

US, China pledge deeper ties with Bangladesh

STAR BUSINESS REPORT

The United States and China have made fresh offers to increase economic cooperation and assistance to Bangladesh.

American Ambassador Marcia Stephens Bloom Bernicat and Chinese Ambassador Ma Mingqiang met separately with Finance Minister AMA Muhith yesterday.

Bernicat offered assistance for Bangladesh from the Millennium Challenge Account (MCA) to finance regional connectivity projects, Muhith said.

MCA is a special fund of the USA. Bangladesh had previously failed to get funds from the MCA, after it could not meet the attached terms and conditions, Muhith said after the meeting.

Bangladesh can now apply for funds from the MCA, and it is likely to be granted, Muhith said referring to the US envoy.

But the finance minister told Bernicat that Bangladesh has decided against applying for the fund this time.

After the meeting, the US envoy told

reporters that she had assured the minister of her country's assistance for Bangladesh's economic development, and discussed options of further cooperation between the two countries.

On the meeting with the Chinese envoy, Muhith said China has also expressed interest to offer more soft loans to Bangladesh.

The rate of interest on the soft loans will be below 2 percent and the repayment period will be 15 years, with a good grace period, he said.

However, issues like down-payment for the soft loans and financial agreement have to be preceded by a commercial agreement, he said.

Mingqiang assured Muhith of communicating Bangladesh's concerns to his country.

However, China is no more interested in building the Sonadia deep-sea port as the Japanese have already moved to assist Bangladesh in building a similar port.

"We do not want unnecessary competition on the deep sea port issue," Mingqiang said.

International factoring: an alternative to LCs

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International factoring provides a solution of the problems faced in case of open-account trade as the factor/bank collects money from abroad by approaching importers in their own country, in their own language and in the locally accepted manner.

Importers are no more interested to import by opening LCs, said Mahbubur Rahman, president of ICC-B.

"Under LC, importers have to provide required margin and sufficient security to their banks in order to confirm LCs," he said.

"Even for a successful importer, there comes a time when the growing requirements for LC margin go beyond the importer's financing ability and LC coverage exceeds the security available to give to the bank."

Moreover, importers need to approach banks for issuing LCs on each occasion of importing goods from abroad, which is really time-consuming, he said.

In LC operation procedures, several banks, including issuing bank, collecting bank, negotiating bank, presenting bank, confirming bank, are involved, Rahman said.

"We should introduce factoring for

cross-border market due to its unique features."

Non-LC mechanisms, including open-account trade payment and documentary collection, are being progressively used as methods for international trade payment, Rahman said.

Involvement of many banks increases the cost of international trade and creates barriers in different steps of operation, he said.

Moreover, LC confirmation fees take away a substantial amount of foreign currency to abroad and increase the cost of international trade.

"To fulfil the demand of the importers for credit terms, our exporters need to export under international factoring which is also secured as LC."

Commerce Minister Tofail Ahmed said international factoring removes the danger of open-account trade under two-factor system very easily, regardless of whether the exporter is a small or large organisation.

The growth in cross-border factoring has been increasing in the developing world, as major retailers or importers in the developed world are pushing for it thanks to its acceptance as a suitable alternative to traditional LCs, said Peter Mulroy, secretary gen-

eral of FCI.

The global factoring industry has been growing at a rate of nearly 11 percent per annum for two decades to 2009, when the growth fell for the first time as global demand soured, he said.

The industry grew 4.7 percent to €2,311 billion in 2014 from previous year, according to Mulroy.

The country can now introduce international factoring on a pilot basis and expand the practice progressively, said Prashanta Kumar Banerjee, a professor at BIBM.

To launch the service in the country, a number of changes would be required in the Foreign Exchange Regulation Act, export policy, and in the process of making shipping documents, he said.

International factoring is necessary for better and smooth trade finance, said Nazneen Sultana, deputy governor of Bangladesh Bank. "It is time to review cross-border factoring issue by focusing on cost-benefit and legal issues."

Founded in 1968, FCI is a global network of leading factoring companies, whose common aim is to facilitate international trade through factoring and related financial services.

Eurogroup wants Greece's list of reforms by April 20

AFP, Frankfurt

The European Union has given Greece until April 20 to present a list of reforms which, if found acceptable, would unlock the final tranche of aid funds promised under a multi-billion-euro bailout, a German newspaper reported Sunday.

Eurogroup ministers have set the deadline in order to have sufficient time to examine Athens' proposal ahead of a meeting on April 24, the Frankfurter Allgemeine Zeitung reported, quoting unnamed representatives in the negotiations.

Negotiators from Greece and the EU have struggled to make headway over the final payout of 7.2 billion euros as Athens has refused to consider cutting civil servants' pensions.



