

Iran sanctions shadow falls on smaller German banks

AFP, Frankfurt
Germany's biggest lenders have shied away from business with Iran after past penalties for breaching US sanctions, but smaller banks have leapt on opportunities afforded by the nuclear deal rejected by Donald Trump.

There are just months to go until a November deadline issued by Washington after the US president abandoned a hard-fought agreement that loosened business restrictions on the Islamic Republic in exchange for Tehran giving up its pursuit of nuclear weapons.

But some firms plan to press on in their dealings with Iran despite the looming threat of penalties.

"We will continue to serve our clients," for now, said Patrizia Melfi, a director at the "international competence centre" (KCI) founded by six cooperative savings banks in the small town of Tuttingen in southwest Germany.

The centre, which supports companies operating in sensitive markets like Iran or Sudan, has seen demand "rising sharply in the last few years, from firms listed on the Dax (Germany's index of blue-chip firms), from all over Germany and from Switzerland," she added.

German exports to Iran have grown since the nuclear deal was signed in 2015, adding 15.5 percent last year to reach almost 2.6 billion euros

(\$3.0 billion) after 22-percent growth in 2016.

Such figures remain vanishingly small compared with Germany's 111.5 billion euros in exports to the US -- its top customer.

Nevertheless, the KCI will "wait and see what the sanctions look like" before turning away from Iran, Melfi said.

Already, firms dealing with Tehran must take great care not to fall foul of US restrictions.

Transactions are carried out in euros, and the KCI does not deal with businesses that have American citizens or green card resident holders on their boards. What's more, products sold to Iran cannot contain more than 10 percent of parts manufactured in the US.

One of the most important inputs for the business is "courage among our managers" given the high risks involved, Melfi said.

Germany's two biggest banks, Deutsche Bank and Commerzbank, avoid Iran completely after being slapped with harsh fines in 2015 over their dealings there, with Deutsche alone paying \$258 million in penalties.

DZ Bank, which operates as a central bank for more than 1,000 local co-op lenders, is withdrawing completely from payment services there, a spokesman told AFP.

That left KCI to seek out the German branch of Iranian state-owned bank Melli in Hamburg.

Even that linkage could break if Iran's biggest

business bank appears on a US list of barred businesses as it has before.

Meanwhile, among Germany's roughly 390 Sparkasse savings banks, business with the regime is mostly limited to producing documents linked to export contracts. "We will be looking even more closely at those" in the future, a person familiar with the trade told AFP.

Elsewhere in the German economy, the European-Iranian Trade Bank (EIH) founded in 1971 is another conduit to Tehran.

Also based in Hamburg, it for now remains "fully available to you with our products and services", the bank assures clients on its website, although "business policy decisions by European banks may result in short term or medium term restrictions on payments".

Neither does the Bundesbank (German central bank) believe that much has so far changed for business with Iran. "Only the European Union's sanctions regime will be decisive", if and when it is changed, the institution told AFP.

Any payment involving an Iranian party would have to be approved by the Bundesbank if things return to their pre-January 2016 state.

German banking lobby group Kreditwirtschaft has called on Berlin and other EU nations to clarify their stance -- and to make sure banks and their clients are "effectively protected against possible American sanctions".

Oil output could return to Oct'16 level, says Russia's Novak

REUTERS, Moscow

A return to the oil production levels that were in place in October 2016, baseline for the current deal to cut output, is one of the options for easing curbs, Russia's energy minister said on Saturday.

Sources said this week that Saudi Arabia and Russia were discussing raising Opec and non-Opec oil production to ease 17 months of strict supply curbs amid concerns that a price rally has gone too far.

"When we extended the agreement until the end of 2018, we spoke about such possibilities (of returning to the October 2016 level)," Novak told reporters.

"But a decision will be made in June," he added, referring to meetings of Opec and non-Opec countries in Vienna on June 22-23.

The existing deal came into force on January 1, 2017, and envisaged global oil producers reducing their combined output by 1.8 million barrels per day (bpd) to cut bloated stockpiles and prop up oil prices.

Russia's oil output reached a 30-year high of 11.247 million bpd in October 2016 and it pledged to cut it by 300,000 bpd to 10.947 mln.

In March and in April this year it failed to fully comply with the deal, pumping at the pace of 10.97 million bpd, a 11-month high.

Oil prices have risen to \$80 per barrel, levels unseen since late 2014. Russian President Vladimir Putin said on Thursday that the price of \$60 "suits Russia".

