

Asia Inc looks to post-sanctions Iran for demand spurt

REUTERS, Seoul/New Delhi

From steelmakers to construction firms, industrial companies in Asia hope an end to sanctions in Iran can provide a new source of sorely-needed demand.

South Korean steelmaker POSCO has been in touch with Iranian firms seeking to do business with it once sanctions are lifted, and Indian industrial conglomerate Larsen & Toubro is eyeing opportunities in oil and gas extraction projects following Tuesday's nuclear deal.

Lifting sanctions could keep a check on oil prices, to the benefit of big Asian energy importers China, Japan, India and South Korea, while a stronger Iranian economy, with a population of some 80 million, would provide a new engine of demand for Asian-made goods - from smartphones and TVs to cars.

For South Korean builders such as GS Engineering & Construction Corp, a deal would give a lift for a sector buffeted by sluggish demand in the Middle East, the industry's biggest market.

Shares in GS E&C, which walked

away from a \$1.2 billion project in Iran five years ago as sanctions escalated, gained nearly 5 percent on Wednesday, and South Korea's construction index ended nearly 3 percent higher on hopes the Iran deal will generate new business.

"When the Iranian nuclear agreement is reached and sanctions are lifted, we plan to actively re-enter Iran's construction market," said Huh Tai-youll, a GS E&C spokesman.

Even though companies such as Samsung Electronics and LG Electronics have continued to sell products in Iran, South Korean exports to the country fell to \$4.16 billion last year from \$6.26 billion in 2012, according to the Korea International Trade Association.

Kwon Oh-joon, CEO of POSCO, which has been battered by sluggish global demand, said Iran was once a significant market for its steel products.

"A few steel companies in Iran already contacted us if we can provide steel production technology," he said after the company reported quarterly results on Wednesday. "We are looking for ways to improve POSCO's

financial structure while playing a role in reviving the Iranian steel industry."

India's Tata Power and Adani Enterprises, respectively eyeing a power project and a port project, sent officials to Iran last month to meet with industrialists and officials, said a senior Indian embassy official in Tehran. Adani declined comment and Tata Power did not respond to requests for comment.

Shares in India's Aban Offshore, which earns a third of its revenue from Iran, jumped more than 16 percent on Tuesday and another 2 percent on Wednesday, while National Aluminium Co gained 2 percent on Wednesday after media reports said it planned a \$3 billion smelter complex in Iran.

Mumbai-based Larsen & Toubro set up a task force ahead of the expected lifting of sanctions to scout for opportunities. The group will visit Iran and report back, Chief Financial Officer R. Shankar Raman told Reuters.

He said there were still geopolitical risks to getting involved in Iran. "It's not going to be an easy decision."

IBA gets new director



STAR BUSINESS DESK

AKM Saiful Majid has joined the Institute of Business Administration of Dhaka University as director.

He has served IBA as professor, associate professor and assistant professor along with several administrative positions in the last 25 years, the institute said in a statement yesterday.

He has also served Eastern University as the vice chancellor and chairman of the trustee board and worked as a visiting teacher of the University of Kassel in Germany.

He is a recipient of the Senior Fulbright Fellowship awarded by the US Department of

Former-HSBC boss regrets mistakes made with Swiss, Mexican deals

REUTERS, London

HSBC should have made deeper checks before buying a Swiss private bank that allegedly allowed customers to dodge taxes and a Mexican business that breached anti-money laundering rules, its former chairman said.

"With the benefit of hindsight, it would have been better to have drilled into the detail much earlier. We didn't get everything right," Stephen Green told British lawmakers on Wednesday.

These scandals have damaged the image of Europe's biggest bank and the reputation of Green, who served as the bank's chief executive between 2003 and 2006 and as its chairman between 2006 and 2010. Green and HSBC had managed to come through the 2007-9 financial crisis relatively unscathed.

