

IMF wants to be a family doctor, not just a surgeon

The lender bids to offer tailor-made, country-specific services

STAR BUSINESS REPORT

THE International Monetary Fund has been striving to highlight its key role in offering tailor-made, country-specific policy advice to its members, and get rid of the image of a hard lender that tags tough conditions with its financial assistance.

Changyong Rhee, director of its Asia and Pacific department, said the Washington-based lender is usually regarded as an emergency doctor, like a surgeon who goes to the emergency room.

"That is an unfortunate misunderstanding. I would like to emphasise that we would like to be a family doctor, not just a surgeon in an emergency room."

"Whenever you have minor problems, you do not need to go to big hospitals; you call us and ask what the appropriate thing to do is," he told The Daily Star in an interview in Dhaka recently.

"Even though you do not have any crisis or economic problem, the IMF will walk with you. We will bring cross-country experiences to help you in making policy decisions to secure higher, more sustainable and more inclusive growth."

According to Rhee, the IMF has ample knowledge through the cross-country experiences in areas such as macroeconomic policy, resources mobilisation and digitisation of fiscal systems.

Giving examples of how the IMF is changing, Rhee said their view of capital control is evolving.

During the Asian financial crisis, the IMF said capital controls are inadequate and ineffective. Now it says that, in some circumstances, capital controls may be a part of the policy response.

Recently, the IMF conducted a comprehensive quota reform, giving higher quotas to the developing countries.

The lender is also focusing on hiring more experts from the Asia Pacific region to balance the composition of its staff members.

Asia is an important region for the IMF; many of its board members now understand Asia better and are open to get the regional views, Rhee said.

"The Fund is looking for more diversified

steps to reflect different views. This really reflects the importance of emerging economies in Asia and the new members."

He said the recently-completed Extended Credit Facility (ECF) programme between IMF and the Bangladesh government is a great example of the family doctor. The successful outcome of the ECF will be shared with other Asian countries as an example of successful collaboration, he added.

"As a family doctor, we would like to give more custom-made, Bangladesh-specific policy recommendations."

Rhee said the IMF has many things to offer to Bangladesh, now that the country is trying to upgrade its economy from lower to middle or higher income.

About the ECF programme for Bangladesh, he said it was very successful.

"Prudent macroeconomic policies and structural reforms under the ECF arrangement have helped steer the Bangladesh economy through domestic and global challenges in the last three and a half years."

Praising some of Bangladesh's recent achievements, he said growth has been robust and poverty has continued to fall, inflation has eased, foreign exchange reserves have more than tripled to a comfortable position, social spending has been protected, and public debt has remained stable as a share of GDP.

He praised Bangladesh for its outstanding performance in the last two decades, for averaging a growth rate of over 6 percent, poverty reduction and prudent macroeconomic policy.

"Compared with other countries with the same level of income, Bangladesh has been doing better. The improvement in social indicators is also a good achievement."

Important reforms, such as the new VAT law and amendments to the Bank Companies Act, were also adopted, he said.

Although the IMF has not yet received any request from Bangladesh on another ECF, Rhee said they will maintain a close dialogue on a mutual engagement going forward.

"Whatever the agreed upon modality, the IMF will continue to work with the authori-



Changyong Rhee

ties to support their policies to safeguard macroeconomic and financial stability and ensure sustained, inclusive growth."

Strengthening domestic resource mobilisation, including digitisation of tax administration, remains a priority. It is also important to continue to strengthen the financial sector and improve the investment climate.

Rhee also flagged some challenges. He pointed out Bangladesh's low tax-GDP ratio and low public spending on infrastructure and social safety nets.

Resource mobilisation is the most important economic priority for Bangladesh, he said.

If the VAT laws are implemented well it will broaden the tax base.

The new VAT system will simplify tax administration and lower taxpayers' compliance costs, and it is designed to protect small businesses.

He said private investment has been con-

strained by infrastructure bottlenecks, particularly in energy and transport, and by a high regulatory burden.

The banking system is burdened with a high level of nonperforming loans and weak corporate governance (particularly in state-owned banks), which place upward pressure on interest rates and hamper credit flows to the economy, he said.

"Everybody knows that NPL at state-run banks is well above 20 percent." With that large amount of NPLs, the operation and credit expansion of state-owned banks are hampered.

In case of private banks, the situation is better.

"But they have a problem of large exposures to large single borrowers. In the short-term, it can actually be good for growth. But a concentration of large loans on single borrowers implies that if those companies are in jeopardy, the banks' balance sheets can be

impacted. And if the banks are in trouble, the whole economy is in trouble."

"Even though it is not a problem at this moment, it can be a problem in the future. At this moment, the weakness in the banking sector is manageable."

State-owned banks, in particular, should be reformed and guided by good corporate governance practices, supported by the completion of branch automation, he said.

"Strengthening state-owned banks will hinge critically on improving the quality of their lending practices, which in turn will depend on making sure that the management and executive boards of these banks exercise proper, professional oversight and are held ultimately accountable by Bangladesh Bank and the government."

For the private sector banks, the central bank needs to strengthen prudential regulations and supervision, Rhee said.

In Bangladesh's journey towards the middle and higher middle income country status, the banking sector has a role as a financial intermediary by way of efficient credit allocation. The banking sector has an ability to evaluate the risk of the projects, he said.

The IMF has forecast a real GDP growth of around 6.3 percent for fiscal 2015-16, despite slow growth in the global economy.

It is a healthy rate in the current global context, Rhee said.

