

Joining new Asian bank was a good move

Ravi Ratnayake, director of ESCAP, speaks on the need for infrastructure development

SOHEL PARVEZ
BANGLADESH'S decision to join the Asian Infrastructure Investment Bank (AIIB) would go some way towards eliminating the infrastructural bottlenecks, a UN official said.

"From Bangladesh's side, it is a good move. Lots of financing are required for infrastructure, which is very difficult to arrange," said Ravi Ratnayake, director of United Nations Economic and Social Commission for Asia and the Pacific's (ESCAP) trade and investment division.

Ratnayake is in Dhaka for a two-day international conference organised by the International Chamber of Commerce Bangladesh and on the sidelines, he sat down with The Daily Star for an interview.

Although the country has been clocking growth upwards of 6 percent in recent times, sustaining it over the long-term would need massive infrastructure development.

But the problem of infrastructural bottlenecks is not exclusive to Bangladesh. The entire Asian region, which has seen high economic growth over the last couple of decades, is not doing well in terms of infrastructure to sustain the growth, according to Ratnayake.

Asked if the 21st century is going to be known as the century of Asian economic prosperity, he said: "We are moving towards it, but of course we are not yet there. Infrastructure is a major issue here."

He said AIIB is a welcome initiative as the bank will be able to act



Ravi Ratnayake

as an intermediary to the infrastructure financing requirements of the region.

"There is a huge financing gap. There is huge gap between supply and demand," he said, while citing an ESCAP study from 7-8 years ago, which found the financing gap to be more than \$300 billion at that time.

Ratnayake, who was previously the director of ESCAP's macroeconomic policy and development division, said resources are there but there is a problem of intermediation. "So, the AIIB can play a major role here."

Some 21 Asian countries, including Bangladesh, on Friday signed a preliminary agreement to join the AIIB. With \$100 billion of authorised capital, the AIIB will be an inter-governmental regional development institution in Asia. The bank, to be headquartered

in Beijing, is expected to be formally established by the end of 2015.

BOOST INTRA-REGIONAL TRADE

Apart from the infrastructure deficit, Asia's dependence on major western countries is another challenge for the region.

"Basically, people say when those countries sneeze, the Asian countries get the flu. So the most important thing is to reduce that vulnerability."

Ratnayake, who was also the chief economist at ESCAP, said the vulnerability can be reduced by increasing intra-regional trade. At present, it is 50 percent, but it can be raised up to 75 percent.

"The region has a lot of potential for intra-regional trade and investment. Basically we need to diversify our export destinations." He also advised Bangladesh to

diversify its export basket to reduce the high dependence on garments, which account for nearly 80 percent of country's total export receipts.

"This is also the sector where there are many competitors. All other smaller countries in the Southeast and South Asian region are competing in this area. That is why Bangladesh has to find some other product."

He cited the case of Cambodia, which is now getting into auto parts production.

REBALANCE GROWTH STRATEGY

Ratnayake said China wants to change its export dependent strategy to a domestic demand-driven one to rebalance its source of economic growth.

China has a big domestic market, so it is rational to turn to domestic market. The similar is also true for India, he said.

But smaller countries cannot really depend on domestic consumption, he said. "Bangladesh maybe in between," he said, while citing the country's population of 155 million.

Asked if Bangladesh should think about a similar growth strategy as China, he said: "Bangladesh can think about it but not to the extent of China."

The main driver of growth for Bangladesh would continue to be exports, not domestic consumption.

"It is good that you think of diversifying the sources of growth, but the main growth generator is still going to be the export sector."

Regulators must enforce ethical standards in business

Analysts speak at roundtable on ethics in accounting

STAR BUSINESS REPORT

ANALYSTS yesterday urged regulators to take exemplary action against people who violate accounting norms in preparing financial reports.

Some companies prepare three financial reports instead of one for a specific period due to lack of ethical practices, said Arifur Rahman, chief rating officer of Emerging Credit Rating.

One report with low sales figure goes to the National Board of Revenue; banks receive the second -- with high profit figures, and the company owner gets the third with real trade figures, he said.

"But they submit all three reports to the rating agencies, which confuse us while rating the companies' strength."

