Saudis soften oil stance on Iran but Opec deal still elusive

REUTERS

Opec might still agree an oil output-limiting deal later this year as the economic problems of its de-facto leader Saudi Arabia force Riyadh to cede more ground to arch-rival Iran.

Saudi Energy Minister Khalid al-Falih said on Tuesday Iran, Nigeria and Libya would be allowed to produce "at maximum levels that make sense" as part of any output limits which could be set as early as the next Opec meeting in November.

That represents a strategy shift for Riyadh, which has previously said it would reduce output only if every other Opec and non-Opec producer followed suit. Iran has argued it should be exempt from such limits as its production recovers after the lifting of EU sanctions earlier this year.

The Saudi and Iranian economies depend heavily on oil but in a post-sanctions environment, Iran is suffering less pressure from the halving in crude prices since 2014 and its economy could expand by almost 4 percent this year, according to the International Monetary Fund.

Riyadh, on the other hand, faces a second year of budget deficits after a record gap of $98 billion last year, a stagnating economy and is being forced to cut the salaries of government employees.

"Does the salary cut indicate the Saudis are ready for a fight or does it indicate that they are ready for a deal," said an Opec source from a Middle Eastern producer, when asked about the Saudi shift.

Iranian Oil Minister Bijan Zanganeh said on Wednesday talks about a deal to cap output were ongoing. OPEC will hold an informal meeting at 1400 GMT, following by a formal, regular gathering on Nov 30.

Oil prices were up around 1.5 percent, with Brent crude LCOc1 nearing $47 per barrel by 1125 GMT.

Saudi Arabia is by far the largest Opec producer with output of more than 10.7 million barrels per day (bpd), on par with Russia and the United States. Together, the three largest global producers extract a third of the world's oil.

Iran's production has been stagnant at 3.6 million bpd in the past three months, close to pre-sanctions levels although Tehran says it wants to ramp up output to more than 4 million bpd when foreign investments in its fields kick in. "Iran is not losing as much as Saudi. They are in a stronger position," an Opec source traveling to Algeria this week said when asked about the shifting dynamic within Opec.

Saudi oil revenue has halved over the past two years, forcing Riyadh to liquidate billions of dollars of overseas assets every month to pay bills and cut domestic fuel and utility subsidies last year.

"The Iranians have lived with a very tough macro backdrop for many years, and are not used to the government's benevolence - whether subsidies, employment or spending contracts - in the manner the Saudis are," said Raza Agha, chief Middle East economist at investment bank VTB Capital.

"So a sustained drop in oil prices has a more difficult social impact on Saudi."

However, with unemployment in double digits, Tehran is also facing calls to maximize oil revenues and President Hassan Rouhani is under pressure from conservative opponents to deliver a faster economic recovery.

"The nation is still grappling with the sanctions overhang and an inability to create the jobs it needs, on top of longer-term structural issues," said Emad Mostaque, strategist at London-based consultancy Ecstrat. Iran's Zanganeh said on Tuesday Opec would try to reach a deal by November, ruling out a compromise this week to address the glut.

At $45 per barrel, oil prices are well below the budget requirements of most Opec nations. But attempts to reach an output deal have also been complicated by political rivalry between Iran and Saudi Arabia, which are fighting several proxy-wars in the Middle East, including in Syria and Yemen.

Opec sources have said Saudi Arabia offered to reduce its output from summer peaks of 10.7 million bpd to around 10.2 million if Iran agreed to freeze production at around current levels of 3.6-3.7 million bpd.

For Gary Ross, a veteran Opec watcher and founder of U.S.-based think tank PIRA, the offer was clearly unacceptable for Iran given that the Saudis have raised production steeply in recent years to compete for market share with US shale production while Iran's output was limited by sanctions.

"Given the anti-Iranian sentiment in the kingdom, it is very difficult for Saudi Arabia to do anything in Opec which looks too beneficial to Iran," Ross said. "The salary cut highlights the urgency of the national transformation plan. If the Saudis did something aggressive to oil prices at this time, it would go against this urgency."

Falih said on Tuesday he saw no need for significant output cuts as the market was rebalancing itself. He added that Saudi Arabia was investing in additional spare capacity and could withstand the current trend in oil prices.

BKB gets new DMD

STAR BUSINESS DESK

Career banker Mahtab Zabin has joined Bangladesh Krishi Bank (BKB) as its new deputy managing director (DMD) recently.