"Over the medium term, Bangladesh has strong potential to boost growth, provided prudent fiscal and monetary policies are maintained, tax revenues are strengthened, public investment is ramped up significantly, and reforms to strengthen the financial sector and ease constraints to private investment are adopted."

Against a challenging and uncertain global landscape, Rhee said Bangladesh should maintain prudent fiscal and monetary policies to underpin sustained high growth, build resilience to shocks, and further reduce poverty. Structural reforms should continue to focus on addressing key structural challenges, he added.

"Going forward, Bangladesh has to meet a lot of challenges. We believe that Bangladesh has the ability to face those. You should not be complacent in expediting the process."

Nissan to build cars in Myanmar for first time



REUTERS/FILE

A logo of Nissan Motor is seen on a car displayed outside the company's dealership in Tokyo.

AFP, Yangon

JAPANESE auto giant Nissan will start assembling cars in Myanmar for the first time this year, the company said Wednesday, as it expands its presence in one of Asia's final economic frontiers.

Foreign companies have piled into the Southeast Asian nation since reforms began in 2011, eager to tap into a 51.5 million-strong pool of potential customers.

Nissan said production will start in a factory run with a Malaysian partner, Tan Chong Motor Group, before eventually moving to a new facility in Bago, 80 kilometres (50 miles) northeast of the commercial hub Yangon.

The Japanese company announced its plan to build the largest automobile manu-

facturing site in Myanmar three years ago.

Two hundred employees will receive training in Malaysia for a Myanmar assembly line that aims to turn out 10,000 units, according to a Nissan statement.

It was not immediately clear if all the vehicles would be destined for the domestic market or whether some were intended for export.

"Nissan is pleased to have the opportunity to be part of new motoring growth in Myanmar," said company vice-president Toru Hasegawa.

Huge import taxes and international sanctions aimed at the previous regime meant vehicles were too expensive for most people, but recent changes have seen a sharp increase in demand for four wheels.

Airbus, Boeing win billion-dollar deals at Asia air expo

AFP, Singapore

AIRBUS and Boeing announced billion-dollar deals at Asia's largest airshow in Singapore Wednesday, underscoring the region's role as a driver of industry growth despite greater caution among plane buyers.

Europe's Airbus said it had won an \$1.85 billion deal for the purchase of six A350-900s by Philippine Airlines (PAL), the flag carrier of one of Asia's fastest-growing economies.

US-based Boeing meanwhile said it had won a commitment from China's Okay Airways to buy 12 aircraft for \$1.3 billion despite a weakening Chinese economy.

"The Chinese people are very good at saving," Okay Airways chairman Wang Shusheng told reporters. "It doesn't matter if the economy has worsened, they will still travel."

Tony Tyler, director-general of the International Air Transport Association, said ahead of the Singapore show that airlines in the region may try to push back their orders due to softer profits.

Airline savings from low fuel costs are being eroded by hedging losses and a strong dollar, Tyler said, noting that the greenback climbed 20 percent over the past 18 months.

With Asia-Pacific accounting for 40 percent of global air cargo, regional carriers have been badly hit by the global economic slowdown, worsening the impact of competition from Gulf carriers, the IATA chief added.

"We want to sell as many aircraft in Asia as much as possible but we also want to settle in Asia and have industrial facilities, research and engineering centres," Marwan Lahoud, chairman of the French aerospace industries association GIFAS, told AFP in an interview on Tuesday.



Airbus President and Chief Executive Officer Fabrice Bregier, right, shakes hands with Philippine Airlines Chairman Lucio Tan after a signing ceremony at the Singapore Airshow at Changi Exhibition Centre yesterday.

"We want to amplify what we have started already -- selling, designing and manufacturing in Asia," said Lahoud, who is also a member of the group executive committee of the Airbus Group.

Industry players say travel demand in Asia is still there, boosted by the region's growing middle class, but that the mega deals of previous years are gone.

In a statement issued this year, Airbus said it won 421 orders from 17 airlines and lessors in Asia in 2015, representing 39 percent of the

company's net order intake for the year.

Boeing this week forecast that the world will need 38,050 planes in the next 20 years, with 38 percent of the deliveries to Asia, 21 percent to North America and 19 percent to Europe.

In other Singapore deals, a US leasing firm ordered 20 aircraft from Japan's Mitsubishi Aircraft Corp in a transaction potentially worth more than \$900 million.

PAL also said it separately signed a \$600-million order with Rolls-Royce for Trent XWB engines to power its six A350s.

Obama announces measures to deepen economic ties with SE Asia

AFP, Rancho Mirage, US

US President Barack Obama on Tuesday announced a package of measures designed to boost Southeast Asian economies, betting that the fast-growing region can be an ever more important trade partner.

The plan will establish three economic offices -- in Jakarta, Bangkok and Singapore -- "to better coordinate our economic engagement and connect more of our entrepreneurs, investors and busi-

nesses with each other."

The White House sees the 10 nations of the Association of Southeast Asian Nations (Asean) -- representatives of which have been meeting with Obama since Monday in California -- as an emerging regional counterweight to China's regional dominance.

Collectively, the countries are the fourth-largest trading partner for the United States.

According to White House figures, "two-way trade in goods and services has tripled since the 1990s, topping

\$254 billion in 2014," supporting around half a million US jobs.

"We have an increasingly deep and broad economic relationship with Asean," said US ambassador to Asean Nina Hachigian.

Asean includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

While Southeast Asian economies are youthful and fast-growing, many sectors remain under the control of government or special interests.

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