

Germany, Bangladesh to strengthen business ties

DIPLOMATIC CORRESPONDENT

The newly appointed German Ambassador to Bangladesh Thomas Prinz has stressed the importance of strong business ties between the two countries and suggested promoting bilateral trade by fostering dynamic business models.

The German envoy made the remarks during his first meeting with Foreign Minister AH Mahmood Ali and State Minister Shahriar Alam at the foreign ministry on May 12, the German Embassy in Dhaka said in a statement.

"Last year Bangladesh and Germany had a trade volume of more than 4.5 billion euros. We need to continue this through promoting our bilateral trade by fostering dynamic business models," Prinz said.

It means sustainable management of supply chains needs to be ensured by guaranteeing worker rights, fair wages, safe working conditions and high environmental standards, he added.

Prinz also emphasised that both west-

ern buyers and local producers have a responsibility to work towards achieving these ambitious goals.

After his meeting with the foreign minister, Prinz mentioned about the successful cooperative relationship between Bangladesh and Germany.

"Since 1972 Germany has contributed more than 2 billion euros to Bangladesh in this area. We will continue our mutual work in this field."

He said the strong relations between Germany and Bangladesh are also highlighted by the increasing number of Bangladeshi students in Germany.

In his meeting with the foreign minister, Prinz highlighted long friendship between the two countries because Germany was among the first countries to recognise Bangladesh's independence after 1971. "Since then our two countries have had close political and economic relations."

The ambassador invited Ali to visit Berlin on behalf of German Foreign Minister Frank-Walter Steinmeier.

Intex set to unveil smartphones

STAR BUSINESS DESK

Intex Technologies, a leading smartphone brand of India, plans to enter Bangladesh with its "innovative products and attractive prices".

Intex will carry out marketing campaigns to unveil their smartphones in Bangladesh in 6-8 months, Keshav Bansal, a director of Intex, said in a statement yesterday.

Intex has developed its smartphones according to the local demand and creating advantage over other brands in terms of partnership, innovations and quality of products, he added.

Intex plans to introduce 10-15 smartphones with various features such as slim and curvy bodies, and large capacity batteries along with improved RAM/ROM, according to the statement. The company will also launch feature phones to cover volume customers.

"On average, we will be launching 2-3 smartphones per month between Tk 4,000 and Tk 20,000 to meet all segments of the local market," said Vishwas Agarwal, head of international business at Intex.

Intex is operating in over 70 countries, and has been recognised as India's number three smartphone brand in the last quarter.

Laptop fair begins today

STAR BUSINESS REPORT

A three-day laptop fair starts at Bangabandhu International Conference Centre in Dhaka today.

Expo Maker is organising the TechShohor laptop fair, for the 15th time, with 'laptop for all' being this year's motto. It will remain open from 10am to 8pm until Saturday.

There are three pavilions, seven mini pavilions and fifty stalls at the fair this time, where Techshohor, Acer, Asus, HP, Intel, Samsung, Gigabyte, Toshiba, Apple, Lenovo, Twinmos, Gigabyt, Logitech, D-Link, Showme, HTC, and Gionee are participating, among others.

Gigabyte is setting up a gaming zone for the fair's visitors, they said.

Panda antivirus is sponsoring the tickets and the fair, along with ABC Radio, edu-maker and TRON. One-fourth proceeds from ticket sales will be donated for the earthquake victims of Nepal.

The companies will exhibit laptops, tablet computers, WiMax internet devices and antivirus packages, some of which are not yet available in the market, organisers said.



Mohammed Ibrahim, managing director of Super Star Group, poses with the company's employees at its monthly sales meeting held in Dhaka recently.



Khater Massaad, chairman of Rakeen Development Company (BD), and Md Shah Alam, managing director of Royal Green Capital Market, exchange documents of an agreement signed for the issuance of partially convertible bonds of Tk 120 crore, at a programme in Dhaka recently.



Habibur Rahman, deputy managing director of Prime Bank, and Mahboob Alam, executive director of the Palace Resort and SPA, pose while signing a memorandum held at the bank's head office recently.

S&P reaffirms stable outlook for Bangladesh

FROM PAGE B1

The rating agency said although the government's debt burden is low, with net general government debt of 26 percent of GDP at the end of fiscal 2015, the country's high interest expense at 18 percent of revenue limits fiscal flexibility.

"The government's increasing use of a costlier national savings certificates scheme rather than commercial bond issuances suggests that its debt-servicing ratio will not necessarily fall even if there is fiscal consolidation. In addition, almost half the total government debt is denominated in foreign currency."

However, the availability of official concessional funding tempers these negative effects, it said.

Bangladesh's narrow revenue base limits the government's flexibility to mitigate the effect of economic downturns or other shocks.

