

Nordic firms eye big in Bangladesh

Study finds 94pc of the companies operating here plan expansion in next three years

STAR BUSINESS REPORT

NINETY four percent of the Nordic companies operating in Bangladesh are planning to expand their business here in next three years, in spite of political instability and infrastructure constraints, said a recent study.

The main reason for the plans to increase the activities in the country could be higher return on investment compared to other markets they have presence, said the Business Confidence Survey-2013 released in Dhaka on Tuesday.

It found other reasons included the growing demand from the middle class as well as increasing costs in other markets like China.

The Nordic Chamber of Commerce and Industry in Bangladesh, Sweden Bangladesh Business Council and three Nordic Embassies – Embassy of Sweden, Royal Norwegian Embassy and Royal Danish Embassy – conducted the business climate survey.

The survey was sent to a total of 55 companies, of which 46 are NCCI members and 9 non-members. Out of the 55 invited companies, 37 responded corresponding to a response rate of 74 percent among members of the NCCI and 33 percent from non-members.

The most common reason for starting a business in the country is the market demand, as indicated by 40 percent of the respondent while 27 percent for cost efficient production and 19 percent for efficient sourcing, it said.

According to the survey, about 67 percent respondents considered the business climate in Bangladesh favourable, despite political instability, erratic power supply, poor transport infrastructure, legal barriers and bureaucratic norms.

The survey was conducted between the period of December 2012 and January 2013 among the Nordic companies in Bangladesh. The Nordic countries make up region in Northern Europe and the North Atlantic, consisting of Denmark, Finland, Iceland, Norway and Sweden and their associated territories.

Telecom and IT and IT-enabled service is the biggest

sector for Nordic companies in Bangladesh (32 percent of respondents) while RMG/textiles account for 25 percent.

Of course in terms of volume/turnover, RMG is most likely the biggest sector but the large number of relatively young IT companies show that the Bangladesh economy is evolving towards more high-tech industries. About one million jobs are created as a result of Nordic businesses in Bangladesh, it said.

The picture that Nordic companies portray when doing business in Bangladesh is not solely positive. They reported certain areas needed to be looked into by decision makers for Bangladesh in order to remain an attractive business destination.

"Political instability, erratic power supply, poor transport infrastructure, legal barriers and bureaucratic norms are the key factors impeding growth in Bangladesh," it said.

Lack of adequate infrastructure is one of the major problems in Bangladesh. Some 66 percent of the respondents identified lack of power supply as a major deterrent while 61 percent for clean water and proper waste management, according to survey.

Anomalies and lack of coordination of regulations set forth by the regulator takes a long time to resolve and are repetitive in nature. Registration and licensing procedure are lengthy and complicated, it said.

"Acquiring all the legal permission needed to operate is time consuming. Nordic businesses identify the need of improving the Board of

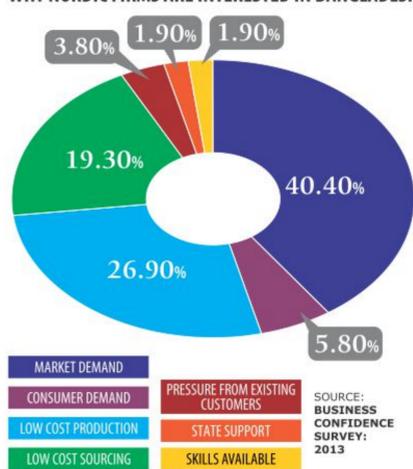
Investment's one-stop service to expedite crucial processes for foreign companies," the report said.

The Nordic businesses also face difficulties in foreign currency transactions which hamper their growth in Bangladesh.

Another difficulty is that Bangladesh has not, unlike China and India, implemented the OECD Transfer Pricing guideline which causes legal problems when submitting the Global Transfer Pricing documents to the tax authorities in Nordic countries.

The survey also revealed the dissatisfaction among the companies due to scarcity of land and offices for commercial purposes.

WHY NORDIC FIRMS ARE INTERESTED IN BANGLADESH



SOURCE: BUSINESS CONFIDENCE SURVEY, 2013

'World's first' bitcoin ATM opens in Canada



Jackson Warren, co-founder of Bitcoinia, poses with the world's first bitcoin ATM at Waves Coffee House in Vancouver, Canada on Tuesday.

AFF, Vancouver

THREE young entrepreneurs have opened what they call the world's first ATM able to exchange bitcoins for any official currency.

The machine inaugurated Tuesday, delivered to Vancouver in Western Canada by Robocoin, an American manufacturer, stands against a wall of a popular coffee shop, and resembles an ordinary cash ATM.

However, instead of cash transactions it swaps Canadian dollars for bitcoins, the virtual currency of the Internet invented in 2008 by an anonymous computer scientist known only by the pseudonym Satoshi Nakamoto.

Customers lined up Tuesday to use the ATM, then used their smartphones to buy coffee and muffins at the Waves coffee shop.

