Bangladeshi diaspora can attract more Canadian investment

Outgoing chief of CanCham talks about how Bangladesh can highlight its potential

SUMAN SAHA

BANGLADESH has enormous potential to attract more Canadian investment, particularly in readymade garment, IT, outsourcing, power and infrastructure projects, said a trade body leader.

So the government has to maintain a good connection with the Bangladeshi diaspora in Canada to lure prospective investors to Bangladesh, said Masud Rahman, outgoing president of Canada-Bangladesh Chamber of Commerce and Industry (CanCham).

"Trade between Bangladesh and Canada has been growing over the last five years."

The two countries now trade goods and services worth more than $1.63 billion annually where Bangladesh enjoys a trade surplus, he said.

The two-way trade has the potential to reach the $4 billion mark by the next three years, Rahman told The Daily Star in an interview at the chamber's office in Dhaka recently.

Around 1.5 million Bangladeshis now live in Canada and the diaspora is growing fast, he said.

"We need to leverage their presence in Canada and encourage them to get involved in trade and investment in Bangladesh."

Bangladesh's readymade garment has already emerged as a success story for the world, said Rahman, who served CanCham as president for six consecutive years. "So we can easily attract Canadian investment in the apparel sector."

He said Bangladesh can also attract Canadian investment in other sectors such as IT and outsourcing, power and energy, cutting and polishing of diamond thanks to the availability of cheap workforce.

"Most of our business is done through companies based in Toronto and Montreal. We need to look beyond these two cities as Canada is a vast country.

"The best way to address this issue is to set up consulates in cities in different regions, like Toronto, Vancouver and Saskatchewan, and engage with and involve the members of the Bangladeshi diaspora scattered there."

Masud Rahman

He said Bangladesh has to participate in more roadshows in different provinces, like Saskatchewan, Manitoba, Alberta, British Columbia, Northern Territories and Yukon, to depict Bangladeshi success stories and explain its potential.

"We need to take initiatives to attract more Canadian trade and investment. We have to work hard to convince them to look beyond India and China and show the world what we have in Bangladesh," said Rahman.

He said a little policy support can help boost the development of infrastructure projects in Bangladesh.

"We can use the resources of Export Development Canada (EDC) and the expertise of Canadian Commercial Corporation (CCC) for the development of infrastructure projects in Bangladesh."

EDC is an export credit agency of Canada and CCC is the country's international contracting and procurement agency.

Necessary policy support from the Bangladesh government can make these two organisations work as partners for development of Bangladesh, he said.

The chamber chief also stressed formation of a partnership for cooperation in the energy sector between the two countries.

"We can focus on Alberta in energy cooperation and oil and gas exploration."

Energy is Alberta's most important export sector which accounted for 71 percent of the total value of the Canadian province's exports in 2010, he said. "So, we can utilise their expertise and know-how to develop our energy sector."

Bangladesh can also focus on Manitoba for small hydro projects as this Canadian province has the state-of-the-art technology, he said.

Rahman said the south Asian country of cheap labour can also attract huge Canadian investment for rough diamond cutting and polishing.

"We can establish businesses partnering with the northwest territories of Canada for cutting and polishing of rough diamonds."

"It is an employment intensive sector. India now holds around 80 percent of the diamond cutting and polishing business in the world," he said.

So, the country should take initiatives to convince Canadian investors to set up diamond cutting and polishing factories in Bangladesh and reap attractive cost advantage, he said.

"Most minerals and metals produced in Yukon are gold. We can explore the possibilities of working with the gold of Yukon."

In 2007, Bangladesh's exports to Canada were $506 million, which rose to $611 million in 2008, $706 million in 2009, $813 million in 2010 and $1.078 billion in 2011.

Canada's exports to Bangladesh also increased from $275 million in 2008 to $555 million in 2011.

Bangladesh is currently the largest Canadian agri-commodity buyer in South Asia. The main Canadian exports to Bangladesh include cereals, legumes, oilseeds, iron and steel.

Canada's primary imports from Bangladesh include knit apparel, woven apparel, textile article, headgear and seafood.

Bangladesh imported wheat worth $300 million in 2011 while the amount was zero before 2004.

The bilateral trade between the two was estimated at $624 million even in 2006. But the growth marked a turning point in 2008 when local exporters launched a drive to grab more share of the Canadian market riding on duty- and quota-free benefits.

