UN report spurs plastic industry in Bangladesh

STAR BUSINESS REPORT

BANGLADESH can become a global player in plastic industry by raising its turnover to $2 billion by 2015 and $4 billion by 2020, said a UN report.

But for that, the country has to address three issues immediately, according to a case study of Bangladesh's plastic sector conducted by the Economic and Social Commission for Asia and the Pacific (ESCAP) of the United Nations.

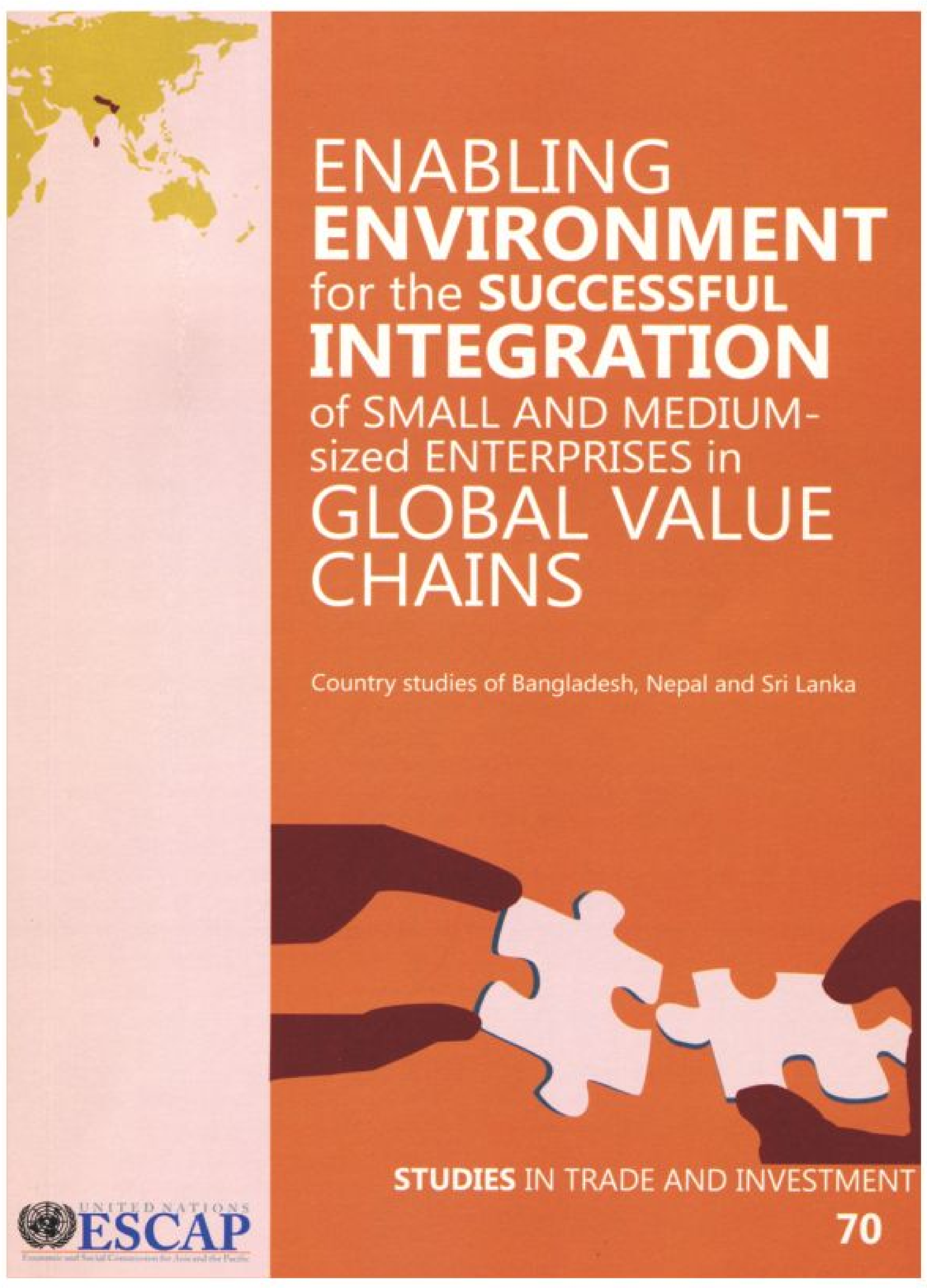
The issues are infrastructural support; waste management and recycling facility; and skills development, the report said.

The report launched yesterday at Ruposhi Bangla Hotel in Dhaka, suggested the government set up a separate economic zone for the plastic industry offering uninterrupted power to the factories.

Plastic-based products currently represent a sizeable sub sector in the chemical industry in Bangladesh.

The report said the current market size of plastic products is around $1 billion -- $714 million on the domestic market and the rest on the global market.

The plastic sector has around 3,000 manufacturing units that offer jobs to more than two million people directly and indirectly.



The report said Bangladesh is one of the lowest plastics consuming countries.

"Per capita consumption of plastics and plastics-based products in Bangladesh is estimated at two kg in a year against the global average at 80 kg," said the report.

This indicates that such consumption in Bangladesh is expected to rise as the economy develops.

