Implement jute law right away: economist

STAR

Second from right, Qazi Kholiquzzaman Ahmad, chairman of Palli Karma-Sahayak Foundation, attends a workshop of Golden Fibre Project at The Daily Star Centre in the city yesterday. Traidcraft Exchange, a UK-based charity organisation, organised the event. Shahed Ferdous, country director of Traidcraft Exchange, was also present.

STAR BUSINESS REPORT

The government should immediately implement the law on the compulsory use of jute sacks to pack food items and agricultural produce in bids to revive demand for jute goods, a noted economist said yesterday.

"There will be huge domestic demand for jute goods if the country can implement the law properly," said Qazi Kholiquzzaman Ahmad, chairman of Palli Karma-Sahayak Foundation.

Some opportunists are creating obstacles to implementing the law, he said at a workshop of Golden Fibre Project at The Daily Star Centre, organised by Traidcraft Exchange, a UK-based charity organisation.

Demand for jute and jute goods will rise significantly as it is environment-friendly and bio-degradable, he added.

Ahmad urged jute farmers to form an association to place their demands with the government. "Jute growers should unite to get fair prices for the produce."

In a bid to cushion the export-dependent industry against fluctuations in international trade, the government framed the mandatory jute packaging law in 2010, which was made official later in October 2013.

At present, only the Directorate General of Food uses jute sacks to pack its purchase of rice and wheat; but rice millers and traders, the main market players, are yet to comply with the rule, citing higher costs with the use of jute sacks compared to polypropylene or plastic bags.

At the workshop, Innovision Consulting Private Ltd presented a final evaluation report on the project jointly implemented by Traidcraft and Tarango, a non-government organisation, in four upazilas in Faridpur and Gopalganj between June 2009 and May 2014.

The project benefited 4,396 farmers and craft producers, said Sadruddin Imran Albaab-Ur-Rahman, chief executive of Innovision.

During the project period, each beneficiary's income increased significantly mainly due to improvements in yield, he said.

Each beneficiary farmer's average income from jute farming rose from Tk 1,082 in fiscal 2009 to Tk 14,239 in fiscal 2013, Rahman said.

Jute grading in terms of quality has contributed to a rise in farmers' incomes as they received better prices overall, he said.

The project was allocated 475,378 pounds from the Department for International Development, said Shahed Ferdous, country director of Traidcraft Exchange.

It was a well managed project as overhead costs, including staff costs, were below 20 percent of total project cost, he said.

Established in 1986, Traidcraft Exchange works to enable poor producers in Africa and Asia to grow their businesses, find markets, and engage effectively in trade.

Know your market to diversify exports: experts

STAR BUSINESS REPORT

It is important to know the global market size of products to be able to diversify exports and avert the vulnerabilities in external trade, a trade analyst said yesterday.

"We can add at least 15 products to Bangladesh's export basket, but if the market size of those products is small, then export vulnerabilities will not decrease," said Mustafizur Rahman, executive director of Centre for Policy Dialogue.

The garment business is driven by demand from the international retailers and brands, and as a result, exports from this sector increased fast, he added.

Rahman spoke at a seminar on 'Reducing Vulnerability in Export Performance: The Export Diversification Challenge in Bangladesh' at BRAC Centre Inn in Dhaka. International Growth Centre (IGC) and BRAC Institute of Governance and Development (BIDG) organised the seminar.

Diversification in RMG products has taken place over the years, he said. The contribution of knitwear and woven is almost fifty-fifty at present, which was not the case earlier, he added.

In knitwear, value addition is higher as domestic raw materials are used, he said.

"To diversify both export products and markets, we need to strengthen the country's institutional capacity."

READ MORE ON B3

Yunus says women entrepreneurs to drive economy

The Nobel laureate joins Astana Economic Forum

STAR BUSINESS DESK

NOBEL laureate Muhammad Yunus stressed the need for integrating women in entrepreneurial activism, which has a positive effect on the economy of a country.

Prof Yunus spoke while addressing the plenary session of the seventh Astana Economic forum and second World Anti-Crisis Conference in Astana, capital of Kazakhstan on May 23.

He discussed the power of microcredit and social business in tackling social problems in the context of the existing capitalist system that excludes the poorest.

He also shed light on the power of technology in healthcare and medicine, including the potential revolutionary role that cellphones are already playing in this regard.

The Astana Economic Forum brings together world leaders, academic experts and high-level business representatives to find solutions to the greatest economic and social challenges of the present world, the Yunus Centre said in a statement yesterday.

The plenary session was also addressed by President of Kazakhstan Nursultan Nazarbayev, Malaysian Prime Minister Datuk Seri Najib Razak, UN Economic and Social Council Chair Martin Sajdik.

Former Bulgarian President Petar Stoyanov moderated the session, according to the statement.

