

# Looking for reform success, Modi readies electricity rescue plan

REUTERS, New Delhi

India is preparing a rescue package for power utilities owing tens of billions of dollars, but Prime Minister Narendra Modi must first convince states to make politically hard choices as he seeks a victory for reforms needed to galvanise the economy.

Modi, who has had mixed success pushing through his reform agenda since coming to power 16 months ago, has prioritised tackling a problem that is stifling bank lending needed for a revival in Asia's third largest economy, three senior government sources with direct knowledge of the plan said.

Problematic utility debts account for a quarter of all restructured bank loans in India.

In total, utilities owe \$66 billion. New Delhi has identified about \$22.7 billion of debt held by financially stretched utilities as most at risk, one of the sources said, adding to the urgency to relieve a banking system weighed down by bad loans.

Under the proposal, New Delhi wants to persuade state governments to take over some of their

utilities' debt.

In return, the electricity distributors would commit to re-investing interest savings in new lines and metering, improving billing and cutting rampant power theft, the sources said, declining to be named because the plan is not public.

To make it work, the distributors are likely to come under pressure to raise electricity tariffs for consumers used to low prices. One top power ministry official said the proposal was "very close" to being finalised and that states with the biggest problems agreed to back it.

"The states have a very clear incentive to do this. The interest cost comes down significantly," he said.

By forcing tougher action at state level to ensure electricity is paid for and supplies are reliable, Modi hopes to avoid a backlash in parliament, where the opposition has already blocked other economic reforms this year.

Fixing power would temper criticism that Modi's government is not doing enough to improve the lives of common Indians, having made election campaign promises to

replicate his success in Gujarat and deliver 24/7 power across India.

As chief minister, Modi transformed Gujarat's power sector by lowering debt and clamping down on theft. Many consumers agreed to pay higher prices in return for round the clock power.

Utilities in India's other states remain largely unreformed.

Though New Delhi is convinced more Indians are willing to pay for electricity if offered reliable supplies, sceptics say it will be hard to force states to make people pay, when it risks alienating important vote banks, like farmers.

"Unless you make fundamental decisions in terms of running these (distributors) based on commercial decisions, you are just postponing the problem," said Arvind Mahajan, who heads KPMG's energy practice in India.

A three-year restructuring launched in 2012 offered a moratorium on capital repayment in return for reform but failed to end losses because local governments resisted hiking tariffs and cutting theft.

There may be other costs to bear,

too. The government may have to relax limits on the size of states' deficits if they are to take over distributors' debts, putting pressure on India's consolidated fiscal position as New Delhi tries to improve its finances.

Modi has made devolving political power a key plank of his agenda, confident individual states will increasingly compete to reform by themselves. After failing to pass legislation to make land purchases easier, for example, central government is encouraging states to enact their own rules.

Six states have agreed in principle to take over some of their power distributors' debts, one of the government sources said. But some others are far from convinced.

The chief secretary of Uttar Pradesh, a vast agricultural northern state with a population bigger than Brazil, said taking on utilities' 420 billion rupees of debt would reduce the state's interest burden by five percentage points but more than double its borrowings. "We will have to deliberate a lot before taking a final call," said Alok Ranjan.

# Greeks want a government, hopes to shake off capital controls

AFP, Athens

Greek elections Sunday may cause little change to its broad economic policy, dictated by the terms of its latest international bailout. But for thousands of businesses, a return to political stability and cash liquidity would be enough to start with.

Not only has Greece held five elections in six years but the economy is still feeling the effects of capital controls imposed in late June, when the leftist government of Alexis Tsipras clashed with EU-IMF creditors over reform proposals.

When Tsipras announced a referendum on austerity, a run on deposits followed and the government had to shut down the banks.

For weeks, Greeks could only withdraw 60 euros (\$68) a day from cash dispensers, a limit later relaxed to 420 euros a week and still in effect.

But as long lines snaked outside bank ATMs in the summer heat, the country's traders faced even greater difficulty.

A similar block on bank transfers between Greece and the rest of the world meant that businesses had to apply to a state committee for permission to pay foreign suppliers and staff stationed abroad.

"All enterprises that could, like ourselves, open foreign bank accounts to facilitate their transactions," says Christos Papadimitriou, whose family business exports balsamic vinegar to around 30 countries.

The procedure was later made easier after

banks were allowed to handle the requests directly, but the average wait for permission is still 18 days. "I know of companies that have received no response for over a month," says Papadimitriou.

To get around the problem, the Kalamata-based businessman notes, he asked clients who owed him money to pay his suppliers directly.

Retail trade turnover in Greece fell by nearly 13 percent in June, July and August, drop attributed by the union of traders mainly to the capital controls.

Imports in July also sank by 32 percent compared to last year.

The manufacturing sector index likewise saw record drops of 30.2 percent in July and 39.1 percent in August.

In was a major shock for an economy that had just emerged from a long recession and with a quarter of the workforce officially out of a job.

Vangelis Meimarakis, leader of the conservative New Democracy party that could win Sunday's election, ridiculed Tsipras' claim during the campaign that the left-wing Syriza party stands for change.