Ali Reza Iftekhar, managing director of Eastern Bank, opens the bank's 77th branch on Zakir Hossain Road in Chittagong recently. Meah Mohammed Abdur Rahim, a director, was also present.



Golam Mainuddin, chairman of British American Tobacco Bangladesh, and Shehzad Munim, managing director, attend the company's 42nd annual general meeting in Dhaka yesterday. The company's shareholders approved the proposed dividends of Tk 55 per share.

Discounts galore for card users boosts Baishakhi sales

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Standard Chartered Bank is offering up to 15 percent discount to its debit and credit cardholders on the purchase of clothes, sweets and footwear. Any StanChart cardholder can also enjoy buffet lunch or dinner for two at the price of one at Long Beach Suites and Dhaka Regency Hotel, the bank told customers through mobile notifications.

Trust Bank offered discounts in three categories -- 5-12 percent on dining out, 50 percent on leisure and fun, and up to 25 percent at lifestyle brands. Aarong, which has 13 outlets across the country, is giving its customers 10 percent discount on purchases made through American Express cards.

"Many banks are teaming up with leading fashion and lifestyle brands to offer discounts and promote the use of cards," said Anis A Khan, managing director of Mutual Trust Bank, which is giving 5-15 percent discounts for clothing items. As of September, the country has 5.77 lakh credit cards and 72.85 lakh debit cards in the market, according to Bangladesh Bank. A leading mobile financial service provider, bKash, has partnered with 28 major fashion houses and online stores and giving up to 20 percent cash-back benefit.

"We are offering discount mainly to encourage customers to use their mobile wallets for multiple purposes rather than just sending and receiving money," said Asif Ahmed, head of marketing at bKash.

Payment through bKash this year has surpassed past records, he said. The offer will remain valid till April 18 at 244 outlets of the participating brands across the country.

Many boutiques have joined the financial institutions' discount campaigns to improve Baishakhi sales, said Azharul Haque Azad, president of Fashion Entrepreneurs Association of Bangladesh, representing more than 50 boutiques.

Many customers are using cards for making payments due to convenience, he said, adding that payments through cards and mobile wallets now account for around 20 percent of the boutiques' total sales. During the last season, fashion houses and boutiques logged sales worth around Tk 1,500 crore, up 10 percent from the previous season, he said.

Of the annual sales, Pehela Baishakh's sales make up 25 percent and the month of Ramadan 50 percent, Azad said. "So far we got a good response this season."

DSE relaunches website, stocks hit 15-month low

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The DSE in December last year introduced the new trading software, replacing the previous one, which was faulty, to ensure smooth share transactions.

NASDAQ OMX, the world's largest exchange company based in the US, provided the main part -- matching engine -- while FlexTrade Systems provided the order management system at the brokers' end.

Any investor from home and abroad can now get market-related data and information accurately in the shortest period of time, the DSE chairman said.

Swapan Kumar Bala, managing director of the bourse, however, said upgradation of the website will continue and the final updated version will be launched in July. "We will also introduce a mobile app so that investors can watch the website on their mobile phones without any disruption," he said.

The DSE launched its website in 2000 as part of the automated trading system, and then updated it several times.

Meanwhile, stocks declined for the second day yesterday, with DSEX, the benchmark index of Dhaka bourse, hitting a 15-month low of 4,305.26 points, after falling 40.62 points or 0.93 percent.

More female workers key to higher growth: WB

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Somewhere between these two, if it rises to 75 percent in 10 years reaching the level of Thailand in 1990, the potential growth rate rises to 7.3 percent, with 2.1 million additional female workers joining the workforce a year, Hussain said quoting the WB report.

The economist said Bangladesh has little scope to increase male participation in the labour force, but there is ample opportunity with the female workforce. Total domestic employment increased from 54.1 million in 2010 to 58.1 million in 2013, according to the Labour Force Survey.

So, the domestic economy added about 1.3 million jobs per year on average. Male workers grew 8.7 percent from 2010 to 41.2 million in 2013, while female worker participation increased only 3.7 percent.

Restrictions on women's rights to inherit properties and social impediments to freely pursue a profession are strongly associated with large gender gaps in labour force participation, said the WB economist. Johannes Zutt, WB's country director for Bangladesh, also spoke.

China raises trade hopes

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"We need to explore how we can tap the opportunity," he added.

At present, China is Bangladesh's largest trading partner. In fiscal 2013-14, trade volume between the two countries stood at around \$8.29 billion.

The trade balance though is heavily tilted in favour of the Asian giant: last fiscal year, Bangladesh imported goods worth \$7.54 billion and exported goods worth \$746.2 million.