Previously, the trade volume was low as many of the Bangladeshi businessmen did not know about the market, Rahman said.

Now, many Bangladeshi businessmen are going to Canada to explore the market, he said.

Bangladesh enjoys duty- and quota-free benefits in Canadian market since 2003, he said, adding that more than $300 million Canadian investments have been so far made in Bangladesh.

"Now, our target is to diversify Bangladesh's exports as currently 95 percent products exported to Canada are garment items."

There is an ample opportunity to export pharmaceuticals, software and IT services, plastic products, footwear and leather goods, ceramics, furniture and bicycles to Canada, he said.

"We should not depend only on garments. We have the opportunity to export other products also," he said.

Like other western countries, Canada is also shifting its focus to other destinations as its longtime trade partner China has become expensive for Canadian consumers.

Moreover, China now opts for high-end technological gadgets, rather than garments, he said. As a result, Bangladeshi businessmen can now easily grab a little more of the Canadian market, Rahman said.

The chamber leader also urged the government to appoint an honorary consul general in Saskatchewan province.

"This province is important for Bangladesh as we import many agricultural commodities from Saskatchewan." Recently Bangladesh started importing fertiliser from Saskatchewan, he said.

"So, we should seek their direct assistance to explore this sector further," he said.

Rahman said CanCham plans to open a Diaspora Cell in CanCham Bangladesh to help the investors start SME business, set up company and invest in Bangladesh by providing assistance in legal and regulatory matters.

Moreover, Bangladesh-Canada bilateral relationship marks its 40th anniversary this year.

The outgoing president said the recent closure of the Canadian visitor visa processing office in Dhaka left a negative impact on the trade relation between the two countries.

Rahman urged the Canadian government to re-open the visa office as it will help business grow further between the two friendly nations.

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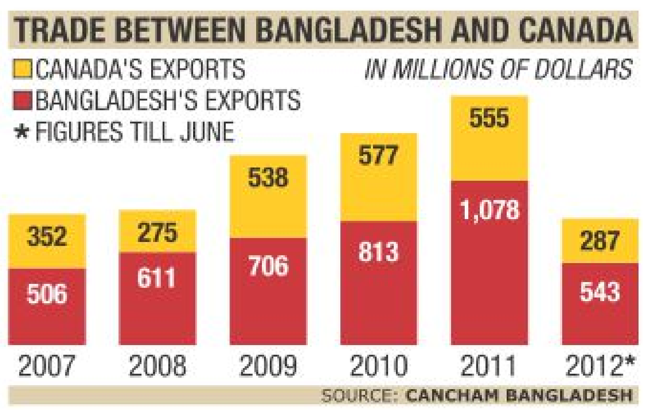

Foreign investment in India's retail: key facts

REUTERS, *New Delhi*

INDIA opened its retail sector to foreign supermarkets on Friday, a major economic reform that has been stalled for months by political gridlock and came as part of a package of measures aimed at reviving growth.

The policy comes with provisos which, some analysts said, could hamper firms hoping to set up shop in the world's second-most populous country.

Following are key aspects of the policy:

STATES TO DECIDE ON IMPLEMENTATION

Individual state governments will decide whether to allow foreign supermarket chains to enter. The Congress party-led government hopes this will take the sting out of opposition from regional parties who say the policy will destroy jobs.

Opponents of the reform include Mamata Banerjee, the chief minister of West Bengal and the most powerful ally in Prime Minister Manmohan Singh's government.

SOURCING FROM SMALL COMPANIES

Foreign retailers will have to source almost a third of their manufactured and processed goods from industries with a total plant and machinery investment of less than $1 million. Supermarket chains will certify compliance with this themselves.

The government will reserve the first right to procure food produce from farmers before companies do, in order to provide stocks for its food subsidy schemes for poor households.

AFP

Activists from the left-wing Socialist Unity Centre of India shout slogans during a demonstration in Kolkata on Saturday against foreign direct investment in multi-brand retail.

MINIMUM INVESTMENTS

Foreign retailers will have to invest a minimum of $100 million, and put at least half of their total investment into so-called 'back-end' infrastructure, such as warehousing and cold storage facilities. This requirement has to be met within three years of a retailer setting up shop.