"We had that reputation sullied by things we didn't get right in a couple of different places," Green told the House of Lords Economic Affairs Committee, which was conducting a one-off session on banking culture.

In 2012, HSBC had to pay a record \$1.9 billion fine after US authorities said it had become the preferred financial institution for drug traffickers and money launderers between 2006 and 2010.

"I'm not going to say we covered ourselves in glory because it's not true ... since then they have very substantially reinforced the compliance function and it's clear we

needed to do that," Green said.

HSBC's Swiss business has been in the spotlight ever since a former IT employee Herve Falciani fled Geneva in 2008 with files which were alleged to show evidence of tax evasion by its clients. The bank has admitted past failings in compliance and control at its Swiss bank following the allegations.

Green was also asked how he felt about the high levels of pay in the banking industry.

"It certainly kept me awake. [There was] no possible way on moral grounds justifying it," he told the committee.

The bank's current chief executive Stuart Gulliver, is among the highest paid bankers in Europe with a pay packet last year amounting to 7.6 million pounds (\$11.8 million).

Win Bischoff, former chairman of Lloyds Banking Group, was asked by the panel about the rationale behind the bank's acquisition of struggling HBOS in 2008. This acquisition has been blamed for forcing Lloyds to seek a 20.5 billion government bailout.

The bank's then chairman Victor Blank said he had been told by then-prime minister Gordon Brown that the deal would not be subject to a competition probe but Bischoff said the decision was not entirely down to political influence.

"It was not done purely because the prime minister encouraged the board of the bank (Lloyds). There had been discussions that this might suit Lloyds very well," Bischoff said.



NRB GLOBAL BANK

Md Golam Sarwar, acting managing director of NRB Global Bank, attends the opening of the bank's 21st branch at Rupganj in Narayanganj on Tuesday. Kazi Mashiur Rahman, deputy managing director, was also present.



MEGHNA GROUP

Ali Imam, a writer, attends a prize giving ceremony of a campaign--Mayer Jite Jawar Golpo 2015--of Fresh Milk of Meghna Group at Bashundhara Convention Centre in Dhaka on Monday. Tahmina Mostafa, a director of Meghna Group, and Asif Iqbal, executive director (marketing), were also present.

Sri Lanka seeks new funding sources in shift away from ally China

REUTERS, Colombo

Sri Lanka is seeking cheaper funding sources to replace billions of dollars in debt from Chinese banks, government officials said, as the six-month-old government distances itself from Beijing weeks before a general election.

The government is seeking to consolidate its power in the Aug. 17 vote after reformer Maithripala Sirisena was elected president in January. The pro-China leader he ousted - Mahinda Rajapaksa - is staging a comeback bid.

Sirisena had suspended most Chinese-backed infrastructure projects started under Rajapaksa, who has denied allegations of corruption and overpricing in contract awards.

Sirisena's reformist coalition is in talks to replace about 70 percent of the more than \$5 billion in debt from Chinese lenders with loans at cheaper interest rates and longer durations from other sources, two finance ministry officials involved in the negotiations said.

The move follows failed government efforts to negotiate more favourable terms

with the Chinese banks, and the finance ministry is looking at options including borrowing from lenders in Japan, the United States or Europe, a top government official said.

"Money is there at a cheaper rate and for a longer tenure," he said.

Sri Lanka has sought to pursue a more global foreign policy since the new government was formed, breaking with the previous pursuit of close ties with China.

Finance Minister Ravi Karunanayake has been exploring ways his nation could borrow at lower rates after concluding from a trip to Japan this month that loans could be obtained for between 0.1 percent and 0.2 percent, a senior finance ministry official said.

Sri Lanka's government has 16 ongoing Chinese-backed infrastructure projects which depend on \$4 billion in borrowing from the Export-Import Bank of China (Exim Bank) and the rates of interest are between 2.5 percent and 9 percent, finance ministry data shows. Chinese officials have said the rates of interest are only 2 percent. But the data shows there are extra fees that add to cost the servicing the loan.

