Poor country image scares away foreign investors

Wilhelm Clasen of German Asia-Pacific Business Association speaks on economic realities in Bangladesh

SUMAN SAHA

BANGLADESH is losing out on lucrative foreign investments mainly due to a negative image in the international arena, said a top official of the German Asia-Pacific Business Association (OAV).

"The Rana Plaza disaster has created a negative image of Bangladesh globally as many international media have run numerous distorted news pieces on the incident," said Wilhelm G Clasen, a member of the OAV board.

Many German investors still think Bangladesh is the worst country in terms of workplace safety and labour rights after the Rana Plaza building collapse, he said. "But it is not actually true."

Although the country has already improved its workplace safety and political environment, it does not get international publicity, Clasen said in an interview with The Daily Star at Ruposhi Bangla Hotel in Dhaka recently.

Bangladesh has failed to portray its good image globally due to the government's negligence.

Clasen came to Bangladesh on May 18 on a five-day visit, leading a 10-member German business delegation.

"This visit has revealed that the socioeconomic condition and political situation in Bangladesh are conducive to trade, investment and development," said Clasen, also chairman of the OAV Bangladesh Committee.

The delegation came to Bangladesh with a mission to find the reality in the country's economy and trade following the Rana Plaza incident. They wanted to visit Bangladesh last year, but they could not do so for the political crisis, he added.

The government should promote its good initiatives globally, said Clasen, adding that the Padma Bridge project is certainly a good initiative. "This should be promoted."

Bangladesh will be able to attract huge foreign investment in the southern parts of the country if the benefits of the mega project can be portrayed globally, he said.

The country received $1.3 billion in foreign direct investment (FDI) in fiscal 2012-13, up 13.09 percent from the previous year, according to Bangladesh Bank. Net FDI inflows were recorded at $840 million from July through December this fiscal year.

Germany intends to invest in the expansion and upgradation of Bangladesh's railway network, in-land water transportation, water treatment and waste management.

The European nation is also interested in investing in the machinery spare parts sector for the regional market.

Three to five Bangladeshi companies have already shown interest in forming joint ventures with German companies on this visit, Clasen said.

The water transport sector is much neglected in the country; so the German companies want to work with the Bangladesh government and private sector to improve it, he added.

The OAV Bangladesh committee chairman also urged the government to immediately diversify its export basket as only one item—garment—now holds 80 percent of total export earnings.

"The country can easily fall in a shaky position if demand falls in the international market due to an economic downtown," said Clasen. "So I think it is high time that Bangladesh diversified its exports."

Since its foundation in 1900, the OAV has been working as a strong network of German companies with activities in the Asia-Pacific region, said Timo Prekop, executive member of the board.

The OAV is a privately held non-profit organisation financed by its corporate members.

It includes the most renowned companies from major industries and the banking sector, trading companies and a great number of small and medium-sized enterprises from all industries located across Germany, Prekop said.

Clasen assured that they would inform stakeholders in Germany, including political parties, businessmen and the media, that the overall situation in Bangladesh is highly favourable to trade and investment.

STAR

Right, **Wilhelm G Clasen, a member of the OAV board, and Timo Prekop, an executive member of the board, sit for an interview with The Daily Star at Ruposhi Bangla Hotel in Dhaka discussing Bangladesh's potential in attracting greater foreign investment with a better country image abroad.**

STAR

Selima Ahmad, a recipient of the Oslo Business for Peace Award, poses with Merete Lundemo, Norwegian ambassador to Bangladesh, during a reception accorded to the awardee in Dhaka yesterday.

Norwegian embassy celebrates Selima Ahmad's peace award

STAR BUSINESS REPORT

The Norwegian Embassy in Dhaka yesterday accorded a reception to Selima Ahmad, as the businesswoman won the prestigious Oslo Business for Peace Award 2014.

"We are honoured to receive the winner of Oslo Business for Peace Award," Norwegian Ambassador Merete Lundemo said.

Selima Ahmad won the award in recognition of her socially responsible and ethical business practices at a programme at Oslo in Norway on May 15, Lundemo said at a press briefing at the ambassador's residence in Dhaka.

An independent award committee consisting of Nobel Prize winners in peace and economics selected the recipients of the award.

Selima, vice-chairperson of Nitol Niloy Group and founder of Bangladesh Women Chamber of Commerce and Industry, is the second Bangladeshi and first Asian businesswoman to win the award.

Selima expressed her gratitude to the Norwegian government and people, and said: "This honour will encourage more Bangladeshi companies to practise ethical businesses and develop more entrepreneurs in the country."

Sir Richard Branson, founder of Virgin Group, and Marilyn Carlson Nelson, former chief executive of Carlson, are two of the 2014 honourees of the Oslo Business for Peace Award.

In 2012, Latifur Rahman, chairman and chief executive officer of Transcom Group, received the award as the highest form of recognition given to individuals for fostering peace and stability through creating shared values between business and society.

Hutchison, Vimpelcom resume Italian mobile merger talks

REUTERS, *London*

HUTCHISON Whampoa has resumed talks with Russian telecoms group Vimpelcom over merging their Italian mobile firms, encouraged by Hutchison's 3 getting the go-ahead last week for an acquisition in Ireland, according to several people familiar with the situation.

"The talks are live again," said one of the sources, who asked not to be named.

Vimpelcom has hired Morgan Stanley to advise on the deal, while Goldman Sachs is working with Hutchison, said the sources. Mediobanca is also expected to have a role, said the sources.

Spokespeople for Vimpelcom, Wind, Hutchison, Goldman Sachs, Morgan Stanley and Mediobanca declined to comment.