The ATM is the world's first, said co-owner Mitchel Demeter, a local entrepreneur who started trading in bitcoins several years ago, then earlier this year with two partners set up

Bitcoinia, a Vancouver storefront money exchange.

He and his friends, who were high school students together, said they saw ATMs as a business opportunity. "Nobody had an ATM, everyone was buying and selling on websites," said Demeter.

Customers use a private key - like a bank PIN number - to access their online account of bitcoins on the ATM.

They withdraw cash equivalents (the conversion rate is currently about one bitcoin for \$200) from their bitcoins, or deposit cash bills. The machine transfers the money on the Internet via the Canadian VirtEx exchange.

Users can then spend their bitcoins with a smartphone, in a similar way to the way interact or credit cards are used, or by transferring the money to purchase goods online.

"It's the currency of the Internet, as real as any other," said Demeter.

The volatile currency is as yet unregulated by any government in the world, and it has had a share of notoriety by being used in the drug

trade.

Germany, however, became the first country in the world earlier this year to declare bitcoins a "private currency."

And earlier this month investors were startled when a senior investment officer with giant hedge fund Fortress Investment Group said bitcoins could be used as a cheaper way of transferring money in countries with weak banking systems, the Financial Times reported.

In Vancouver, bitcoins are accepted by some 15 local businesses, from coffee shops to a landscaping business.

Bitcoins are also increasingly common in several hotspots around the world, especially San Francisco, Berlin, and Argentina, and accepted by online companies such as Wordpress.

David Lowy, a city businessman who used his smart phone to transfer .0101 bitcoins to the Waves barista, for a cup of dark coffee worth \$2 (Canadian), said Vancouver was a likely candidate to claim the first bitcoin ATM because the wealthy city is popular with

Demographic dividend and under-enumeration of female youth population

RUSHIDAN ISLAM RAHMAN

THE densely populated low-income countries of South Asia have experienced high rates of growth of the labour force associated with high population growth in the last few decades.

The prospect of utilising the growing youth labour force provides an important basis for their recent optimism about accelerating future economic growth. The experiences of rapidly growing economies of Asia also illustrate the cases of utilisation such demographic dividends to accelerate economic growth.

Given the positive growth rate of population and of labour force, Bangladesh and other low-income countries assume that an elastic supply of labour is available and therefore, investment growth is viewed as the key constraint to faster economic growth.

However, in recent years, the 'labour constraint' has also been receiving attention since the shortage of skilled and employable labour is being felt. In this context, the youth labour force can play an important role.

In fact, the growing youth labour force is often highlighted as the demographic dividend.

The younger labour force may face additional vulnerability because of their age. The transition from school to workforce is often difficult, especially for the youth from low-income families, who are likely to enter the labour force earlier than others.

The youth labour force did not receive adequate attention in the context of the Bangladesh labour market. There was a lack of attention in the past because of the assumption that they enter the labour market smoothly through family employment.

In an economy dominated by

GROWTH OF YOUTH POPULATION AND YOUTH LABOUR FORCE

Indicator	2000	2006	2010
Youth Population (mill.)	30.6	34.3	39.3
Average growth of YP (%) per year	-	1.92	3.46
Youth Labour force (mill.)	14.5	17.8	20.9
Average growth of YLF (%) per year	-	3.48	4.09
LFPR	47.4	51.7	53.2
Youth's Share in total labour force (%)	38.1	35.8	36.9
Increment of YLF due to population increase (between 2006 and 2010 in million)			2.65
Increment of YLF due to rise of LFPR (between 2006 and 2010 in million)			0.45

SOURCE: CALCULATED FROM BBS (VARIOUS YEARS): LABOUR FORCE SURVEY.

UNDER-ENUMERATION OF FEMALE YOUTH POPULATION

Age	Share of Total Population (%)				2006			2010		
	2006	Female	2010	Male	Female	Male	M/F	Female	Male	M/F
15-19	9.27	7.35	10.1	9.4	6496	4941	1.31	7575	6888	1.10
20-24	8.00	9.48	7.9	9.9	5600	6379	.88	5929	7257	.82
25-29	6.86	9.06	7.1	8.5	4806	6096	.79	5353	6251	.86

family employment, the entry of the youth labour force is considered an automatic process where they are first engaged as unpaid workers in family enterprise. But this option may no longer be available as the youth labour force receives education and aspires to move to new occupations and paid jobs.

The potential of the existence of demographic dividend in Bangladesh will depend on growth and quality of the youth labour force.

Data from labour force survey reports of Bangladesh show that the size of the youth labour force (aged 15 to 29 years) was 14.5 million in 2000 and 20.9 million in 2010. During this period, about 6.4 million youths joined the labour force.

In the two sub periods of 2000-2006 and 2006-2010, average annual growth of the youth labour force was 3.48 percent and 4.09 percent a year.