The agency views Bangladesh's monetary assessment as below average, because of the central bank's limited independence and multiple mandates. Underdeveloped capital markets hamper monetary flexibility.

In addition, nonperforming loans remain high and capitalisation low in the banking sector, particularly at the state-owned banks. However, the central bank

has made progress in managing inflationary expectations.

The agency said Bangladesh's low external borrowings support the ratings.

The country's significant reserve accumulation improved the narrow net external debt position, and S&P projects it to average 5.6 percent of current account receipts over 2015-18.

"We expect reserve accumulation to moderate due to lower remittance flows and stronger imports. Nonetheless, we believe external balance and liquidity will remain credit-supporting factors."

S&P said it may raise the ratings if measures aimed at expanding the revenue base and boosting collection efficiency improve fiscal performance, and the government reduces energy, infrastructure, and administrative bottlenecks and boosts investment, leading to a durable increase in trend growth for real per capita GDP.

"Likewise, we may also raise the ratings if its monetary flexibility strengthens, evident in well-controlled inflation over a sustained period and deeper capital markets with market-based tools."

Conversely, S&P may downgrade the sovereign if fiscal slippages result in rising public debt, external donor support declines and Bangladesh undoes what it has achieved under the International

IMCB appoints new top officials

STAR BUSINESS DESK

M Monzurul Haque and M Zakir Hossain have recently been appointed as the chairman and president of the Institute of Management Consultants Bangladesh, the institute said in a statement yesterday.

A certified management consultant, Haque is the managing director of Org-Quest Research, according to the statement. Hossain is the chief executive of Young Consultants.



M Monzurul Haque

Court order today on IGW petition

FROM PAGE B1

The BTRC has accepted the idea of the common switch and seven IGWs have been selected for the tier 2.

The petition said the common switch styled IGW Operators Switch (IOS) needs to take licence for adopting the new topology, and it is a crime under the telecom act to offer telecom services without any licence.

Legal consultant of BTRC Barrister Khandaker Reza-e Raquib denied the petitioner's claim and said the regulator has not violated any rule.

The BTRC is trying to earn more revenue through the process, he said.

The regulator issued a directive without any approval from the government, the petitioner said, which was denied by the BTRC lawyer.

Before filing the writ, the three IGWs sent a letter to the government. In the letter they said: "We found a vested group is trying to earn a huge amount of money within a short time; that's why we didn't join the forum."

According to the guideline, no IGW can bypass interconnection exchange while transmitting international incoming voice calls; but the BTRC is introducing IOS, which, according to the petitioner, is a violation of the guideline.

Ziaul Hasan Siddiq, chief executive officer of the IOE, said they are ready to run the IOS, which will be effective by this month. "The BTRC will see the legal issues."

Withdraw decision on dividend disbursement

FROM PAGE B1

Merchant banks have already got the opportunity of receiving the bonus dividends of their clients, who are not repaying margin loans.

However, turnover on the Dhaka Stock Exchange crossed the Tk 600-crore level for the first time in the last six months, thanks to increased participation of investors.

The turnover, an important indicator of the market, stood at Tk 637.9 crore on transactions of 18.78 crore shares and mutual fund units at the end of yesterday's trade.

The turnover on the premier bourse stood at Tk 627.99 crore on November 18 last year.

LankaBangla Securities said, after a single day pause, the market continued the

upward trend because of higher participation of investors.

DSEX, the benchmark index of the Dhaka bourse, rose 16.04 points or 0.37 percent, before finishing the day at 4,342.66 points.

United Power Generation and Distribution Company topped the turnover leaders' chart with a transaction of 19.20 lakh shares worth Tk 39.23 crore, followed by Western Marine Shipyard, National Bank, MJL Bangladesh and Khulna Power Company.

Gainers beat losers 171 to 115, while 21 securities remained unchanged on the DSE.

Among the major sectors, engineering gained 4.05 percent in market capitalisation, followed by textile 3.85



Md Rezaul Haque, chairman of Social Islami Bank, poses at the opening of the bank's new collection booth at SIBL Foundation Hospital and Diagnostic Centre at Panthapath in Dhaka recently.

Denim show ends, pins high hopes on exports

FROM PAGE B1

The expo is a non-profit initiative, he said. Any surplus fund from the expo will be used for establishing a denim university in Bangladesh, Mostafiz added.

Bangladesh is the second largest denim exporter to the European markets and the third largest exporter to the US, according to industry insiders.

The next exhibition will take place in Dhaka on November 11-12, Mostafiz said.

Hedayatullah Al Mamoon, senior secretary to the commerce ministry; Greg Wilcock, Australian ambassador; Christian Martin Fotsch, Swiss ambassador; and Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, also spoke.

Water routes to cut cost of trade with India

FROM PAGE B1

This coastal shipping move is significant, and its real implications are yet to be understood by all players.

