

Business opportunities rising in Bangladesh

Abrar A Anwar, StanChart CEO in Bangladesh, says foreign firms should invest in the country

MD FAZLUR RAHMAN And JEBUN NESA ALO

FOREIGN companies should invest in Bangladesh as the opportunities the country offers far outweigh the challenges, said a top banker.

"There are business opportunities in Bangladesh. There are also challenges. But the opportunities probably outweigh the challenges in this market," said Abrar A Anwar, chief executive officer of Standard Chartered Bangladesh.

"That's why we are here and we are investing," he told The Daily Star in an interview last week.

Standard Chartered has about \$6 billion in onshore and offshore assets in Bangladesh, including a capital of \$500 million in the market.

"This is a significant commitment to this market. The good news is that it is growing. We are investing in this country every year," Anwar said.

"As our balance sheet is growing every year, we have to inject more capital and retain more profit to support the growth. Plus, we are also making qualitative investments."

The banker said Standard Chartered has continued to invest in the most critical sectors of the economy, like the development of human resources that has a direct positive impact on the overall banking sector. The local operations have employed 2,200 Bangladeshis and only four expatriates.

"We are proud that so many of our former colleagues are now running the financial sector of the country," he said, adding that 18 CEOs and deputy CEOs of different banks and non-banks used to work for Standard Chartered previously.

"These financial institutions are also getting smarter and keeping us on our toes." Nearly 100 Bangladeshis are working for Standard Chartered in countries such as the UK, Singapore, Hong Kong and the Middle East.

Anwar said foreign investors normally look at three risks --nationalisation risk, currency convertibility risk and currency transferability risk.

There is no nationalisation risk in Bangladesh and the government promotes private sector-led growth, he said.



Abrar A Anwar

Bangladesh has also demonstrated that there has been no problem in converting the local currency into foreign currency. Similarly, the central bank has never stopped the transferability of foreign currency, he added.

"We are comfortably investing in Bangladesh and taking longer term exposure. That's what we communicate to other investors that you can consider taking a long-term exposure."

Apart from facilitating capital flow, the bank is advocating to bring investment to the country.

Standard Chartered might be a British bank but its local franchise has footprints so deep-rooted that it has almost become a local financial institution, Anwar said.

For example, Standard Chartered Bangladesh was involved in arranging financing for both the public and private sectors for 30 percent of the current electricity generation capacity of Bangladesh. It arranged half of the \$8 billion private sector credit in the last five years in energy and power, aviation and export-oriented sectors. The bank was the lead arranger for all of the Boeing aircraft recently procured by Biman Bangladesh.

It also handles 12 percent of the country's total international trade and 10 percent of exports.

The bank's market share is about 3 percent now, with an outstanding loan amount of \$3 billion.

"We have been here for 112 years and we consider ourselves as part and parcel of the country's economy and the community. We call ourselves the embedded bank," said Anwar.

He said the bank's global capability is helping its local clients. Similarly, local enterprises are getting exposure through the global reach.

Over the decades, Standard Chartered has also become a banker to the banks; 31 banks are its customers and it handles 30 percent foreign currency clearing in Bangladesh. "These banks access the international markets through us."

The bank has many "firsts" to its credit. In the corporate sector, the bank introduced the country's first project financing transaction, first derivative transaction and global syndicated transaction, and first export credit agency-backed financing.

In fact, the first letter of credit of sovereign Bangladesh was issued by Standard Chartered after the Liberation War in 1971.

The bank introduced full-fledged retail banking, the first debit card, credit card,

international debit cards, Sharia-compliant credit cards, 24-hour contact centres and the online banking platform.

The bank has been the largest taxpayer in the financial sector for the last three years, and the second-largest taxpayer in the corporate sector.

Anwar, who has more than 25 years of experience in corporate and investment banking in Bangladesh, India and the UK, said the bank has launched mobile applications keeping the banking habit of the future generations in mind. In the coming years, people may not be keen on visiting brick-and-mortar branches.

"With 4G coming in and broadband internet access widening, the future would be much more technologically converged with banking."

On the bank's profitability, Anwar said, "With surplus liquidity in the market and intense competition, it is quite natural that the margin will be compressed as you go forward."