President of Kazakhstan Nursultan Nazarbayev urged the countries to be united to work to overcome the growing gap between the rich and the poor.

"This problem is not just limited to developing countries but also developed countries, like Germany and the UK."

UN Secretary-General Ban Ki-Moon spoke with the participants of the forum through a video conference, endorsing the idea of a crusade against poverty.

During his stay in Kazakhstan, Yunus visited Eurasia University and spoke to the students. The vice chancellor of the university made the Nobel laureate an "Honorary Professor" of the university.

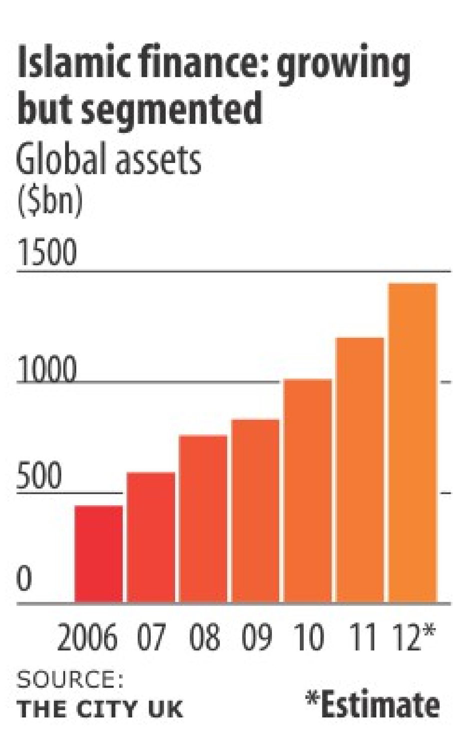
Over 10,000 participants from more than 150 countries attended this year's Astana Economic Forum.

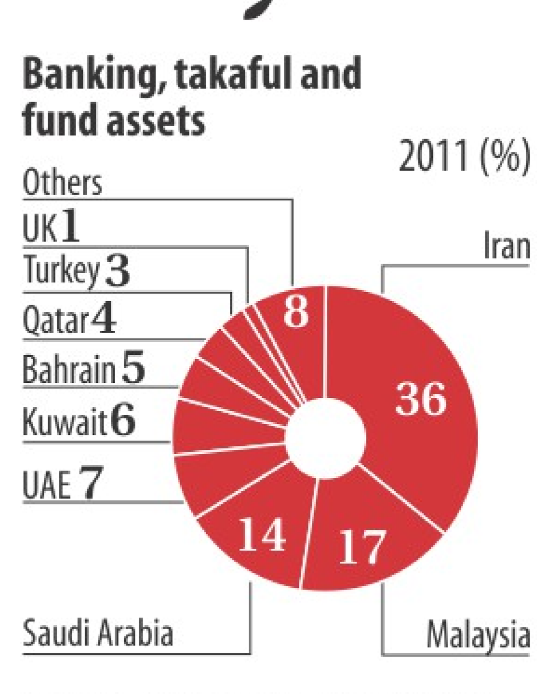
YUNUS CENTRE

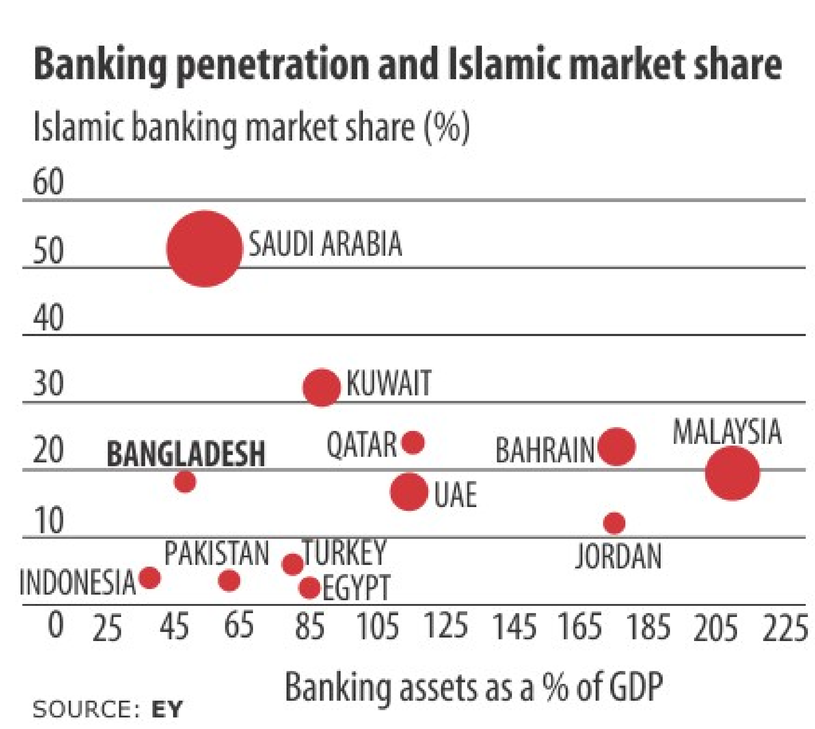
From left, Malaysian Prime Minister Najib Razak, President of Kazakhstan Nursultan Nazarbayev, UN Economic and Social Council Chair Martin Sajdik and Nobel laureate Professor Muhammad Yunus attend the joint plenary of the seventh Astana Economic forum and second World Anti-Crisis Conference, in Astana, capital of Kazakhstan on May 23.