Also, India recognises that there will be fees, and service charges that need to be discussed, Saran said.

"As a sovereign nation, Bangladesh has a right to charge transit fees, but it also has to keep in mind whether the transit fee is proportionate to market capacity."

There will be no transit if fees are too much for the consumers, he said.

The existing protocol offers enormous opportunities for faster growth of trade and commerce between Bangladesh and India, said Syed Nasim Manzur, president of MCCI.

Since transit and connectivity are long term multidimensional issues, it would be better to work towards a comprehensive

treaty embracing water, rail and road connectivity as well as multi-modal transport connectivity, he said.

"Till that happens, the existing water protocol, suitably amended, could serve as an interim arrangement."

Mashiur Rahman, the prime minister's adviser on economic affairs, said the navigability issue has been neglected for long, although it can still be addressed through dredging, which requires large investment.

The two governments can try to work on the transport issues in an incremental and multi-modal manner, Rahman said.

"By an incremental process, I mean that railways and roads can perhaps be merged into the same agreement. I do not think that should happen before the Indian prime minister's visit, but that can trigger a consultation towards reaching such an arrangement."

BB defends new large loan policy

FROM PAGE B1

Bangladesh Bank relaxed its stance on loan rescheduling last year to help businesses, large and small, to keep running in the face of disruptions, in turn helping uphold output and price stability in the broader economy.

However, dealing effectively with large exposures of banks to large business groups needs a more structured approach, said Rahman.

A new large loan restructuring framework has been drawn up in light of the restructuring frameworks in other developing economies in the region, including India, Malaysia and the Philippines.

The policy in Bangladesh in fact came a few years after countries around the world relaxed their monetary and loan rescheduling policies, following the 2008 financial crisis, so their business can absorb the heat and tide over the crisis and stand up again.

Rahman said there are special policies for businesses who are deemed "too weak to fail" around the globe.

A central bank committee thoroughly studied large loan restructuring policies in other countries before it was finalised.

India has already restructured nearly TK 200,000 crore for good borrowers, said the governor. What could be the alternative for the central bank if it did not come up with the restructuring policy is also a question for the governor.

"All of these loans will get defaulted, which means the businesses will be shut down. If that happens, thousands of people will lose their jobs and the banks will bear the brunt as they have to maintain a provision against the defaulted loans."

"The scale of the provisioning will be so high that the banks would not be able to distribute profits to anybody. Their capital will erode." "We need to save businesses, banks and jobs."

In fact, large loan restructuring is nothing new in the country; it was done in the past, but on an ad-hoc basis.

"We have formulated a generalised policy to avoid the ad-hoc system, so good businesses can overcome tough times and continue their operations," said Rahman.

Even though Bangladesh Bank has come up with the policy, it will be done on the basis on banks-client relations, he added.

"We are not going to dictate to this or that. Banks will look at the businesses and cash flows of their clients. If they are convinced that a particular loan should be restructured, they will take action to meet

conditions under the policy and seek a no-objection certificate from the central bank."

"So, it would be unfortunate if the central bank is blamed for encouraging a culture of default just because it has formulated the policy. But our policy is just the opposite, as we all along want to avoid the default culture."

Deputy Governor Shitangshu Kumar Sur Chowdhury said they expect about 30 cases involving Tk 25,000 in loans would come up with proposals to get the opportunity under the policy.

Borrowers who applied for loan restructuring before the policy came into being have to apply anew to the boards of their banks and get their application approved before it comes to the central bank.

While BB's loan rescheduling and restructuring guidelines remain harshly discouraging for habitual delinquent borrowers, its March 2015 directive asked lenders to reward good repayment behaviour with rebates in interest payments.

Under the directive, at least 10 percent of the interest accrued has to be returned to the borrowers.

"So, we are not only trying to stand by the defaulters, but also rewarding the good ones," said Rahman, who took office in 2009.

At the end of 2015, the central bank will seek information from banks on the rebate they have provided in line with the BB directive.

The chief also discussed the steps taken by the regulator to revive the stockmarket.

"Very few money market regulators have gone all the way to support the capital market as Bangladesh Bank did. I would say we are probably the only central bank in the world which has gone out of its way to give Tk 900 crore for the small stock investors through the Investment Corporation of Bangladesh as refinances."

"We have allowed the over-exposed banks to clean their books gradually," he said, adding that the central bank has always been proactive in developing the capital market.

He said as the governor, his first job is to keep the banks intact. "This is exactly what I am doing. Other regulators should work for their own arena."

Rahman said things have improved significantly following the rise of default loans in 2011, 2012 and 2013. "The banking sector is much more disciplined as the central bank has digitised the entire supervision process."

"Things have stabilised, which is manifested in the stabilised inter-bank money