Plastic recycling has also developed into a sizeable component of the plastic industry with major recycling centres operating in and around Dhaka, said the report.

Availability of river water and low transportation costs have made the recycling units in and around Dhaka economically attractive.

A total of 300 small units are recycling around 138 tonnes of plastic wastes a day. The plastic industry logs more than 10 percent of their earnings from the garment sector.

The UN report said plastic products are used in different purposes such as packaging, construction, pharmaceutical and consumer products.

Garbage bags, toothbrushes, artificial flowers, ballpoint pens, PVC (polyvinyl chloride) pipes, polythene sheets, electric switches and computer accessories also use plastic products.

Although the plastic industry in Bangladesh has made remarkable progress over the years, it still lacks a well-designed approach for achieving long-term and sustainable growth, said the report.

It also suggested the government ensure policy consistency and policy direction.

Deteriorating asset quality strains Indian banks

JEFF GLEKIN

AS India's growth rate fades, its banking system is developing bad habits. Debt restructurings are on the rise. And Indian banks have the lowest bad debt reserves in the Asia-Pacific region. Without an improvement, the pressure to fudge the numbers will only increase.

The Reserve Bank of India's Financial Stability report, released on June 29, said that banks remain comfortably capitalised, but the central bank is concerned about the deteriorating quality of the banks' loan books. In the year ending March 2012, the ratio of gross non-performing assets (NPAs) rose to 2.9 percent of total loans, up from 2.4 percent a year ago.

Debt restructurings are also on the rise. In the past year, banks sought to restructure a record $12 billion in corporate loans - an increase of 156 percent. Ratings agency Crisil expects the total to double in the coming year. India's Debt Restructuring Mechanism allows banks to ease terms on loans without setting aside provisions. What's more, banks are being flexible with many loans -- including $4 billion to Air India and $5.5 billion to loss-making state electricity boards -- without either formally classifying them as NPAs or ushering them through the formal mechanism.

Meanwhile, evergreening, where banks lend additional money to keep stressed borrowers from defaulting, is common practice. Property experts Knight Frank estimate that at least a tenth of real estate loans are stressed, more than twice the 3-4 percent cited by banks. The level of NPAs on infrastructure lending, around half a percent of total loans, looks suspiciously low, since these loans have increased from 7 to 15 percent of the banks' overall loan books since 2007.

The low level of reserves at Indian banks may be encouraging them to fudge the numbers. Most banks reported allowances of less than the RBI's minimum of 70 percent of probable losses on total NPAs. At 69 percent, Indian banks' average level of reserves of bad loans is far below China's 252 percent and Indonesia's 212 percent. Setting aside greater provisions will hurt the banks' bottom lines. But without a bigger buffer, the banks' bad habits will only worsen.

Jeff Glekin, based in Mumbai, is a Reuters writer.

Libor, Euribor: the tick-tock of global finance

AFP, *Paris*

The Euribor and Libor rates at the centre of the price rigging scandal hitting Barclays bank are interbank rates at the heart of short-term financing on a world scale.

The rates are crucial to the global financial system because they act as a reference or benchmark for the pricing of derivative products which are traded in massive amounts.

They also indirectly affect loans and mortgages for households and businesses, and many other contracts.

Libor (London Interbank Offered Rate) is a flagship London instrument used throughout the world. Euribor (Euro Interbank Offered Rate) is the eurozone equivalent.

On Wednesday, Barclays said it would pay the equivalent of 290 million pounds (360 million euros, $450 million) to end investigations by British and US regulators into suspected manipulation of interbank rates.

The investigations could yet drag in some other top names in international banking

The interbank market enables a bank to lend money to other banks, or to borrow funds, when the amount of its deposits exceeds or falls below customer credit demand.

It is not regulated, banks visit the market on a daily basis to balance their accounts, and it is absolutely essential to the smooth functioning of the banking system.

Transactions made using Libor and Euribor rates most often last from a few days up to a year, and the level is fixed once a day, around midday.

The Euribor reference rate is set by 43 eurozone banks, while the Libor rate is preferred by institutions from English-speaking countries.

Separate reference rates for funds in pounds, dollars and euro are also set by panels of six to 18 banks.

Barclays was fined for allegedly manipulating the rates to boost its earnings in the trading of derivative financial products.

When the interbank market seizes up, as happened in 2008 after the US investment bank Lehman Brothers failed, it can bring the flow of funds between commercial banks to a halt, and the market may remain affected for months at a time.

When banks no longer trust each other, borrowing rates soar, and central banks are forced to step in as lenders of last resort, or governments must agree to guarantee loans taken out by banks in their respective countries.

This deep interdependence, which was not considered a problem before the Lehman bankruptcy, is a factor of what is called systemic risk because it could bring down the global financial system.

British bank Barclays reels as CEO quits over rate rigging

AFP, *London*

BARCLAYS chief executive Bob Diamond resigned on Tuesday, the second head to roll in two days in a dramatic twist to a deepening scandal over the rigging of a key global interest rate.

The scandal is dragging the City of London financial sector into disrepute after various problems revealed by the financial crises, could threaten other top banks, and has riled the government and politicians.