"The only novelty brought by Syriza was capital controls," Meimarakis told a supporters' rally in Athens on Thursday.

But there was one breakthrough.

No longer able to draw and stockpile cash under mattresses as they had often done in the past, or take their money abroad, Greeks increasingly turned to credit cards.

# US says Coke owes it \$3.3b in back taxes

AFP, New York

The US tax authority has told Coca-Cola that it owes \$3.3 billion in taxes from 2007-2009, but the soft drink giant said Friday it was fighting the huge bill.

The Coca-Cola Company said in a securities filing that the Internal Revenue Service had sent it a notice saying it had under-reported income during the three-year period by leaving out substantial sums related to licensing fees paid by foreign Coke producers and distributors.

The IRS wants the US company to pay taxes on some of the money earned from offshore licensees.

But Coca-Cola said it had followed the accounting principles for transfer pricing -- how earnings are accrued between branches of a company -- established in an agreement with the IRS in 1996. "The company has continued to abide by its terms for all subsequent years," it said.



Totalif Ahmed, commerce minister, opens an outlet of Hi-Fashion Electronics on South Avenue of Gulshan-1, Dhaka. Officials of Hi-Fashion were also present.

# Mercedes-Benz to invest \$1.3b to expand US production

AFP, Washington

German luxury automaker Mercedes-Benz said Friday it would invest \$1.3 billion to expand and upgrade SUV production at its Alabama plant.

Mercedes-Benz, a division of Daimler, said the improved facility in Tuscaloosa would support 300 new jobs and have end-to-end digitization of production processes as part of a "smart factory approach."

"In this way we can produce the next SUV generations even more flexibly, efficiently and in proven top quality," said Markus Schaefer, a Mercedes-Benz executive for cars, manufacturing and supply chain management, in a statement.

# USTR reviews workplace safety progress

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During their visit, the delegation members will also meet government officials, employers, workers, trade union leaders, officials of International Labour Organisation and Alliance on Bangladesh Worker Safety, and Accord for Fire and Building Safety in Bangladesh.

They will also travel to Chittagong to visit the factories housed in Bangladesh Export Processing Zone, and meet representatives from the shrimp processing sector and other local organisations. A Bangladesh team is also expected to visit USTR soon to review progress.

Hedayetullah Al Mamoon, senior secretary to the commerce ministry, led the Bangladesh team to yesterday's meeting. Bangladesh has fulfilled all the 16 conditions and hopes that the trade privilege will be reinstated at the review in November, the commerce ministry said in a statement.

Of the major conditions, the Bangladesh government amended the labour law of 2006 in parliament in July 2013, two months after the Rana Plaza building collapse.

The government also appointed 235 factory inspectors to fulfil another condition and appointed 218 new fire fighters and 51 building inspectors to fortify workplace safety.

So far, three factory inspection agencies -- Accord, a platform of 200 retailers and brands, mostly European; Alliance, a platform of 26 North American retailers and brands; and government sponsored inspection agency under the tripartite national agreement -- completed the inspection of 3,407 out of 3,668 garment factories. Of the inspected factories, only 34 were closed due to structural flaws.

All three inspection agencies were formed after the Rana Plaza building collapse to check flaws in structural, electrical and fire safety in the apparel units.

In 2012, the total value of US imports from Bangladesh under GSP was \$34.7 million; top imports under GSP from Bangladesh included tobacco, sports equipment, porcelain china and plastic products. US companies had lost \$2 million a day after the GSP scheme was suspended for all countries, according to American Apparel and Footwear Association.

The GSP is important for the image of the country as some other countries, where the country enjoys duty benefit under the GSP, might be influenced by the US decision.

In fiscal 2013-14, Bangladesh exported goods worth more than \$5.58 billion to the US, with 95 percent of them being garment products, which were subject to a duty of 15.61 percent.

# BB sets target to achieve inclusive growth

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The plan is the result of the evaluation by non-bank financial institutions, heads of various domestic and international organisations and ordinary bankers of Bangladesh Bank activities in the last five years and their expectation from the central bank in the next five years.

Besides, it has taken into consideration the sustainable, eco-friendly and inclusive economic growth, capacity building of the financial sector to withstand shocks and keeping active financial intermediation process.

The new plan has 14 goals. Some 105 objectives, 310 action plans and 395 key performance indicators have been fixed to achieve the strategic goals, the governor said.

The first strategic plan had set a target to transform Bangladesh Bank into a modern, far-sighted and humane central bank. "It is high time to assess how much we have succeeded and failed in this effort," Rahman said.

He said the central bank formulated participatory monetary policies, modernised payment system and enhanced digitisation and strengthened supervision.

Besides, financial inclusion programmes have been taken to include the low-income people in the financial sector.

Financing has increased in the agriculture, SME and environment-friendly sectors. People got the chance to open bank account at Tk 10, sharecroppers have got credit.

"The economy has already started to benefit from these initiatives. Positive changes are being seen in all indicators in the financial sector."

He said there is no scope for complacency. "We have to accept policy plans to maintain and advance the progress further."