Standard Chartered hosts the 'Bangladesh Investment Summit' abroad offering a platform to foreign investors to better understand the country and business opportunities it offers. The next will be in China later this year.

"International investors can use us as a gateway to Bangladesh."

On the recent exchange rate volatility, he said there is no crisis of foreign currency in the country and the overall financial accounts can cover seven to eight months of import expenditure.

"But day-to-day price volatility happens because of the demand and supply of a given day. The exchange rate went up because there was a bit of supply and demand gap in the market," he said, adding that he did not see any manipulation by the banks.

Anwar cited non-performing loans as one of the major challenges facing the banking sector.

"Good governance has to be ensured, investment in the technology and IT security has to be made and various operational risks have to be managed."

The bank wants to optimise its distribution network and would like to open a few more branches if the central bank allows, Anwar said.

GE announces \$15b of business deals with Saudi Arabia

REUTERS

US technology and engineering conglomerate GE said on Saturday it had signed \$15 billion of business deals with Saudi Arabia as part of the kingdom's drive to diversify its economy beyond oil.

It came as dozens of senior US business executives met Saudi counterparts at a conference coinciding with the visit of President Donald Trump to Riyadh.

The agreements, which involve almost \$7 billion of goods and services from GE itself, range from the power and healthcare sectors to the oil and gas industry and mining, GE said. Some of the deals are memorandums of understanding which would require further agreements to materialize.

Among the projects, GE will help make Saudi power generation more efficient and provide digital technology to the operations of oil firm Saudi Aramco, aiming to create \$4 billion of annual productivity improvements at Aramco. It will cooperate in medical research and training.

Malaysia economy grows at fastest pace in two years

AFP, Kuala Lumpur

MALAYSIA'S economy grew at its fastest pace in two years during the first quarter, the central bank said Friday, boosted by stronger domestic demand and a pick-up in exports.

Southeast Asia's third-biggest economy expanded 5.6 percent on-year in January-March period, compared with 4.1 percent in the same period last year and 4.5 percent in October-December.

The result -- much better than the 4.8 percent forecast in a survey by Bloomberg News -- marks the third consecutive quarter of improving growth and is the fastest since the start of 2015.

"It's a lot stronger than expected and it was partly due to a rebound in exports and commodity prices," said Song Seng Wun, an economist at CIMB Private Banking.

Bank Negara said growth would be sustained this year as the global economy showed signs of improvement, while domestic demand remained healthy.

"The economy is on track to register higher growth in 2017," Bank Negara said via a statement.

TPP members aim to revive deal after US pullout

AFP, Hanoi

Asia-Pacific nations will try to rescue a massive trade deal scuppered by the pullout of the United States, a source involved in discussions told AFP Friday, as delegates meet in Hanoi for key talks this weekend.

US President Donald Trump abandoned the 12-nation Trans-Pacific Partnership (TPP) in January calling it a "job killer" and throwing the pact's future into doubt.

The deal covered 40 percent of the world economy before the US withdrawal, and with its notable exclusion of China was intended to counter Beijing's economic prowess in the region.

Several remaining members have championed its revival, namely New Zealand and Japan, the only two countries that have formally ratified the deal.

Trade ministers from the 11 remaining TPP countries will meet on Sunday, where they are expected to agree to keep the deal alive.

"The big announcement if it all holds together will be that there will be agreement to move forward as TPP 11," the source said.

The door would "absolutely" remain open for the United States to return to the agreement in the future, the source added.

TPP members are expected to make an announcement Sunday on the sidelines of a meeting of trade ministers from the Asia-Pacific Economic Cooperation (Apec) bloc, which will also be attended by newly appointed US trade chief Robert Lighthizer.

Uber extends on-demand service to trucking



AFP/FILE

The logo of the ride sharing service Uber is seen in front of its headquarters in San Francisco, California.

AFP, San Francisco

UBER is expanding into a new field with a version of its on-demand ride application that lets truckers book cargo hauls with simple taps on smartphones.

Uber Freight rolling out in the US was touted by the company as an app that matches truckers or trucking companies with loads, and streamlines payments.

"We take the guesswork out of finding and booking freight, which is often the most stressful part of a driver's day," Uber said in a blog post available online Friday.