China's investment in Bangladesh too leaves a lot to be desired, although it is the single largest investor in the country.

In 2014, entrepreneurs from mainland China brought in \$43 million worth of foreign direct investment, which is about 3 percent of the total investment the country received during the year.

Areas such as agriculture, industries, power and energy are ripe for Chinese investment, Anwar said, adding that Chinese banks can also look to invest in Bangladesh.

Chinese Ambassador Ma Mingqiang said there are many similarities between China and Bangladesh as both the countries are populous, agrarian and still developing. So, the two economies can help each other grow, he said.

"We should seize the opportunity to tap the trade and investment potential between the two countries. We have the scope to further consolidate the relationships which will ultimately benefit the people of the two countries."

The diplomat said the imbalance in bilateral trade cannot be fixed overnight.

"However, we are trying hard to

bring more FDI to Bangladesh," Mingqiang said, adding that he met Finance Minister AMA Muhith to talk about a special economic zone exclusive to Chinese investors.

When the zone is ready, he expects Chinese FDI to Bangladesh to soar 100-200 percent.

He said the Chinese embassy in Dhaka is trying to help businesses from both sides increase trade and investment.

Khondaker Golam Moazzem, additional research director of the Centre for Policy Dialogue, said the country's exports to China are still low because of the Rules of Origin (RoO).

China's stringent RoO stipulates that the exporting country must have 40 percent value addition to enter the world's second largest market.

"But Bangladesh can't do so as it imports almost all of its raw materials. Because of the high RoO limit, Bangladesh can't benefit from the duty-free benefit to the market."

The economist went on to urge China to relax its value addition requirements to 25 percent in order to help Bangladesh export more to the country.

Moazzem also highlighted the low freight cost between Bangladesh and China. For instance, the cost of shipment between Shanghai and Dhaka is lower than that between Dhaka and Mumbai.

"The trade corridor holds immense potential if we can develop better connectivity," he said, while urging China to link Bangladesh directly to its planned 21st Century Maritime Silk Route

Economic Belt.

Moazzem also said China needs to help Bangladesh so that it can develop infrastructure that will connect the country with its neighbours.

Nabhah Chandra Mandal, executive member of the Board of Investment, said Bangladesh can go on to become a commercial hub if the country is linked to the Silk Road.

The lack of adequate industrial land, power and energy is a major barrier to attracting foreign investment, he said.

The government has selected five sites for special economic zones, with another 14 in the pipeline, he said, adding that one special economic zone is expected to go to Chinese investors.

Shahidullah Azim, vice-president of Bangladesh Garment Manufacturers and Exporters Association, said the wage and production costs have also gone up in China, due to which work orders are being diverted to Bangladesh from there.

Bangladesh is the right place for industries leaving China because of the cost competitiveness the country offers, he said, adding that China can shift its industries to Bangladesh as the country has a vibrant workforce and enjoys duty benefits to Western markets.

The BGMEA vice-president also touched upon the immense potential China's \$170-billion domestic clothing market holds. "If we can even grab 1 percent of the Chinese domestic clothing market, it would be a bounty for us."

Syed Afsor H Uddin, CEO of Public Private Partnership Office

at the Prime Minister's Office, said the country has developed a robust framework on PPP, which is very much in line with similar frameworks in other countries.

This framework will provide investors from China and other countries with the similar opportunities they enjoy in their home countries in projects under the PPP arrangement, he said.

"Many Chinese investors have already expressed their interests in infrastructure projects under the PPP. I think the framework can lay the foundation for a long-lasting partnership."

Afsor said, already 42 projects in the areas of transport, health, special economic zones, hi-tech parks and traffic control systems have been approved under the PPP framework which will be developed in the next three to five years.

Ron Lim, managing director of Eastcompeace, a SIM-card maker, said Bangladesh needs to accelerate its infrastructure development.

Patricia Wong, head of network corridor at Standard Chartered China, said there is room to grow in the area of settlement of trade payments in the renminbi as the internationalisation of the Chinese currency has taken off tremendously in the last two years.

Adopting the renminbi will help save 2-3 percent of the cost and ensure quicker payments, she said.

Alamgir Morshed, head of financial markets of SCB, also backed the idea, saying the use of the renminbi would help exporters and importers on both sides to avoid the currency fluctuations that they face now.

He said many exporters in



Md Sirajul Haque, executive vice president of Dhaka Bank, inaugurates the bank's ATM booth in Sirajganj yesterday.



Suchat Suntiada, president of CP Bangladesh, poses at the launch of the company's consumer reward campaign--Give Me Five--in the capital yesterday. Somchai Tosomsakul, head of CP Food Business, was also present.