

Seminar to focus on e-banking, m-commerce



STAR
Sonia Bashir Kabir, right, country manager for Dell in Bangladesh, speaks at a press conference at The Daily Star Centre in Dhaka yesterday. Faisal Rahim, left, chief executive of Total Communications, and Rizwan Bin Farouq, middle, managing director of B2M Technologies Ltd, were also present at the press briefing.

STAR BUSINESS REPORT

A daylong conference on e-banking and mobile commerce begins today in Dhaka to discuss cost-effective and innovative solutions of information technology for the development of the sector.

The conference styled 'the fourth Dell e-banking and mobile commerce international conference and exhibition' comprises two working sessions and a roundtable.

Atiur Rahman, governor of Bangladesh Bank, is scheduled to inaugurate the event as the chief guest at Sonargaon Hotel.

Total Communications, Pakistan, is organising the event with the support of the Bankers' CTO Forum and SAARC Chamber of Commerce and Industry, said Faisal Rahim, chief executive of Total Communications, at a press conference at The Daily

Star Centre in Dhaka yesterday.

Analysts from India, Singapore, the Philippines, Pakistan and Dubai will share the latest global trends on e-banking and mobile commerce at the event, he said.

Zia Ahmed, chairman of Bangladesh Telecommunication Regulatory Commission, and AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry, will also attend the event.

The first session will discuss how bankers can provide 'branchless banking' using low-cost phones, while the second session will focus on e-commerce and m-commerce.

A total of eight IT companies will showcase their products and services at the show.

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ICT to help jute farmers offset losses

HARSHA DE SILVA

THE smallholder agriculture sector constitutes the largest segment of producers in Bangladesh. Improved performance by agricultural smallholders is a precondition for inclusive development. Smallholders have to be better integrated within agricultural value chains, export oriented or otherwise. However, the sector is plagued with structural issues that inhibit the effective integration of smallholders. One in particular is described as the smallholder quality penalty (SQP) in a recent LIRNEasia study. **Smallholder quality penalty** The SQP is the financial penalty on the market price imposed on the smallholder by the first-handler (generally a collector) due to uncertainty over produce quality. This allows the first-handler to offset potential losses due to the perception of lower quality when selling to the next handler downstream. The SQP exists in most transactions in the supply chain.

The SQP is based on perception and may be partly justified. Smallholders are often resource-constrained and are unable to make the investments necessary to ensure quality. However, even if the smallholders are able to take the necessary steps to improve quality, perceptions of inferior quality produce persist, reducing incentives to invest in the first place. This creates a vicious cycle depressing investment by smallholders.

SQP in effect in Bangladesh Jute has long been called the 'golden fibre' of Bangladesh and is also its third largest foreign exchange earner. However, the smallholders engaged in producing jute fibre complain that they are unable to get a fair price for their goods even when they produce the best possible quality. The problem seems to



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The country's jute producers most of the time cannot even dream of getting fair prices for their produce.

be caused by information asymmetry between smallholder jute farmers and buyers, particularly with regard to retting processes and grading. Retting of jute fibre in water is an essential process to extract fibre from the jute stick. It determines for the most part the final quality of the jute fibre. The researchers found that some small traders take away between 2kg and 4kg from in every 40kg from smallholder farmers to compensate possible future loss due to lower perception of quality downstream. Here is the SQP in effect. Those smallholders who follow proper retting procedures are unable to communicate with the small trader that they have acted to improve quality. The small trader lumps together those who follow proper procedures and those who do not. All are subject to the SQP.

Assessing quality

What is meant by quality and how are perceptions of quality

arrived at? The International Organisation for Standardisation (ISO) defines quality as "the totality of attributes and characteristics of a product or service that contributes to its ability to satisfy specific or implicit requirements." Standardisation of the produce would certainly help in communicating the quality of the produce downstream, which would reduce the SQP. However, standardisation is neither easy nor cheap. Who will certify the same and how? Will it be economically meaningful for smallholders to spend on obtaining standardisation certificates? These are questions that need answers. Another possibility is to build and maintain trust by frequent interaction between smallholders and first handlers on quality attributes. This too could reduce the SQP. But again, the question is how such communication can take place in a cost effective manner.

Using ICT to reduce SQP

It is in this context LIRNEasia

looked at ways in which information and communication technology (ICT) could be used by smallholders to effectively communicate the quality attributes of their produce downstream. The research found that smallholder markets in these countries could take at least three distinct forms; (1) an oligopsonic structure with a large number of smallholders and limited number of first handlers interacting without any formal agreement on sale and purchase; (2) an out-grower structure where the smallholder is inclusive in the supply chain in that the first handler, who in most cases is an authorised representative of the large wholesaler or processing company, enters into an agreement to purchase the produce at a price either determined previously or in the market; (3) a cooperative type structure where the smallholders form societies bound by internal rules on quality benchmarks and act as quasi-large-holders.