In 2010, 36.9 percent of the total labour force came from the youth group (15 to 29 years), which is higher than the share in

2006. This can be considered a demographic dividend because this has resulted mainly from growth of the population and only a small increment results from a rise in the labour force participation rate (LFPR), if there was no growth of youth population.

The growth rate of youth population was 1.93 and 3.46 percent a year in 2000-2006 and 2006-2010.

LFPR among the youth rose from 51.7 percent in 2006 to 53.2 percent in 2010. Increment in youth labour force due to the rise of LFPR has been calculated as only 0.45 million. Increment due to population growth has been 2.65 million.

Bangladesh has reached the peak of the demographic dividend as population growth rate has significantly slowed since the early 1990s. Taking 18 years as the time from birth to enter the labour force, the rate of entry of youth labour force is expected to decline from 2013. Thus, the potential demographic dividend will continue to exist but grow at a decelerated pace.

The increase in youth population and labour force is substantially large at present and it will be possible to continue human capital development for a part of the youth and still have a sufficient increase in growth of the current youth labour force. This may not, however, be possible after a couple of years when growth of the youth population and labour force will slow down.

Missing female youth
Proper utilisation of the potential demographic dividend requires a correct enumeration of its availability. It is well known that population census or large-scale surveys suffer from age misreporting.

Under enumeration of female population is often substantial in the developing countries of Asia and Bangladesh is no exception. Apart from overall under enumeration, this problem is more pervasive when one comes to certain special age groups for women: these are 10-14 years and 15 to 19 years. Existing social taboo and violence against young women

discourage reporting the presence of girls in these age groups.

On the basis of Labour Force Survey 2006, sex ratio (number of male/number of female) in the three age groups 15-19 years, 20-24 years and 25-29 years are 1.31, 0.88 and 0.79 respectively. In 2010, these were 1.10, 0.82 and 0.86.

The sex ratio and the number of male and female in these age groups reveal an interesting feature. In 2010, the male population in the 15-19 years age group exceeds female population by 687,000 whereas in the 20-24 years age group, the female population exceeds by 1,328,000.

Such a large jump cannot occur due to any demographic or related reasons. This clearly indicates age misreporting. The age of women who were actually 15 to 19 years are likely to have been reported as higher. This may be due to laws related to an age bar on marriage and entry into labour force. The latter is even a more serious source of underestimation when it comes to the labour force.

In most surveys, digit preference in age reporting is observed, but such large under enumeration of young women reveals serious social bias against this age group.

In 2006, under enumeration of 15-19 aged women was even more serious. In this age group, there were 1.455 million more men than women.

Such under enumeration of the female population and female labour force in the age group of 15-19 years can have serious adverse implications for appropriate policies and programmes for health service provisions, and employment generation.

Countries at climate risk to hold more GDP

AFF, Paris

NEARLY a third of the world's economic output, some \$44 trillion (32 trillion euros), will by 2025 be in countries at the highest risk of climate change effects, said research published Wednesday.

This would represent a 50 percent increase over today in the share of global GDP (gross domestic product) in high or extreme risk countries, said the assessment by British risk consultancy Maplecroft.

Most of these countries are ill prepared to deal with more severe floods, storms, droughts and sea-level rise likely to result from a warming planet, and the report said much investment is required in flood and other defences to protect infrastructure and assets.

"Adaptive measures... will, however, require the sustained commitment of governments," said a statement from Maplecroft.

The 67 countries at highest risk include economic giants India in 20th place and China at number 61.

Topping the list was Bangladesh, followed by Guinea-Bissau, Sierra Leone, Haiti, South Sudan, Nigeria, the Democratic Republic of Congo, Cambodia, Philippines, Ethiopia, the Central African Republic, Eritrea and Chad.

The United States and much of Europe are in the "low" risk category -- partly because they had more money to spend on adaptation measures.

"Many of the global growth markets are located in countries that are acutely vulnerable to climate change," said the report that measured risk of exposure in 193 countries along with their capacity to adapt.

"The increased spending power of middle-class populations in growth economies is resulting in significant international investment in highly vulnerable regions."

The analysis found that five cities facing a "extreme" climate risk: Dhaka in Bangladesh, Mumbai and Kolkata in India, Manila in the Philippines and Bangkok in Thailand, expected to see their GDP triple from \$275 billion to \$804 billion by 2025.

"The growing economic importance of cities in developing countries may increase exposure of assets, investments and supply chains to the impacts of climate change," said the report.

"Cities with some of the biggest economic growth potential are among those with the greatest vulnerability to climate change."

London and Paris are the only cities classified as "low" risk in an analysis of 50 cities.

The UN has set a target of limiting global warming to 2.0 degrees Celsius (3.6 deg Fahrenheit) over pre-Industrial Revolution levels in order to avoid its worst effects.

The writer is research director at Bangladesh Institute of Development Studies. The article has been written on the eve of National Youth Day to be celebrated on November 1.