It also means engaging early with the next generation of HNWIs, to lay the foundations for strong, long-lasting relationships. One of the biggest concerns for entrepreneur clients in Asia is the transfer of business acumen and knowledge to their children, many of whom will one day end up taking on their parents' companies. It is no coincidence that several banks -- Standard Chartered included -- have begun to offer business strategy courses to these future millionaires.

Banking is all about relationships and commitment. It is about meeting the needs of clients, helping businesses to flourish, helping individuals to grow and protect their wealth. It is about listening to customers and supporting them to achieve their goals. It is about being relevant to people. This has never been more important than right now in Asia, as the region grows in wealth, closing in on the US for the number one spot, with an estimated 3.3 million HNWIs, according to Capgemini and Merrill Lynch.

While this trend is set to continue, powered by Asia's high saving rates, increased domestic consumption and younger demographics, market conditions remain tight. Many private banks operating in Asia are experiencing higher cost, lower revenues and a decrease in return on assets, compounded by strong competition and regulatory changes in many countries.

This difficult environment calls for private banks to take steps to improve their profitability -- carefully choosing which clients and markets to cover, while looking inwards to improve efficiency and control costs. But above all it represents a great opportunity to get up close and personal with Asian HNWIs, growing with them and rethinking the private banking model to meet their needs on every step of their journey.

The writer is global head of high value client coverage and CEO of Standard Chartered Private Bank.

# Myanmar framing tax incentive law

PANA JANVIROJ, *Asia News Network*

**B**urma (Myanmar) is drafting a tax incentive law, which will be the most attractive in the region, as it prepares to achieve a 6-percent growth target in 2012, an economic minister said.

U Soe Thein, Burmese industries minister, told a group of international journalists in a rare interview, that the tax incentive law could be passed by the end of the upcoming parliamentary session in February. And a plan is underway to boost international business community's confidence in the kyats currency in consultation with the International Monetary Fund (IMF).

U Soe Thein was leading a delegation, who also included Rail Transportation Deputy Minister Thura U Thaug Lwin, to their first participation at the World Economic Forum. "We were very busy meeting global policymakers, officials and CEOs," the minister said candidly.

The delegation's presence here followed a recent visit by WEF Chairman Klaus Schwab to Burma where he met both Thien Sein, the president, and Opposition leader Ang San Suu Kyi. He invited both to attend the Davos forum.

U Soe Thein said he received a lot of ideas and learnt about many issues at many of the WEF sessions including the Eurozone crisis, job creation, sustainable energy and green policy, resources management, population and growth, poverty eradication, refugee and displaced persons, women and children, SMEs, anti-corruption and good governance. "We learn what shall we (need) to do in the future...We are honoured to attend."

In his meeting with CEOs, the minister said they extended recognition to what the Burmese government is doing on reform, interested in the country's growth and investment potentials, and the peace process with minorities. He reiterated that the reform process was not due to pressure from external or the economic sanctions but out of desire of the Burmese people.

He said Burma was centrally located to engage in trade and investment with China, India, Africa, and has the market as well as skilled labour, plus availability of energy resources including gas and hydroelectric.

"Like Norway and Sweden, we also have access to two seas and have fishing potential."

U Lwin noted that his country was also the world's biggest producer and exporter of rice in the pre-war era.

U Soe Thein said, with assistance from Japan, his government is working on a tax investment incentive package, which would be the most attractive in the region. The package would include an eight-year tax exemption with possible extension if the ventures proved profitable for the country. The law could be passed on this by the February parliamentary session.

The minister also said under December and January consultations with the IMF, the authorities are working on "currency exchange unification" and mechanisms for implementing fiscal and monetary policies. He said the plan to upgrade the central bank, now a department under the finance ministry, to make it independent was being proposed.

The Burmese industries minister said three economic zones are being set up: of which one would be Dawei (being undertaken by Italian-Thai Development Co) and another near Yangon with parts going to facilitate firms from China, Japan, Korea, Thailand and from the rest of the world.

"Yes, we are in a hurry..." he said, citing the preparation for Southeast Asian Games in 2013, Asean Chair assumption with 400 meetings scheduled in 2014 and Asean Economic Community in 2015 and to achieve the UN Millennium Development Goals.

"Tourism is booming and we need more hotels, certainly," he added.