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Merkel: Europe's weary mountaineer

FREDERICK KEMPE

TO help illustrate Germany's historic dilemma as it calculates the risks of rescuing Europe, Ronald Freeman, a London banker friend, conjured up an image of Chancellor Angela Merkel as a weary mountaineer leading a perilous rock climb. Still some distance from safety, Merkel alternates between shouting instructions to those hanging behind her on a taut and fraying rope, and wondering whether to take out her knife and cut loose some of the burden.

What Merkel must calculate, says Freeman, a former European Bank for Reconstruction and Development first vice-president, is how to get everyone to the top of Mt.

Europe without imperiling herself. "Until Germany agrees to switch from specific and inadequate bail-outs of over-indebted sovereigns to the unlimited back-up that only the European Central Bank can provide, the crisis will not end," he says, leaving countries like Greece, Spain and Italy dangling below an ambivalent Germany.

Investors last week applauded Germany's agreement to provide weaker climbers the equivalent of a temporary ledge to stand upon: access to Europe's permanent bailout fund to provide capital directly to troubled banks anywhere in the euro area. In return, governments agreed to give banking oversight to European authorities so that they could supervise and potentially dismantle banks.

Although the decision marked a change of German heart, it neither addressed the urgency of the crisis (the banking supervision won't be put in place until year's end) or the scale of capital required (the roughly 500 billion euros that would be available is less than a third of what the US Treasury considers necessary). Beyond that, Merkel is holding the rope at a time when German public support for the single currency is eroding. A recent Pew survey shows that more than half of Germans say their country would have been better off without the euro, and only two in five Germans have a favourable opinion of the European Central Bank.

In a thought-provoking analysis of what they call "the new German question," European Council on Foreign Relations analysts Ulrike Guérot and Mark Leonard, who is also my Reuters Opinion colleague, explain much of Germany's indecisiveness during the ongoing crisis. "There is not yet a new national narrative about what Germany should be or wants to be -- or what place in Europe it wants to occupy." They see Germany as passing through a dramatic moment of self-examination and reinvention, a "kind of unipolar moment," perhaps even laying the foundation for a new Sonderweg, or special path, where it is increasingly assertive in promoting European economic policies even as it charts its own relations with larger powers like China and Russia.

Given German history, any process of realignment could be



Angela Merkel

wrenching for Europe and the world. As Guérot and Leonard remind us, quoting the prewar German satirist Kurt Tucholsky: "Nothing makes the Germans lose their

composure as much as when trying to find themselves."

That said, it seems to be more common sense than historical neurosis that informs this new

German thinking. "Germany wants to be responsible and respected," says Peter Behr, a principal at the financial advisory boutique Signet Ltd. "It is aware of its own history and all of its existential geopolitical significance, and of the social value of currency stability and low inflation. It understands the direct and indirect benefits to it of European economic prosperity and political stability, but is unwilling to endlessly and in the end pointlessly underwrite those, especially when wholesale structural reforms are essential for the future of both."

A new generation of Germans has grown weary of lectures about history's lessons. It isn't yet ready to seize the full responsibility of European leadership, and instead is focused primarily on what it will take to ensure that Germany doesn't lose its hard-won gains of low unemployment, high productivity and steady growth, which has made it the world's second-largest exporter after China.

Because of that, Germans shrugged off the recent warning issued to Chancellor Merkel from her 93-year-old predecessor Helmut Schmidt. "More than once we Germans have caused others to suffer because of our position of power," he said, warning her against making excessive austerity demands on smaller European nations.

They also paid little heed to a George Soros appeal, issued in an interview with Der Spiegel Online, that Germans should play the modern-day role of benevolent power, as America did after World War Two through the Marshall Plan.

Although the economic cost was great, he argued, the geopolitical benefit was greater.

Somewhat more appealing to Germans is Tony Blair's advice to Financial Times editor Lionel Barber that individual European states can only defend their interests as a collective against the might of the Americans or the Chinese. "The rationale for Europe today is not peace; it is power," he said.

There is no doubt that Germany is currently in its most influential position of European leadership since World War Two. Yet one doesn't feel a sense of historic urgency when visiting the country, but rather a desire, if possible, to protect an increasingly threatened status quo. While Greece, Spain and Italy are all suffering different degrees of economic pain, the worst that has befallen Germany recently was the 2-1 loss to the Italians in the European soccer cup semifinals.

Which brings us back to Chancellor Merkel as the mountain climber weighing her choices in the face of Europe's growing burdens. With an eye to history, she looks down-mountain and appreciates how far Europe has already advanced. With a view to the future, she understands the benefits of bringing all euro zone states safely to the summit.

Yet Chancellor Merkel most importantly must survive in the moment. If the weather again turns worse, count on her to think of Germany's well-being first.

Frederick Kempe is president and CEO of the Atlantic Council.