Islamic finance: By the book

THE FINANCIAL TIMES







THIS spring, a clutch of politicians, civil service mandarins, bankers and overseas dignitaries gathered in the gilded halls of the UK Foreign Office's Lancaster House in west London. Unusually for such a gathering, there was not a glass of wine in sight.

For this was a reception designed to celebrate London's credentials as an aspiring hub for Islamic finance – a niche but fast-growing industry that meshes modern capitalism with Muslim religious principles. The speeches were brief and toasted with glasses of still water and mango juice rather than alcohol from the Foreign Office's cellars. The reception was interrupted briefly for evening prayers in an adjoining room prepared for the occasion.

The UK government last year announced plans to become the first western country to issue an Islamic bond, or sukuk – a security structured to adhere to the Muslim prohibition on interest. For industry insiders, it was further confirmation that Islamic finance had arrived.

"The UK is one of the world's biggest and most established economies, and it is saying Islamic finance is good to go," says Afaq Khan, head of Saadiq, Standard Chartered's Islamic arm. "It's a vote of confidence and sends the signal that the UK is open to Islamic finance."

Some sceptics may blanch at the government rolling the red carpet out for a little-understood industry that adheres to sharia, or Islamic, law. Yet the attractions are obvious. From humble beginnings just a few decades ago, the global Islamic finance industry is expected to hit $2tn this year – extending to banks, mutual funds, insurance, private equity and even some (contentious) hedge funds.

"The more I looked at the industry the more I realised that it was a no-brainer," says Baroness Sayeeda Warsi, a Foreign Officer minister and co-chair of the government's Islamic finance task force. "The figures are incredible."

The gambit is part of a wider government strategy to ensure that the City of London continues to enjoy its lucrative but sometimes contentious status as a freewheeling entrepôt for global finance in the 21st century. Bolstering Islamic finance is an important aspect of this, especially if, as the government hopes, it triggers an accompanying wave of investment from appreciative Muslim countries and financiers.

The UK is stepping into a crowded field, however. The biggest Islamic finance markets are Malaysia, Iran and Saudi Arabia. But Iran is in effect cut off from the rest of the industry by international sanctions and different sharia interpretations, leaving the other two centres as the leading powerhouses.

Saudi Arabia and Malaysia have the size and depth to act as regional centres of gravity for the Middle East and Asia, and aspirations to lead the global industry.

Then there are established offshore hubs, led by Bahrain – one of the industry's pioneers – but with ambitious Dubai increasingly asserting itself. Bahrain has a head start, but Dubai has already stolen its crown as the Middle East's financial centre and hopes to become the capital of the emerging "Islamic economy" as well.

London is the leading western centre but Luxembourg, Hong Kong and South Africa are now competing with the UK to become the first non-Islamic country to issue a sovereign sukuk to make themselves stand out.

Several factors came together to nurture an industry now courted by a host of countries. Growth came quickly after devout Arab merchants established a handful of Islamic banks in the 1970s and 1980s, with many Muslims attracted to the promise of having access to financial services without breaking their religious principles. Malaysia began promoting Islamic finance after setting up its sharia-compliant financial institution in 1983.

Essentially, bankers, lawyers and clerics who are well versed in Islam's financial tenets work together to use one or a combination of permissible concepts in sharia to get around bans on fixed interest rates and pure monetary speculation. They also need to fulfil injunctions for real assets to back transactions and for profit-and-loss sharing arrangements.

For example, if a company wants to issue a sukuk, the structure could include some of its real estate, with the company paying a fixed rent to the sukuk holders rather than normal interest. At maturity the company is obliged to buy back the property – a popular sale-and-leaseback structure known as ijara.

In its first two decades the industry was rudimentary and attracted little outside attention. But that changed when oil prices began to rise in the 2000s and supercharged Islamic finance in the Gulf in particular. That attracted western banks, greatly enhancing the industry's sophistication and credibility.

The future looks promising. EY, the consultancy formerly known as Ernst & Young, predicts that Islamic banking alone will grow to $3.4tn by 2018 given that many Muslims remain unbanked, partly because of religious prohibitions.