Rahman spoke at a roundtable on ethics and accountability in accounting process, organised by the daily Prothom Alo in association with the Association of Chartered Certified Accountants (ACCA) at the newspaper's office in Dhaka yesterday.

The regulator should set examples by taking steps against such officials, as it is hard to find any dishonest accountant to get punished, he said.

Ethics are needed in every sector to ensure accountability, Commerce Minister Tofail Ahmed said at the event as the chief guest.

The government has already demutualised the bourses to ensure accountability, Ahmed said.

The transparent statements of companies serve the interest of investors, Abdul Quayum, associate editor of the daily Prothom Alo, said while moderating the programme.

Companies should follow the best accounting standards and ethics to remain liable to the investors, Quayum said.

Bangladesh needs professional accountants for the sake of investment and economy, said Mohua Rashid, country manager of ACCA, a global body for professional accountants.

"We support our 170,000 members and 436,000 students throughout their careers, providing services through a network of 91 offices and active centres."

"Our global infrastructure means that exams and support are delivered at a local level, directly benefiting stakeholders wherever they are based."

"We use our expertise and experience to work with governments, regulators, professional bodies and employers to develop the global accountancy profession and to act for the public interest."

Accountants should combined ethics with accountability to prepare quality accounts, said Kausar Alam, chief financial officer of Rahimafrooz Group.

First, the companies should follow some ethical rules at the personal level and also at the institutional level to ensure accountability, Alam said.

"The focus is on how we can overcome the challenges we face while applying ethical rules."

Companies had to suffer for doing ethical business, he said.

Accountants are violating accounting rules to get the cost-benefits, he said. For instance, low sales figures are shown to shrink profit that helps in avoiding high taxes, he said.

The time has come to follow a unified code of ethics in accounting, said Showkat Hossain, president of the Institute of Chartered Accountants of Bangladesh (ICAB).

"We are working to implement a unified code of ethics among the members of South Asian Federation of Accountants," Hossain said.

ICAB takes action on a regular basis against the violators of accounting standards, he said. "We are planning to close some firms due to their unethical practice."

Mohammed Salim, president of the Institute of Cost and Management Accountants of Bangladesh, also echoed the views of Hossain on a unified code of ethics.

READ MORE ON B3

25 European banks set to fail health checks

REUTERS, Frankfurt

A group of 25 banks have failed European health checks, while up to 10 of those continue to have a capital shortfall, two people familiar with the matter said on Friday, providing a snapshot of the health of the region's lenders.

The health checks, led by the European Central Bank, found that banks in countries including Greece, Cyprus, Slovenia and Portugal had fallen short of a minimum capital benchmark at the end of last year and that up to 10 remained in difficulty now, the sources said.

Banks in Spain and France had fared, by and large, better than expected.

The result, which has yet to be finalised by the ECB's governing council on Sunday, provides the most complete picture yet of the robustness of the euro zone's top 130 lenders.

Those banks with shortfalls will now have two weeks to submit a plan to bolster their capital to the European Central Bank (ECB), which will decide whether or not it gets the green light.

A spokesman for the ECB said the test results had not yet been finalised, describing reports in the meantime as speculative.

"The results will not be final until they are considered by the Governing Council of the European Central Bank on Sunday 26 October, after which they will be published," he said.

European banking shares dipped briefly

on Friday after Bloomberg News reported that 25 banks within the euro zone would fail the ECB "stress test".

Portugal's finance minister Maria Luis Albuquerque said on Friday that the Lisbon government was confident that the country's three largest banks had fared well in the stress tests.

The Austrian finance minister Hans Joerg Schelling, said only Volksbanken AG was "stress burdened" and the test revealed no surprises, according to the Austria Press Agency. Volksbanken had already said it would wind itself down.

Meanwhile, Deutsche Bank passed the ECB-led stress test by a wide margin with a core equity ratio of 8.8 percent compared to a minimum requirement of 5.5 percent, two sources familiar with the matter said on Friday.

Juergen Fitschen, co-chief executive of Deutsche Bank and president of the BdB association of German private-sector banks, said the results probably gave his country's banks a clean bill of health.