The parties have held on-off talks for over six months and came very close to agreeing a deal in December, the sources said. The clearance of Hutchison's O2 Ireland acquisition, together with a partial refinancing of Wind's debt, is now creating a new momentum for the deal to happen, said the sources.

Wind's current debt of 9.5 billion euros ($13 billion) has long been a hurdle to a deal, but the terms of a debt refinancing plan in April specifically allowed for a change of ownership.

Hutchison's 3 Ireland subsidiary finally got approval last week to acquire bigger rival O2 Ireland from Telefonica for $1 billion in cash, after lengthy negotiations with the competition regulators to allay concerns over the reduction in the number of network operators from four to three.

The deal is just the latest move by Hutchison's telecoms subsidiary 3 Group to strengthen its position in Europe, where it operates in six national markets. Eighteen months ago its 3 Austria unit acquired French group Orange's Austrian subsidiary for $1.7 billion after similarly overcoming objections from regulators.

Now Hutchison, controlled by Asian tycoon Li Ka-shing, is turning its attention back to Italy, where 3 Italia is the smallest of the country's four network operators, behind Telecom Italia Mobile, Vodafone and Vimpelcom's Wind subsidiary.

Last year Hutchison approached Telecom Italia with a proposal to merge their mobile businesses whereby Hutchison would have taken a near 30 percent stake in Telecom Italia, but the proposal was rebuffed by Telecom Italia's core shareholders.

If Wind and Hutchison can agree terms this time around they would then have to convince the European regulators that reducing the number of wireless network operators would be in the interests of consumers.

AFP

A visitor walks next to a Ford Mustang car during the Computex tech show in Taipei on Tuesday. US auto giant Ford showed off its new Mustang at Asia's biggest tech fair, billing it as "the smartest Mustang to date", with voice controls and early warning collision systems. The slick sports car can connect to drivers' mobile apps using a platform which will be introduced to Taiwan, New Zealand and Thailand next year for the first time.

Flipkart battles Amazon for India e-shopping dominance

AFP, *New Delhi*

India's online retailers are bulking up on acquisitions and funding as they battle the world's biggest Internet shopping giant, Amazon, for supremacy in the hyper-competitive domestic market.

Late last month, Flipkart, India's largest e-shopping portal, announced the takeover of rival Myntra in a deal analysts estimated at $330 million -- the largest of a string of transactions in the sector over the past two years.

"With Amazon entering the fray, it's forcing domestic players to get critical mass to compete," Ashish Jhalani, founder of Indian consultancy eTailing, told AFP.

"It's still a fragmented sector and there's more consolidation to come. It's becoming a battle for survival," he said.

For Flipkart, founded by two ex-Amazon employees, the game's not just about beating their former Seattle-based employer on Indian turf. Flipkart wants to become the Indian version of the Chinese online shopping juggernaut Alibaba.

"Our role model is Alibaba," Flipkart's co-founder Sachin Bansal told reporters, adding there's "a lot of similarity between the Chinese and Indian online retail markets".

"What's happening in China is inspiring -- it's bigger than anything in the US," Bansal said.

India's electronic or e-commerce sector is still puny compared with China, where business-to-consumer Internet sales are expected to top $180 billion this year.

REUTERS

An Amazon delivery truck drives in down town Los Angeles, California.

India to ease restrictions for foreign online retailers

REUTERS, *Mumbai/New Delhi*

INDIA could allow global online retailers such as Amazon.com Inc to sell their own products as early as next month, removing restrictions that could boost competition in one of the world's biggest, and most price-sensitive, retail markets.

The decision, which is likely to be announced in the budget, is one of the first tangible signs of economic reform by the business-friendly government of Prime Minister Narendra Modi.

The move is also likely to allow the government to circumvent political opposition to opening up India's $500 billion retail sector to global retail giants such as Wal-Mart Stores Inc.

Four people privy to discussions within the government told Reuters that officials believed a more robust online retail sector would spur manufacturing and consumption, helping revive an economy that has been growing at below 5 percent for two years, the longest period of sub-par expansion since the late 1980s.

"Most stakeholders support FDI (foreign direct investment)," said a senior government official, referring to e-commerce. "We have pitched for opening it up completely." Industry surveys say e-commerce could contribute as much as 4 percent to India's economy by 2020.

The official, like the people who spoke to Reuters, declined to be named as the matter was confidential. When asked about the decision, a spokesman for India's commerce and industry ministry declined to comment.

The industry ministry that drafts FDI rules recently met officials from companies including Amazon, Google, eBay Inc, Wal-Mart and Indian e-tailer Flipkart to finalise the investment guidelines, the people said.

Global online retailers like Amazon and eBay are currently banned from selling products they have sourced themselves, and must rely on third-party suppliers. Their platforms, which they own fully, are marketplaces for these outside suppliers.

The government is likely to end this ban, paving the way for global retailers to bring their formidable supply chain, and cheaper goods, into India, potentially boosting consumption and benefiting small manufacturers and traders.

These politically influential small-scale traders have traditionally opposed any foreign direct investment into retail, fearing they would be eclipsed by larger global rivals.

Modi's Bharatiya Janata Party (BJP) also opposes such investments, but the people said the government supports the online retail expansion as global e-commerce firms would still have to rely on small traders to generate business.

Opening up the online retail business for foreign direct investment is also widely expected to eliminate middlemen, leading to lower transaction, overhead, inventory and labour costs, industry officials said.

Modi, who last month won the first outright parliamentary majority in three decades in Asia's third-largest economy, wants to arrest a two-year-old economic slide by winning back domestic and foreign investor confidence.