Prior to joining BKB, Zabin was the general manager and head of internal control and compliance division of Janata Bank, according to a statement. Zabin started her banking career with Janata Bank in 1984 as a senior officer.

Seminar on e-GP today

STAR BUSINESS DESK

A seminar on e-government procurement will be held at the NEC Auditorium in Sher-e-Bangla Nagar in the capital today, according to a statement.

The Central Procurement Technical Unit (CPTU) of the IME Division under the planning ministry will organise the seminar titled 'Role of Banks in e-GP and Way-Forward'.

The objective of the seminar is to discuss various issues regarding payments in the e-GP system, take recommendations for widening banking services and rationalise service charges taken by banks from tender bidders. Planning Minister AHM Mustafa Kamal will attend the seminar as chief guest. State minister for Finance and Planning MA Mannan will be the special guest. Bangladesh Bank's Deputy Governor SK Sur Chowdhury and World Bank's Country Director in Bangladesh Qimiao Fan will also attend the seminar.

Farid Uddin Ahmed Chowdhury, secretary of the IME Division, will preside over the seminar, while Md Faruque Hossain, director general of CPTU, will present the key note.

The planning minister will launch the CPTU mobile app on public procurement at the seminar.

PAN PACIFIC SONARGAON

Eldridge J Mac Ewan, general manager of Pan Pacific Sonargaon Dhaka, attends a rally in the capital on the occasion of World Tourism Day.

BDG-MAGURA GROUP

Mustafa Kamal Mohiuddin, chairman of BDG-Magura Group, and Mohammad Abu Sadek, director of Housing and Building Research Institute, exchange documents after signing a deal on the production of environment-friendly bricks.

Bangladesh now robust against illegal capital flows

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The good rating will help the country get foreign direct investment and local firms may also find it beneficial to borrow from abroad at relatively lower interest rates, he said.

In the second round of evaluation conducted in 2009, APG had found that Bangladesh faced significant risks of money laundering and some risks of terrorism.

Since then Bangladesh has improved significantly in tackling money laundering and financing of terrorism, and also amended laws.

The Anti-Corruption Commission has also been strengthened significantly.

The central bank has brought the capital market, real estate sector and non-governmental organisations and so on to the purview of money laundering laws.

A national coordination committee headed by the finance minister is also in place to deal with the matter.

The experts of APG reviewed the institutional framework, the relevant anti-money laundering and countering terrorist financing laws, regulations, guidelines and other requirements in place that deter money laundering through financial institutions and non-financial businesses and professions.

The report also examined the capacity and effectiveness of all the systems.

After analysing the findings based on 40 recommendations set by the Financial Action Task Force, APG found that Bangladesh is fully compliant with six recommendations, largely compliant with 20 and partially compliant with 14 recommendations, Hassan said.

Out of the 11 immediate outcomes (IOs) relating to the legal and institutional effectiveness, Bangladesh has been rated substantial on three IOs, moderate on four and low on 3, which is better than countries like Norway, Sri Lanka and Fiji, he said.

Naushad Ali Chowdhury, executive director of BB and deputy head of the BFIU, and Debaprosad Debnath, operational head of BFIU, were present at the briefing.

Pakistan launches $500m in Islamic bonds

AFP, *Karachi*

Pakistan is set to launch $500 million in Islamic bonds to raise money for its foreign exchange reserves, a senior official said Wednesday, as a three-year IMF bailout package nears a close.

The government has started looking at key markets for the "Sukuk" bonds -- a Sharia compliant instrument that offers profits instead of interest to its subscribers, a top official said.

"We have begun the roadshow in Dubai today and will go to London, Boston, and New York in the same leg," Pakistan's finance secretary Waqar Masood Khan told AFP.

The announcement comes as a three-year, $6.6-billion-dollar bailout package from the International Monetary Fund (IMF) comes to an end.

The lender announced in August it would soon release the last instalment, worth $102 million.

Khan said the country needs to tap the global capital market to maintain its foreign exchange reserves, which currently stand at $22.69 billion, enough to cover import bills for five months.

"The purpose of the issuance of Sukuk bonds is to meet our growing future demand of the forex," he said.

"After the IMF package is over and amid falling exports, Pakistan needs to raise the funds from different sources," Rehan Ateeq, head of research at Shajar Capital added.

