

# Garment sector much safer: US envoy

STAR BUSINESS REPORT

US Ambassador in Dhaka Marcia Bernicat yesterday said the government and the Bangladesh Garment Manufacturers and Exporters Association must do a better job at marketing the dramatic improvements in the apparel sector.

She said the garment sector has come a long way since the 2013 Rana Plaza collapse. "Bangladesh's garment sector is much safer," said Bernicat, lauding garment manufacturers' efforts and costly remediation works.

"However, there is still a lot of work to be done on raising the factory and building safety standard. We must continue our efforts to ensure remediated factories stay safe and that new workers are properly trained on safety practices," she added.

The envoy spoke at a media briefing on the BGMEA-BUFT journalism fellowship study tour programme at the association's conference room in Dhaka.

Bernicat also urged the BGMEA and the government to come to a quick solution on the extensions of the Accord and the Alliance in Bangladesh.

She cautioned that delays in approving their extensions would send a negative

signal to buyers and consumers that Bangladesh was not committed to workplace safety.

She thanked the BGMEA for proposing bringing significant reforms to the labour act and the EPZ labour law.

"Recent proposals that have been discussed are movements in the right direction, but I call on the BGMEA and the government of Bangladesh to do more to truly meet international standards, as recommended by the International Labour Organisation," said Bernicat.

BGMEA President Md Siddiqueur Rahman highlighted the importance of capacity building of journalists covering apparel, saying proper journalism in the biggest export earning sector of Bangladesh would help the business flourish in the coming days.

The fellowship aims at increasing awareness about the significant improvements in Bangladesh's garments business.

Six fellows will leave Bangladesh on June 23 for the US on a weeklong study.

Muzaffar U Siddique, board of trustees at the BGMEA University of Fashion and Technology (BUFT), and Faruque Hassan, senior vice president of the BGMEA, were also present.

# Project launched for technical education

STAR BUSINESS DESK

The European Union and International Labour Organisation yesterday launched a project in Dhaka to build upon their previous initiatives to modernise Bangladesh's technical and vocational education and training (TVET) system.

The ILO will implement the "Skills 21 – Empowering citizens for inclusive and sustainable growth" project while the EU provides €19.5 million of the €20 million budget.

Apart from making the TVET system more comprehensive and coherent, it will continue reforms in National Skills Development System and develop a Bangladesh Qualifications Framework.

It will also work with the government to improve governance aspects and directly with TVET institutions to introduce reformed programmes, trained instructors and management as well as services for career guidance and job placement.

Initially there will be seven model TVET institutes in Gaibandha, Jamalpur, Sylhet, Feni, Kaptai, Bagerhat and Khulna.

The project will collaborate with the ministries of education, labour and employment, expatriates' welfare and overseas employment, youth and sports and Chittagong Hill Tracts affairs.

It will also work with National Skills Development Council Secretariat, the Directorate of Technical Education, Bangladesh Technical Education Board and the Bureau of Manpower Employment and Training.

# Merkel tells Italy: euro zone rules must frame economic discussions

REUTERS, Berlin

German Chancellor Angela Merkel said on Monday she would work with any coalition government formed in Italy, but she also warned that any discussions on economic policy would have to be within the rules governing the euro zone.

Anti-establishment forces abandoned their efforts to form a ruling coalition in Italy at the weekend after a standoff with President Sergio Mattarella, who vetoed their choice of a eurosceptic as economy minister.

On Monday, Mattarella set Italy on a path back to fresh elections, appointing a former International Monetary Fund official as interim prime minister with the task of planning for snap polls and passing the next budget.

Commenting on the situation in Italy, the most heavily indebted country in the euro zone after Greece, Merkel said: "We should talk with every government but we have principles within the euro area and of course there will be difficult questions."

Asked whether she was concerned by the situation in Italy, Merkel said during a conference in Berlin: "Look, when there were elections in Greece and Alexis Tsipras was

made premier, there were many questions on the table."