The aim is to meet one of the key justifications for opening the supermarket sector to foreign players -- revamping the country's crumbling infrastructure and unclogging bottlenecks.

The bottlenecks fan inflation, which has proved a major headache for the government and the Reserve Bank of India.

Policymakers argue opening the sector will help ease prices for a country where hundreds of millions live in dire poverty.

BIG CITIES

Foreign retailers will only be allowed to set up shop in cities with a population of more than 1 million. In states where there are no cities with such a big population, individual state governments can choose where to allow foreign chains to open.

Critics of the new retail policy, including from opposition parties and domestic traders, say opening the doors to the likes of Wal-Mart will wipe out the country's small, family-run neighbourhood stores and trigger mass unemployment.

By restricting foreign firms to cities, the government hopes the supermarkets will become accessible to the country's swelling

Indian regulator's past haunts Sahara case

JEFF GLEKIN

INDIA'S top securities regulator is under a cloud. Last year a former deputy to the chairman of the Securities and Exchange Board of India (SEBI) wrote to the prime minister alleging that Upendra Kumar Sinha was going easy on the Sahara conglomerate. That puts SEBI, which has been tasked with overseeing the repayment of over $5 billion that Sahara raised from 30 million rural investors, in an awkward position.

Between 2008 and 2011, two unlisted Sahara companies raised a total of $4.3 billion using instruments known as optionally fully convertible debentures. Under Sinha's predecessor, SEBI ordered the group to refund the money, with 15 percent annual interest, after it found that the fund-raising process did not comply with securities market rules. The Supreme Court has just upheld that ruling.

Following Sinha's appointment in February 2011, his second in command -- Kandathil Mathew Abraham -- wrote to the prime minister alleging that the new chairman was under pressure from the finance minister to deal leniently with a number of high-profile cases, including that of Sahara. Among other things, Abraham says that when he proposed that SEBI issue a newspaper advertisement highlighting a High Court judgment against Sahara, Sinha refused and would only agree to a press release on the regulator's website. A more public warning from SEBI might have deterred investors from placing their money with Sahara.

Both SEBI and the finance ministry have publicly rubbished Abraham's accusations. The ministry called them 'false, vexatious and defamatory' and countered with its own allegations of corruption against the whistleblower. Last month Prime Minister Manmohan Singh cleared Abraham of the charge. But it's not clear that his allegations have been formally investigated.

SEBI now looks to be taking a tough line with Sahara. The group has accused the SEBI of acting in vengeance after it failed to acknowledge a truck carrying documents that the company had been ordered to hand over. SEBI says the truck was refused entry after Sahara failed to meet a deadline set by the Supreme Court.

Though Abraham's allegations have never been proven, they pose a question mark over SEBI's independence. The best response for the regulator -- and for Sinha -- is to ensure that 30 million Sahara investors get their money back.

HIGHLIGHTS

- The Supreme Court on August 31 ordered the Sahara conglomerate to refund $4.3 billion it had raised from around 30 million small investors, reaffirming an order from the capital markets regulator of June 2011. The Supreme Court also ordered Sahara to pay 15 percent interest to investors, taking the total payout to more than $5 billion.
- The court directed two Sahara firms to furnish the Securities and Exchange Board of India (SEBI) with all the details of their issuance of optionally fully convertible debentures (OFCD), subscriptions and refunds within 10 days.
- Sahara Group accused SEBI of acting in vengeance, in a report in the Business Standard on September 13, after the regulator failed to acknowledge a truck carrying documents. Sahara said a truck was refused entry as it arrived after the close of business hours on September 10, the deadline imposed by the Supreme Court.
- Sahara has 90 days to deposit around $5 billion with SEBI. The regulator has been authorized by the court to take recourse to all legal remedies, including attachment and sale of property, and freezing of bank accounts of Sahara firms for recovery of the money if it is not refunded in the next three months.
- In a letter dated October 2011 Kandathil Mathew Abraham, the number two at SEBI at the time, and the author of the original order against Sahara, wrote to the Prime Minister, Manmohan Singh. He alleged that the Chairman of SEBI, Upendra Kumar Sinha was under pressure from the then Finance Minister, Pranab Mukherjee, to deal leniently with a number of high profile cases, including that of Sahara.

The author is a Reuters Breakingviews columnist.