Even supporters are taken aback at the pace of development. When Mr Khan of StanChart first arrived in Bahrain in 1994 to handle Citigroup's initial trickle of sharia-compliant business, transactions were rare, and rarely amounted to more than a few million dollars at a time.

But over the past decade StanChart's Saadiq arm has arranged more than $73bn of sharia-compliant financing. "In my wildest dreams I didn't think the industry would grow this quickly," Mr Khan says.

Still, the industry has its detractors. Some Muslim critics feel it is merely a means to give conventional finance a veneer of sharia, following the letter of Islamic law rather than its spirit.

Critics charge that the industry fails in the area that some proponents like to hold up as its prime selling point: Islam's injunction for profit-and-loss sharing equity investments, rather than usurious debt. In practice, however, Islamic finance often deviates little from its conventional counterpart.

Tarek El Diwany, a derivatives trader turned Islamic finance proselyte, is a particularly fierce critic of the modern industry. He argues it has simply copied the institutional framework and products of conventional banking. "That's not just a failure of vision, it's often completely counter to the objectives of Islamic law," he says.

Mr Diwany argues that Islamic finance would be far more respected among outsiders if it offered a genuine alternative, one that could have been compelling in the wake of the global financial crisis. His argument is one with which some industry insiders quietly agree.

"Rather than sticking to our traditional principles, so many participants in this industry see sharia as an obstacle to be overcome, as something for which a workaround is needed. Where's the intellectual substance in that? And where's the dignity?" he asks.

Some proponents feel that Islamic finance has occasionally compromised its principles in its efforts to grow. That has led to periodic pushback from the "sharia scholars", the specialist clerics who act as guardians of the industry's religious foundations.

In 2008 Sheikh Muhammad Taqi Usmani, one of the most distinguished sharia scholars, indicated that some prominent sukuk structures strayed too far from the spirit of Islamic law. Briefly, "a cold sweat broke out across the industry", recalls Harris Irfan of EIIB-Rasmala, an Islamic investment bank, but standards were quickly tightened and growth was revived.

Many Muslims are simply agnostic on Islamic finance. Despite high hopes, Islamic retail banking has failed to take off in the UK, for example. Even in Egypt, a populous bastion of the Muslim world, the industry has failed to establish firm roots.

Western banks have also largely withdrawn after profitability disappointed. Most dramatically, HSBC, which helped spearhead the industry's growth, decided to cut back its sharia-compliant Amanah arm two years ago, ending its retail services everywhere but Malaysia and Saudi Arabia. While it remains active in Islamic investment banking, the diminution of Amanah was a blow to the wider industry.

Despite those setbacks, Islamic finance has continued to mature and swell in size. Heated arguments over its religious credentials are natural and unavoidable, given the breadth and diversity of Islam. Even though there have been a number of successful efforts to harmonise sharia interpretations, there will probably always be differences of opinion between regions, countries and clerics, experts say.

Proponents are loath to admit that there have been any compromises with sharia along the way but like to point out that adhering to Islam's financial values is a process, not an absolute yardstick.

Iqbal Khan, the founder of HSBC Amanah and one of the industry's early champions, predicts that as Islamic finance matures it will gradually become truer to the spirit of sharia. He envisages an industry in which Islamic banks are much smaller and a less contentious feature on a landscape dominated by more sharia-compliant asset management firms, co-operatives and insurance companies.

It is unclear what role the UK will be able to carve out for itself as the industry matures. Malaysia and the Gulf will remain the industry heavyweights but the position as the leading western centre for Islamic finance is there for the taking.

South Africa names first black finance minister

AFP, *Johannesburg*

South African President Jacob Zuma on Sunday tapped junior minister Nhlanhla Nene to become the country's first black finance minister as he unveiled his new cabinet a day after taking office.

The appointment of Nene, aged 55, represents a statement of intent from Zuma, who has vowed to bring radical social and economic transformation in his second five-year term.

Within South Africa's ruling ANC there is a strong desire to put more economic power in black hands.

In the 20 years since South Africa struggled free from racist apartheid rule, the economy remains predominantly in white hands, despite a raft of empowerment programmes.

"Economic transformation will take centre-stage during this new term as government as we put the economy on an inclusive growth path," Zuma said at his inauguration Saturday.

Nene had served as deputy to internationally respected finance chief Pravin Gordhan, who is of Indian origin.

"Nene is an old-hand at the treasury," said Razia Khan, Africa's regional head of research for Standard Chartered Bank. "He will be seen to represent policy continuity."

But his appointment is not without risk. He follows on from Gordhan and the similarly well-regarded Trevor Manuel -- who is mixed race -- and perhaps faces a tougher challenge than either of his predecessors.

The rand has been under pressure for months and ratings agencies have warned that deficits, high unemployment and slow growth may prompt a further credit downgrade to junk bond status.