Novak was also quoted as saying on Saturday he expected Iran to reduce its output by no more than 10 percent as a result of the move by the United States to withdraw from a nuclear deal and reinstate sanctions against Tehran.

Regency executive director elected Pata board member



STAR BUSINESS DESK

The Dhaka Regency Hotel & Resort's executive director, Shahid Hamid FIH, has been elected executive board member of Pacific Asia Travel Association's (Pata) worldwide chapter.

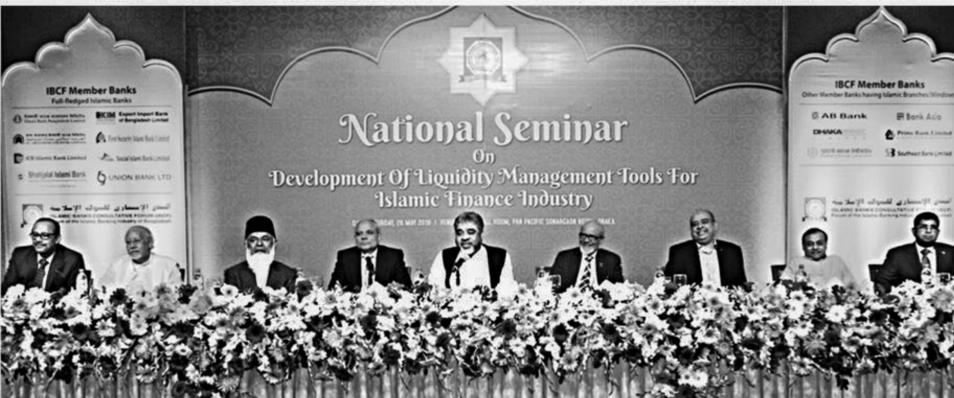
The election took place during Pata's annual summit in South Korea, the hotel said in a statement yesterday.

Hamid has been serving as chairman of Pata's Bangladesh chapter since 2014.

"I now have to think in broader terms rather than just for the benefit of the hospitality and tourism industry of Bangladesh," said Hamid in the statement.

"However, at the same time, I feel the weight of being a representative of my home nation. Being the first Bangladeshi to be elected onto the board is a great honour and I wish to do my utmost to be a source of pride for my country," he said.

Hamid holds an honours degree in political science and a master's degree in public administration from the University of Dhaka.



Md Nazmul Hassan, chairman of Islamic Banks Consultative Forum (IBCF); Abul Hasan Chowdhury, former state minister for foreign affairs; Md Nazrul Islam Mazumder, chairman of the Association of Bankers, Bangladesh Ltd, and Abdul Mueyed Chowdhury, former adviser to a caretaker government, attend a national seminar on "Development of Liquidity Management Tools for Islamic Finance Industry" organised by IBCF at the Sonargaon hotel in Dhaka on Saturday.

Tencent chairman pledges to advance China chip industry after ZTE 'wake-up' call

REUTERS, Hong Kong

Tencent Holdings chairman pledged to advance China's semiconductor industry, saying the blow to ZTE Corp from Washington's ban on US firms supplying telecommunications company was a "wake-up" call, local media reported.

China's No.2 telecom equipment maker ZTE was banned in April from buying US technology components for seven years for breaking an agreement reached after it violated US sanctions against Iran and North Korea. American firms are estimated to provide 25-30 percent of the components used in ZTE's equipment.

While the US administration said on Friday it had reached a deal to put ZTE back

in business after the company pays a \$1.3 billion fine and makes management changes, the plan has run into resistance in Congress, indicating ZTE was still far from out of the woods. Also, ZTE is yet to confirm the deal.

"The recent ZTE incident made everyone more clearly realise that however advanced one may be in mobile payment, without the mobile, the chips and the operating system, you still cannot compete," Chinese media reports cited Tencent's Pony Ma as saying at a forum in Shenzhen on Saturday.

Tencent, which alternates with Alibaba Group to be Asia's most-valuable listed company, is the largest social media and gaming company in China and operates the popular WeChat app.

Qualcomm to meet China regulators in push to clear \$44b NXP deal

REUTERS, Beijing

Qualcomm Inc is expecting to meet this week in Beijing with China's antitrust regulators in a final push to secure clearance for its proposed \$44 billion acquisition of NXP Semiconductors NV, three sources told Reuters.

The acquisition has been caught in the crosshairs of rising US-China trade tensions, with sources saying an approval would depend on the progress of broader bilateral talks. The deal has got a nod from eight of the nine required global regulators, with Chinese clearance the only one pending.