The move also comes as $1 billion worth of 10-year Eurobonds draws to a close.

"We expect with the maturity of IMF loan as well as the Eurobond, the government would come up with more such bonds soon," Ateeq said.

Pakistan has so far issued Eurobonds and Sukuk worth $4.05 billion. It expects its economy to grow at 5.5 percent in the the current fiscal year, compared to 4.7 percent growth in previous.

ADB approves record fund for Bangladesh railroad

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The stations will integrate design features that are friendly to the elderly, women, children and people with disabilities.

"The railway that ADB is building will end at Cox's Bazar. From there, it will be possible and easy for passengers and freight to move by road to the Myanmar border and beyond to Southeast Asia and East Asia," Roesner said.

The new project will connect the southeastern Bangladesh to the Trans-Asia Railway network, which already provides a continuous railway connection from Bangladesh through to India, Pakistan, Iran and Turkey towards Europe.

The missing links between Bangladesh, Myanmar and Southeast Asian countries will be connected in the medium to longer term.

Initially, this will be achieved by improved road connectivity, similar to the BBIN agreements between Bangladesh, Bhutan, India and Nepal.

The railway lines will be dual-gauge tracks such that they can be used by broad-gauge and metre-gauge trains. The railway lines in Western Bangladesh and India are broad-gauge, whilst those in eastern Bangladesh, Myanmar and Southeast Asia are predominately meter gauge.

The ADB is also financing the conversion of the Dhaka-Chittagong section of the railway to dual gauge.

The railway will transform south-eastern Bangladesh, Roesner said, adding that the immediate benefit of the planned Dohazari-Cox's Bazar railway will be to bring tourism and trade to southeastern Bangladesh.

"At present, around 1.9 million tourists visit the beautiful coastline and area around Cox's Bazar every year even though travel there is fairly difficult."

The government is keen to develop the region into a tourism hub, and the railway is expected to boost tourism by at least 5 percent annually, he said.

Tourism growth will provide massive opportunities for local businesses.

In addition, better connections from Cox's Bazar to the port at Chittagong and to big markets and businesses in Dhaka will make it easier for final and intermediate goods to move more easily.

Wal-Mart in talks to buy stake in Flipkart

REUTERS

Wal-Mart Stores Inc is in talks to buy a minority stake in India's largest e-commerce firm Flipkart, two sources familiar with the matter said, as the world's biggest retailer aims to get a slice of a fast-growing online retail market.

One of the sources said the U.S. retailer was looking to invest between $750 million and $1 billion in Flipkart, but the final value and size of the stake would depend on the outcome of talks about the company's overall valuation.

He added Wal-Mart and Flipkart were also contemplating a collaboration that would see them leverage each other's expertise in retail and supply chains in India.

Both sources declined to be identified because the talks are preliminary and have not been made public. Wal-Mart in India and Flipkart declined to comment.

Tradeshi ties up with Alibaba for e-commerce

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They can groom around 5,000 e-commerce entrepreneurs in the next three years, said Rajib Hossain, chairman of Tradeshi. Tradeshi is also expected to launch an association for the existing Bangladesh-based Alibaba.com 'Gold' suppliers.

State Minister for ICT Zunaid Ahmed Palak said through this partnership, the country's business to business sector will develop. Under this model, around two crore entrepreneurs are working in China alone, he added.

"The partnership with Alibaba also gives us a different kind of branding, and through this, e-commerce companies like Amazon and Flipkart will also come to Bangladesh."

Razib Ahmed, president of e-Commerce Association of Bangladesh, said within the next few years, all commerce will become e-commerce and this process will help the sector mature. Currently, there are 1,000 e-commerce entrepreneurs in the country, who are running their business though websites, he said. There are some 8,000 Facebook pages also running this business, he added.

In response to a query, Palak said they will go for a separate e-commerce policy within a short time.

KBCCI

Mostafa Kamal, president of Korea-Bangladesh Chamber of Commerce and Industry (KBCCI), presides over the fifth annual general meeting of the chamber at Kurmitola Golf Club in Dhaka on Sunday. Ahn Seong-Doo, ambassador of Korea, was also present.

Saidul Amin, director operations of AFC Health, and Somesh Mittal, zonal director of Fortis Escorts Heart Institute of India, attend an agreement signing ceremony. Under the deal, Fortis will manage AFC Health's cardiac care hospital in Chittagong.

AFC