Amazon's profitless path

BBC NEWS

Twenty years ago today Amazon sold its first book, created the first online book store and went on to become a hugely profitable internet superpower. Today it's celebrating that anniversary with Amazon Prime day, 24 hours of special offers which will be the biggest day of e-commerce the world has ever seen.

Actually, scrub that first paragraph - almost every fact in it is inaccurate. That birthday? Three months earlier Amazon had already tested its systems, selling an academic work about artificial intelligence to a computer scientist in April 1995. It was not the first online book store - the previous year a British man, Darryl Mattocks, posted the first book sold by his Internet Bookshop, a venture soon eclipsed by Amazon.

Amazon Prime day is a clever piece of marketing - but won't be on the scale of Black Friday or China's Singles Day. It is also unlikely to give a big boost to the online retailer's bottom line - and there we come to the biggest falsehood in my opening paragraph. Amazon is certainly an internet superpower, but it is most definitely not "hugely profitable".

In fact, its story is one of a brazen contempt for what you might regard as the first rule of capitalism - the duty of a public company to maximise profits for its shareholders. Throughout its history, Amazon has seen its revenues climb inexorably while its profits hover around or below zero.

Last year its revenues hit \$88 billion (£56 billion), but it made a loss of \$240 million (£153 million). (Just as a comparison, Tesco's revenues in 2014 were £71 billion, on which it made a profit of £2.6 billion - though this year it recorded a huge

loss after writing down the value of its property. Oh, and right now the stock market thinks Amazon is worth roughly eight Tescos.)

It is not that Amazon has not made money - from selling books, then all sorts of other goods, then acting as a platform for all kinds of other businesses to sell their products. It is just that it has relentlessly ploughed that cash back into capital expenditure, mostly aimed at improving the delivery infrastructure at the heart of its business.

That means that it has been able to satisfy consumer desires ever more quickly. There is now even an Amazon button you can press every time you run out of household staples and then get them delivered without going near a computer or phone. Another innovation, the Echo speaker, will obey your every command, serving up digital media as well as taking orders for physical goods. And then there is the plan to deliver parcels by drone - a madcap idea which nevertheless speaks volumes about the company's ruthless focus on speedy service.

Better, faster service means shoppers gravitate to Amazon in whichever market it enters, generating more revenue which can in turn be ploughed into new conquests rather than returned to shareholders. In recent years, more of that cash has gone into a whole new business, Amazon's cloud computing service AWS. It is now generating substantial revenues - and to the surprise of many, turns out to be profitable, though again the surplus is likely to be directed towards further growth.

Investors now seem to accept this constant diet of jam tomorrow, which somehow never arrives. But in his company's first decade, Amazon's founder Jeff

200 factories yet to pay workers' dues

FROM PAGE B1

The labour ministry on Sunday formed a committee headed by Syed Ahmed, inspector general of the Department of Inspection for Factories and Establishments, to find ways to sell Swan's assets to pay the workers, Shipar said.

"The committee has already started

working on the matter, but it will take time."

Over the last few days, some Swan workers have been demonstrating in front of the National Press Club in the capital for the prompt payment of all dues from April to June.

Swan's factory situated in Mollartek in Dhaka has remained closed since April.

Bank of Canada cuts key lending rate to 0.5 percent

AFP, Ottawa

Canada's central bank cut its key lending rate by a quarter-point to 0.5 percent Wednesday in a bid to stimulate an economy that fell into recession in the first half of the year.

It is the second time this year that the Bank of Canada has slashed rates to revive the economy - badly hit by lower global oil prices - after the central bank sprang a surprise on investors and households in January.

The Canadian dollar promptly slid

further on the news.

"The Bank's estimate of growth in Canada in 2015 has been marked down considerably from its April projection," the Bank of Canada said in a statement, announcing its latest move. Borrowing rates were already at a historic low in a bid to re-energize the Canadian economy.