Qualcomm is likely to meet Chinese regulators before US Commerce Secretary Wilbur Ross arrives in China on Saturday, the sources briefed on Qualcomm's discussions said. A Qualcomm team and officials from the State Administration for Market Regulation (SAMR) met in Beijing on Friday and had "productive" talks, the sources said.

The San Diego-based firm is now "cautiously optimistic" the deal will go forward, one of the sources said, amid recent indications of a thaw in US-China trade tensions that has seen both sides propose tens of billions of dollars in tariffs.

On Friday, the Trump administration said it had reached a deal that would put ZTE Corp back in business after the Chinese telecommunications company pays a \$1.3 billion fine and makes management changes.

Resolving the ZTE sales ban has been of chief importance to China's leadership. The firm was banned in April from buying US technology components for seven years after breaking an agreement it reached for violating US sanctions against Iran and North Korea.

"It feels as though it's getting close to the end," said the source quoted above.

Qualcomm did not immediately reply to an email from Reuters seeking comment on Sunday, while calls to NXP went unanswered outside regular business hours.

Qualcomm is now preparing a new submission to SAMR aimed at providing final guarantees and assurances, the sources said. China's market regulator did not immediately respond to a faxed request for comment outside of business hours.

While there are no explicit ties between ZTE's problems, Sino-US trade tensions and Qualcomm-NXP merger clearance, there are "perceived linkages" and the timing of current discussions is "not coincidental", two of the sources said.

"The degree to which the two sides are moving to resolve trade tensions clearly has an impact," one source said.

Qualcomm in recent weeks has moved to restart discussions that have stalled since the end of last year. The company in April was forced to refile its China antitrust application to clear the NXP deal, after talks reached a dead end.

Cristiano Amon, Qualcomm's president, was in China last week, attending a big data industry expo in the southwest province of Guizhou.

Indian clothes dominate Eid fashion market

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"We see a habit among female customers to always ask where a product originated from. Such questions indicate they are expecting to hear India or Pakistan," he said.

Rahman said he had local wares but most of them are made of costly cotton fabrics, prompting customers to turn to cheaper Indian synthetic-based ones. The imported salwar suits mostly range between Tk 1,500 and Tk 5,000 in New Market and Gausia Market, he said.

Local brands are doing well but their growth is slow for a lack of customer trust on their product quality, said Hamidur Rahman, another Bashundhara shop owner.

"I prefer foreign clothes as the quality is much better than local dresses," said shopper Samia Jaman while trying to choose one for her daughter in Bashundhara City's Infinity Mega Mall.

In Chandni Chowk, Tohfatul Ferdous was bargaining with a salesperson. She finally paid Tk 2,000 for a locally-made salwar suit bearing a Tk 3,500 price tag.

"I bought this for my sister as an Eid gift and I think it is affordable, comfortable as well as fashionable," she said with a broad smile.

Ferdous had brought along her mother and child. "I started my Eid shopping today (Saturday). I have already bought two panjabis for my father and father-in-law. I have not started shopping for myself," she said.

Customer presence was large with retailers recalling that the momentum picked up just after Mid-Sha'ban with focus on unstitched salwar suits.

Customers this year are opting for locally-made cotton clothes as it is summer, said salesperson Harun at Foisal Tex. "Now shoppers do not come looking for dresses they see in Hindi serials such as the 'Pakhi Dress'."

Sales so far has been good but Harun expects it to accelerate from Wednesday. Some local brands are importing clothing from India to meet customer demand, said Shahin Ahmed, chief executive officer of local brand Anjans.

Imported clothing still dominate the market for the mindset that foreign products are better, he said. Ahmed informed that annual sales of local fashion houses amount to about Tk 8,000-Tk 10,000 crore.

Social safety net to widen

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In the next budget, the largest increase in terms of beneficiaries would be made under the Old Age Allowance programme, which gives Tk 500 every month to 35 lakh people.

The government is set to increase the number of recipients to 40 lakh.

Some 12.65 lakh women currently receive Tk 500 per month under the "Allowances for the Widow, Deserted and Destitute Women" programme.

The government plans to raise the number of beneficiaries to 14 lakh as the number of divorced, widowed and deserted women rose to 10 percent of the total women in the country, according to the Bangladesh Bureau of Statistics.

The number of beneficiaries under the "Maternity Allowance Programme for the Poor" would go up from six lakh to seven lakh and the amount of allowance may increase slightly.

An additional 80,000 people will be entitled to the "Allowance for the Financially Insolvent Disabled" as the recipients will increase from 8.25 lakh to 9.25 lakh. However, their allowance may remain unchanged at Tk 700 per month.