"What used to take several hours and multiple phone calls can now be achieved with the touch of a button." San Francisco-based Uber made no mention of its efforts in self-driving vehicles, particularly trucks for cargo or deliveries.

Uber acquired commercial transport-focused tech startup Otto late last year as the company pressed ahead with its pursuit of self-driving technology.

Some \$7.7 billion in funding was pumped into supply chain and logistics companies last year, according to industry tracker CB Insights.

UPS and FedEx were described as

the two most active big logistics corporates investing in or acquiring private companies involved with applying new technologies to the trucking business.

"Uber's new Freight app more directly targets the trucking brokerage market, although logistics couriers like UPS and FedEx are surely watching with interest," said CB Insights senior research analyst Kerry Wu.

The convoy of companies investing or acquiring trucking technology included Lineage Logistics; XPO Logistics, and C.H. Robinson Worldwide, according to CB Insights.

"Investment to the industry can broadly be explained by the potential for efficiencies gained via structured processes and digitization," CB Insights analyst Alex Paci said in comment provided by email.

"The industry has repeatedly been described as a 'pencil and paper' business, and disorganization exists from procurement to freight-forwarding to last-mile delivery."

Amazon some time back launched its own fleet of cargo trucks and rumors began buzzing that the online retail colossus was making moves to become a full-scale logistics company, controlling movement of goods every step

the way.

Uber Freight offered to spare truckers from needing to go through brokers or other middlemen for cargo-hauling jobs. A video ad online showed Uber smartphone applications being used to sign-on for loads, track cargo in real-time, and get paid.

"Uber appears to be pitching Freight heavily towards carriers and truckers themselves, citing increased earning potential and greater flexibility," said analyst Wu.

"The company certainly has the reach and capital to become a contender, although it will need to grapple with its ongoing image crises and allocating resources across its growing range of initiatives."

While Uber did not disclose how much it charges to match drivers with loads, it is likely to undercut typical broker commissions to build its business the way it took on the taxi industry with low-priced on-demand car rides.

A number of US startups including Cargomatic and Convoy have gotten a jump on Uber Freight, while established big companies have begun using mobile or desktop computer applications to smooth the road with truckers.

India's new GST leaves service providers worried

REUTERS, New Delhi

INDIA on Friday unveiled four rate bands under a new sales tax for services such as telecoms, insurance and restaurants, a move experts said could complicate compliance and leave businesses at the mercy of an intrusive tax bureaucracy.

The Goods and Services Tax (GST), set to be launched from July 1, will have rates of 5, 12, 18 and 28 percent for services, in line with those applying to goods. It is a big departure from the current regime, where a single rate of 15 percent is applied on most services.

The biggest argument in favour of the GST - India's biggest tax overhaul since independence in 1947 - is that it would make it easier to do business by simplifying the tax structure and compliance.

But the political challenges of striking a compromise between Prime Minister Narendra Modi's central government and India's federal states and territories has meant that life will get more, not less, complicated for many.

For example, hotels and restaurant would be taxed on the basis of their room tariff and turnover of business. Air-conditioned restaurants will even be taxed at a higher rate under the new regime than those without. "For service providers, it is going to get troublesome," said Saloni Roy,

a senior director at tax consultancy Deloitte Haskins & Sells LLP.

Since services account for more than half of India's \$2 trillion economy, the complexities run the risk of derailing the sector's growth and even slowing Asia's third-largest economy.

The government, however, defended the move, saying different economic classes can't be taxed at the same rate.

Finance Minister Arun Jaitley also played down concerns that higher headline rates would inflate the tax burden on consumers. Since service providers will get tax input credits, he said, the effective tax rate will be lower. "The actual incidence on consumers will go down," Jaitley told reporters after a two-day meeting with his counterparts from Indian states.

Under the new regime, while healthcare and education services will be tax exempt, services offered at five-star hotels will be taxed at 28 percent.

Telecoms and financial services will be taxed at a standard rate of 18 percent. An industry group representing mobile operators said this would further bleed a sector still smarting from a price war triggered by the aggressive market entry of billionaire Mukesh Ambani's Reliance Jio.

"This is likely to slow down the planned rollout of infrastructure," Rajan S. Mathews, director general of the Cellular Operators Association of India.