"Recent indicators suggest a rebound in the US economy in the second half of this year, and growth is expected to be solid through the projection," the bank said.

"In contrast, China is slowing amid an ongoing process of rebalancing to a more



GOBDGO

Cemal Ceylan, charge d'affaires of the Turkish embassy in Dhaka, unveils the logo of "go halal" travel packages of goBDgo, a travel agency, at a programme recently. Jebunnesa Chowdhury, managing director of goBDgo Ltd, was also present.

Lower spread raises hope of higher investment

FROM PAGE B1

Though there are no particular rules about what the spread should be, Bangladesh Bank encourages banks to keep it below 5 percent.

Despite a fall in the overall spread, 22 banks, out the 56 in the country, had their spread above 5 percent, while some had as high as 7-10 percent.

Some banks' spread is high as their deposit rates are excessively low compared to lending rates.

Cost of fund is higher at some banks that disburse more micro and SME credit, as these loans need to be monitored continuously, leading to a rise in their lending rates and spread.

Also, spread is higher at some poorly-performing banks that have large amounts of classified loans.

Spread at state-owned commercial banks, which account for 20.88 percent of the total credit in the banking sector, was 3.55 percent in May, according to central bank statistics. The average deposit rate of these banks was 6.93 percent, while the average interest rate on credit was 10.48 percent.

Spread at specialised banks was only 1.51 percent, with their average deposit rate being 8.17 percent and lending rate 9.68 percent. Their share in the total loans is 4 percent.

Whether the spread will play a positive role in raising investment depends on the lending rates of the private banks as their share in the total banking credit is the highest - almost 71 percent.

Private banks' overall spread was 5.11 percent - the average deposit rate 7.25 percent and lending rate 12.36 percent.

Foreign banks' spread was the highest at 7.91 percent, with their average deposit rate being 3.21 percent and lending rate 11.12 percent, though their share in total loans is only 4.31 percent.

Of all banks, Standard Chartered, which accounts for 2.12 percent of the total loans in the banking system, had the widest spread at 10.03 percent. Its interest on deposit was 2.51 percent on average against the lending rate at 12.54 percent.

"Our lending rates are the lowest in the market. However, our spread is a function of our balance sheet efficiency which has been built over a century in the country," said Abrar A Anwar, chief executive officer of Standard Chartered Bangladesh. "It means we optimise our assets and liabilities through efficient management. That's why our cost of fund is lower than other banks," he said by phone.

Brac Bank had the second widest spread at 9.9 percent - lending rate 14.79 percent and deposit rate 4.89 percent - mainly due to its huge micro and SME loans that raise costs.

The average lending rate in the banking sector was 11.82 percent and deposit rate 6.99 percent.

Foreign crewmen forced to bribe immigration officials for passes

FROM PAGE B1

The passes were, however, given the following day after their demands were met, he said on condition of anonymity. Parvez said giving small gifts to duty officials of the immigration department has been in practice for long.

But for the last few months, a number of officials, including Farooqui, have been demanding more items before they issue the passes, he added.

Contacted, Farooqui termed the charges against him false. Since July 4, in line with a recent order from the higher authorities of the Special Branch of police, the immigration department has stopped issuing passes to crewmen who do not submit photographs, he said.

The order came in the wake of the seizure of consignments containing suspected liquid cocaine last month, according to Farooqui.

Harunur Rashid, deputy commissioner of Chittagong Metropolitan Police for Port Zone, said he came to know about the complaint on Tuesday. He said he would open an investigation into the allegation.

Ban on vans halts online delivery to districts

FROM PAGE B1

As soon as they learnt about the ban, they advised their customers to place their orders without further ado.

Anwar Hossain Salekh, a manager of Karatoa Courier Service, said his company that halted the service as per the government's instruction is staring at a busy time afterwards.

Karatoa has 13 fully-loaded vans in Dhaka and 20 in Chittagong that need to be dispatched as soon as the service resumes after the Eid.