Besides, the number of beneficiaries under the Freedom Fighters category may increase to two lakh from 1.5 lakh. But the monthly honourarium of Tk 10,000 will

remain the same.

The freedom fighters will receive two festival bonuses each year totalling Tk 20,000 and get Baishakhi allowance from the next fiscal year.

Education stipend for insolvent disabled students may go up by Tk 100 to Tk 150. Currently, it stands at Tk 500 at primary level, Tk 600 at secondary level, Tk 700 at higher secondary level and Tk 1,200 at higher level. The number of beneficiaries may rise slightly from the existing 80,000. Some 2.5 lakh lactating mothers could be eligible for allowances from the existing two lakh.

Monthly allowance for transgender people will be set at Tk 750 from Tk 700 now and the number of beneficiaries could go up to 8,000 from 7,000.

Programmes such as open market sale, vulnerable group feeding, test relief and food for work will continue in the next fiscal year and the number of beneficiaries under these schemes will go up.

At present, 23 ministries run more than 100 programmes, which often face complaints such as pilferage, corruption and overlapping.

To make the programmes more effective and corruption-free, the government is going to introduce electronic payment system, giving allowances directly to the beneficiaries, a finance ministry official said.

Draft labour law flown to Geneva

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Since then, only 625 trade unions have been formed in the garment sector, a paltry number.

As a result, the international community, particularly the rights groups, lobbied with the government to lower the threshold to a reasonable level such that unions can be formed easily. "So, we agreed to 20 percent in consultation with the tripartite committee," Haque said. The committee was formed last year mainly to resolve crisis in the garment sector through consultation.

The prime minister has already consented to the proposed changes to the labour law, the state minister said, adding that the amendment would be passed in parliament either in the upcoming budget session or in the one after that.

Earlier, the expert committee of the ILO in its observation urged the government to ensure that the Bangladesh Labour Act and the Bangladesh Labour Rules are brought into conformity with the provisions of the Convention regarding freedom of association.

Eight gas companies may offload shares

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"When these gas companies come to the market, investors will get a boost," he added.

M Shaifur Rahman Mazumdar, managing director of CSE, echoed the same.

A finance ministry official said it will take at least a year for the companies to be listed.

In 2010, the finance ministry had selected 26 state-owned companies and instructed them to offload shares in the next six months. But the instructions fell on deaf ears as the deadline for listing has been extended many a time since.

Airlines cash in on Eid rush

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Biman along with the three private airlines is now waiting to receive the go-ahead from the Civil Aviation Authority to introduce the additional flights.

"People now prefer to fly home instead of waiting in traffic jam for hours in roads thanks to their increasing affordability and availability of domestic flights," said MdKamrul Islam, general manager for marketing support and public relations at US-Bangla.

US-Bangla wants to launch 30 additional flights in the three days, Islam said. "The demand for flights to Dhaka after the Eid vacations generally sees a sharp fall."

Novoair will operate two additional flights to Saidpur and Jessore daily from June 12 and an additional flight to Rajshahi, said MesbahUllHaq, its head of sales and marketing.

Currently, the operator runs three daily flights to Jessore, four to Saidpur and one to Rajshahi.

"Demand for Novoair flights to Chittagong and Sylhet normally rises during Eid."

Demand for flights to Cox's Bazar and some regional routes rises manifold during Eid, industry insiders said.

But the operators cannot add extra flights to the international destinations to cash in on the rise in

demand as approvals from differential global entities are involved in the process, they said. Officials of the four airlines have said they will not raise the ticket prices.

However, this correspondent has found on the website of Biman that the airline will charge Tk 7,500 for a one-way ticket to Saidpur from Dhaka on June 14.

The lowest fare for the same ticket was also found to be Tk 2,900 on June 22 and the state-run carrier has no unsold domestic ticket for June 12, 13, and 15.

The flag bearer will also face an extra pressure during Eid for the tickets it earlier sold at 20 percent discounted rates to five interna-

tional destinations -- Kathmandu, Bangkok, Kuala Lumpur, Singapore and Kolkata.

HanifZakaria, chief commercial officer of Regent, said they can confirm the introduction of the additional flights next week after getting approval from the aviation regulator. Regent has a plan to operate 10 flights daily in the four days to Eid, he said.

On June 7, the operator will introduce an additional regular flight on the Dhaka-Chittagong route.

"We are giving more importance to the Dhaka-Chittagong route, which is the backbone of the local aviation industry," Zakaria said.