Diamond, high-profile and highly paid, caved in to heavy political pressure even though it was thought that he might hang on to his job after Barclays chairman Marcus Agius took the first wave of outrage by resigning on Monday.

Some analysts said that this was intended to shield Diamond, seen by some as a genius with the golden touch, by others as an overpaid and overbearing banker.

Agius is now expected to leave only after leading the search for a new chief executive to replace Diamond, who has quit after 18 months in the top post.

Barclays refused to comment on reports that chief operating officer Jerry del Missier was also set to resign.

The scandal, which may implicate other international banks and trigger criminal prosecutions, concerns manipulation of the Libor and Euribor interbank lending rates.

These benchmark rates play a key role in global markets, affecting what banks, businesses and individuals pay to borrow money and serving as a benchmark for contracts. Libor is a flagship London instrument used throughout the world and Euribor is the eurozone equivalent.

"Barclays today announces the resignation of Bob Diamond as chief executive and a director of Barclays with immediate effect," the bank said in a statement to the London Stock Exchange.

US national Diamond added in the statement: "The external pressure placed on Barclays has reached a level that risks damaging the franchise -- I cannot let that happen."

British finance minister George Osborne welcomed Diamond's resignation.

Bob Diamond

"I think it's the right decision for Barclays. I think it's the right decision for the country. I hope it's a first step towards a new culture of responsibility in British banking," he told BBC radio.

Diamond was still due to face questions from British lawmakers on Wednesday over the affair.

Barclays' share price jumped 3.0 percent to stand at 173.50 pence in midday trading on London's benchmark FTSE 100 index, which rose 0.35 percent overall.

"Despite the void Mr Diamond's departure leaves at one of the UK's largest banks, investors seem to be thinking - or at least hoping -- that this may draw a line under the issue," said Mike McCudden, head of derivatives at trading consultancy Interactive Investor.

Diamond's resignation comes as the bank faced possible criminal prosecution.

Britain's Serious Fraud Office on Monday announced that it was considering whether it was "appropriate and possible to bring criminal prosecutions" over the issue, adding that it hoped to reach a conclusion within a month.

British Prime Minister David Cameron has also announced a parliamentary inquiry into the revelations that Barclays traders had lied about the interest rates other banks were charging it for loans.

On Sunday it emerged that bailed-out Royal Bank of Scotland had sacked four traders over their alleged involvement in the affair, raising suspicions that the practice was widespread.

Barclays was last week fined a total of £290 million ($455 million, 360 million euros) by British and US regulators for attempted rigging.

Barclays is the first major financial institution to settle following investigations on both sides of the Atlantic.

Markets were also wondering whether the latest banking scandal would result in a radical shake-up of the way in which business is conducted across the City of London financial district amid intense political pressure.

As well as the parliamentary probe, Barclays on Monday said it would launch an independent audit that would "undertake a root and branch review of all of the past practices that have been revealed as flawed since the credit crisis started" about five years ago.

The bank insisted that it would establish "a zero tolerance policy for any actions that harm the reputation of the bank."

Agius, who has chaired the bank for six years, apologised on Monday to its clients and shareholders for a scandal that had "dealt a devastating blow to Barclays' reputation."

Diamond, aged 60, was in charge of Barclays' hugely successful investment arm at the time of the suspected manipulation.

Diamond was one of the world's highest paid bankers -- last year earning a package worth £17.7 million.

Barclays said that his severance package was "still under discussion."

"I joined Barclays 16 years ago because I saw an opportunity to build a world class investment banking business," Diamond said in his statement.

"My motivation has always been to do what I believed to be in the best interests of Barclays. No decision over that period was as hard as the one that I make now to stand down as chief executive," he added.

Banking titan felled by scandal

AFP, *London*

Bob Diamond has long faced criticism for his high pay, being described as "the unacceptable face of banking" -- but he has been brought down by a politically toxic rate-fixing scandal.

Diamond, born in the United States, was a high-profile figure who drew admiration from many in the industry for making Barclays a global player in investment banking.

But the row which ultimately led to his departure has prompted a chorus of condemnation, amplified by deep public suspicion of Britain's banking sector, all but obscuring that achievement.

Richard Branson, perhaps Britain's best-known businessman, described Diamond as a "great banker" following his resignation.

"He built Barclays into a formidable bank and it is sad to see what has happened at Barclays," said Branson.

"I think the banks have just got to turn over a new leaf," added the entrepreneur whose Virgin Money business last year bought British bank Northern Rock, nationalised at the height of the global financial crisis in 2008.

Diamond, aged 60, who started his career as a lecturer at the University of Connecticut's business school, took over as chief executive of Barclays in January 2011 and served only 18 months before quitting.

Before that, he was head of the bank's investment banking arm, Barclays Capital, at the time of the suspected manipulation of interbank lending rates.

Here, Diamond played a key role in negotiating the $1.75 billion purchase of Lehman Brothers' US investment banking and capital markets operations after the Wall Street giant's collapse during the 2008 financial crisis.

Diamond became one of the world's highest paid bankers, earning £17.7 million (22 million euros, $27.7 million) in salary, bonus, benefits and long-term share awards last year.