Shares in the Italian banks considered most at risk of failing the euro zone health checks, including bailed out lender Banca Monte dei Paschi di Siena, were sharply higher on Friday as investors counted on them doing better than expected.

"Investors are betting that one of the most problematic banks in the euro zone could pass the stress tests with fewer problems than previously thought," said Vincenzo Longo, strategist at broker house IG.



Finance ministers and central banks governors of the Gulf Cooperation Council (GCC) countries pose with International Monetary Fund Managing Director Christine Lagarde (C) during their annual meeting in Kuwait City yesterday.

Kuwait urges Gulf reforms as oil prices fall

AFP, Kuwait City

KUWAIT'S finance minister on Saturday called for economic reforms by energy-dependent Gulf states to cope with a drop in oil prices that has hurt their public finances.

Anas al-Saleh urged steps to tackle rising public spending, mainly on wages and subsidies, as well as efforts to boost the role of the private sector.

"Comprehensive economic reforms, including reforming

distortions in the public finances, should be enforced," he said at a meeting of regional finance ministers and central bank chiefs.

Saleh said the Gulf states must diversify their economies and "reduce dependence on oil".

"Implementing these policies has become inevitable," Saleh told the meeting, which International Monetary Fund managing director Christine Lagarde was also attending.

Forecasts indicate a healthy economic growth for the six

nations of the Gulf Cooperation Council (GCC) averaging 4.5 percent in 2014-2015, Saleh said.

"But these forecasts should be treated with caution in light of fast-paced regional and international developments, particularly the drop in oil prices which has started to impact the public finances of GCC states," the Kuwaiti minister added.

The GCC groups Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab

Emirates, which together pump 17 million barrels of crude oil per day and depend on oil for about 90 percent of public revenues.

Oil prices have slumped by about 25 percent since June because of a production glut, weaker demand and a gloomy world economic outlook.

Benefiting from high oil prices for more than a decade, the GCC states have built fiscal reserves estimated at \$2.45 trillion by the International Institute of Finance.



A Lincoln car is put on display at the "Auto China 2014" exhibition in Beijing in April.

US automaker Ford starts luxury Lincoln sales in China

AFP, Shanghai

US automaker Ford has launched its first vehicles under the luxury Lincoln brand in China, the company said, as it seeks to make inroads into a market dominated by German cars.

Ford announced in April that it would begin Lincoln sales in China in the autumn, adding to its other passenger car and commercial vehicle offerings in the country -- the world's largest auto market.

Lincoln on Thursday launched a mid-sized sedan, the MKZ, priced from 315,800 yuan to 395,800 yuan (\$51,770 to \$64,885), according to a news release.

It also started offering the MKC, a small utility vehicle, for 339,800 yuan to 438,800 yuan, the release said.

Both were designed for the Chinese market, it added. Management consulting firm McKinsey has estimated that German automakers -- including Audi, BMW, Mercedes and Volkswagen -- account for 80 percent of the "premium" market in China, which it defines as cars costing upwards of 200,000 yuan.

P&G to ditch Duracell batteries amid earnings drop

AFP, New York

PROCTER & Gamble Friday announced plans to unload its Duracell battery business as it reported a big drop in earnings following a large asset write-down.

P&G, which makes Pantene shampoo, Tide detergent and other household staples, reported quarterly earnings of \$20.1 billion, down 34.2 percent from last year on slightly lower sales. The results covered P&G's first quarter in fiscal year 2015.

The biggest factor behind the lower earnings was a \$932 million one-time charge to write down the value of its Duracell battery business, which P&G said it will live off or sell.

P&G garners \$2 billion in annual sales from Duracell, said chief financial officer

Jon Moeller, who described the enterprise as "very profitable." P&G has a 25 percent market share in the global battery business.

Although Duracell is "very profitable," P&G wants to focus on "even more attractive opportunities" in its portfolio, Moeller told reporters on a conference call.

P&G in August announced plans to cull 90-100 brands in order to better focus on its best prospects.

P&G said its "current preference" was to split batteries into a standalone company, perhaps in a spinoff to shareholders. But P&G said it had not reached a final decision on the exact plan and that a divestiture was also possible.

P&G chief executive A.G. Lafley described the company's earnings more broadly as "in line with our expectations, despite a very difficult operating environment."