Deputy governors Nazneen Sultana, Abu Hena Mohd Razeen Hassan and Shitangshu Kumar Sur Chowdhury also spoke at the event.

# US auto workers get first raise in a decade

AFP, Detroit

US auto workers won their first raise in a decade in a deal with Fiat Chrysler's US subsidiary that will be used as a template for talks with General Motors and Ford, their union said Friday.

The United Auto Workers union succeeded at clawing back some of the major concessions made in order to help the Detroit Three carmakers survive the 2008 financial crisis.

But while the wage gains are significant, the UAW was not able to fully close a much-maligned pay gap between newer hires and those with seniority.

It was also unable to stop FCA US from shifting some US production to Mexico, but union officials said they do not expect to see any jobs lost because demand for the vehicles that will remain in the United States is so strong.

"Once the membership looks at it,

I think they'll ratify it. They'll see it's a fair and balanced agreement," UAW president Dennis Williams told reporters.

The UAW contracts cover 142,000 workers at the Detroit Three, of which nearly 40,000 work for FCA.

The union has traditionally negotiated similar contracts with all three major US carmakers in order to prevent their employers from suffering competitive disadvantages.

# Five-star hotel opens in Cox's Bazar

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"We are certain that the uniqueness of the resort will attract foreign and local high-end tourists. Moreover, the international timesharing concept will automatically bring foreign tourists into our hotel," said Aminul Haque Shamim, managing director of the hotel.

Timeshare is an ownership model where many customers own allotments of usage in the same property. The model also allows members of a hotel to swap or exchange time with another affiliated hotel or resort anywhere in the world depending on availability.

A person can become member of the resort by paying a sum of Tk 6 to Tk 8 lakh.

Timeshare members of the resort will be able to use the facilities of 2,500 hotels and resorts that are affiliated with Interval International

in more than 80 countries. A member will be given seven days to spend in any affiliated resort every year.

"It is a unique hotel with the sea beach on one side and mountains on the other. We have invested more to make it an eco-friendly resort, to be loved by tourists," said AHM Mokbul Hossain, chief executive officer of the resort.

From sewage to garbage, solid waste and water will be treated at different plants in and around the eco-friendly resort. The hotel will use solar light and preserve rainwater.

In addition to all the common facilities of a five-star hotel, it has an infinity swimming pool of 10,000 sq ft area that will merge with the seawater. It has another 5,000 sq ft pool dedicated for women and children.

To finance the Tk 504 crore project, 10 banks have lent Tk 197 crore; Prime Bank was the lead arranger of

the syndication deal and has provided Tk 97 crore.

Ahmed Kamal Chowdhury, managing director of Prime Bank, said the government has recognised tourism as a thrust sector and announced a national policy to develop it with private sector participation.

"Keeping that in mind, we have taken an initiative in 2011 to finance the project," Chowdhury said. The government should improve infrastructure in Cox's Bazar to further develop the tourism sector, he added.

Quoting a research report, Touhidul Alam Khan, deputy managing director of Prime Bank, said the resort is expected to be 70 percent occupied in the peak season and 35 percent in off-peak periods next year.

The minimum cost for booking a room, which can accommodate a four-member family, has been fixed close to Tk 9,000 a night, including taxes.

# China seeks to rebuild Silk Road trade links

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The Maritime Silk Road has historic association with Bangladesh: the Brahmaputra river, which originates in China, flows into the Bay of Bengal through the country, he said.

The rest of Asia would like to participate in the economic miracle that China has established, and the initiative is a step in the right direction for that.

About the prospects for South Asia, Cyril Pereira, co-chairman of the Asian Publishing Convention, said the region lack investment, so if China invests through the initiative, the countries of the region will be benefited.

Pereira, however, said the initiative faces many challenges especially stemming from distrust between the

Asean countries and China.

Subsequently, he urged China to set up a web portal where all information related to the 'One Belt, One Road' initiative can be found.

Zhai Kun, a lecturer of international relations at Peking University, said the perception about the Maritime Silk Road varies from region to region, so the government is working with each of them differently.

He also said the Chinese government alone would not be able to make the initiative a success. The other stakeholders such as the media and the businesses have to play a role.

Originating from cities on China's south-eastern coast and using a system of linked ports and infrastructure projects, the Maritime Silk Road aims

to reach Europe.

The planned sea route begins in Fuzhou, China and goes via Vietnam, Indonesia, Bangladesh, India, Sri Lanka, the Maldives and East Africa.

Along the African coast, China plans to develop ports in Kenya, Djibouti, Tanzania and Mozambique.

Drawing on the historical heritage, the "Belt and Road" initiative, a brainchild of Chinese President Xi Jinping, covers more than 60 countries with a population of 4.4 billion and gross domestic product of \$21 trillion.

"Prudently and with confidence, many countries are embracing this initiative," wrote Yang Yani, a Chinese diplomat, in the EUobserver, an independent online newspaper reporting on the European Union.



Anisur Rahman Sinha, chairman of Opex and Sinha Group, opens the 14th outlet of Best Fried Chicken (BFC) at Rampura, Dhaka on Friday. Nizamul Karim Chowdhury, executive director of BFC, was also present.