"We spoke with each other over many many nights, but together we achieved something. But we have to do that task, since Italy is an important member of the EU," she added.

Germany's DIHK Chambers of Industry and Commerce said on Monday that German businesses were relieved that eurosceptics were not taking power in Italy, the third biggest economy in the 19-member euro zone after Germany and France.

Volker Treier, foreign trade chief at the DIHK, said the populist parties' decision meant their "prohibitively expensive Italian coalition agreement" was off the table for now.

"That is a relief for German businesses," he said, adding that Italy would overtake Britain this year as Germany's fifth biggest trading partner.

In Berlin, a government spokesman stressed Germany's respect for Italian democracy and political institutions and said Berlin hoped for a stable government in Italy.

In Brussels, Germany's Europe minister Michael Roth said Berlin hoped that Italy would form a stable and pro-European government soon.



ILO BANGLADESH

Education Minister Nurul Islam Nahid attends the launch of a "Skills 21 – Empowering citizens for inclusive and sustainable growth" project at Radisson hotel in Dhaka yesterday. The project, to be funded by the European Union and implemented by International Labour Organisation, will modernise Bangladesh's technical and vocational education and training system.

# Muhith upset over slow pace

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According to the minister, Tk 374,000 crore to Tk 384,000 crore of the Tk 400,266 crore budget would be implemented in the current fiscal year.

He said he would not offer the scope of whitening black money in the budget as it did not yield good results in the past.

On demographic dividend, Muhith said the country has not been able to reap the benefit because of a failure to create a trained workforce.

Islam called for measures to accelerate the pace of poverty reduction. "The annual rate of poverty reduction is declining. It is alarming," he said.

Mashiur Rahman, economic affairs adviser to the prime minister, said the number of aged people would start rising from 2050.

Qazi Kholiquzzaman Ahmad, chairman of state-run Palli Karma-Sahayak Foundation, recommended

raising allocation for agriculture and the agro-based sectors and the rural economy. BST Chairman AK Abdul Momen, in a paper, said people were in the dark about the government measures aimed at improving the situation in the banking sector.

"The scams in the banking sector are well-known. Thousands of crores of taka have been embezzled through the scams. The banking system is becoming weak," he said.

Momen demanded measures in order to curb illicit capital flight and steps to stop wastage of public money through delays in implementation of development programmes.

**BANKING COMMISSION IN THE OFFING**

The government is shortly going to set up a banking commission to look into the financial sector, said Muhith.

"It is not going to be in the budget. It should be set up any time to look into

the sector as a whole," he said.

The minister said the commission has probably become a necessity because the last one was formed in 2004 and the banking sector has grown enormously since then.

He said there were many types of problems in the banking sector.

"Even if you control borrowings by directors, it does not help...because one director is a friend of another director of another bank and so on and a mutual back-patting happens," he said.

"Banking scams are a very serious matter. And all that I have indicated so far is we are setting up a banking commission very shortly."

Muhith said the growth of the sector has been very fast and the government has been very generous. He said to have been expecting mergers in the banking sector but it has not taken place. So, the government may need to rewrite the bankruptcy law, he said.

# Britain could sell 10pc stake in RBS as soon as this week

REUTERS, London

Britain could sell a 10 percent stake in Royal Bank of Scotland as soon as this week, Sky News reported on Monday, citing banking sources.

The British government still holds a 71 percent stake in the bank after stepping in with a taxpayer bailout during the financial crisis.

Sky reported that bankers expected Britain to announce the disposal of a stake worth at least 3 billion pounds (\$4 billion), but added that any share sale could be delayed by market conditions or ministers' concerns about value for money for taxpayers.

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At Friday's closing share price of just under 290 pence, little more than half the 502 pence the government paid for them, the Treasury stands to lose billions of pounds on the sale.

The British government pumped 45.5 billion pounds into RBS in the depths of the financial crisis, and efforts since then to recoup the money have been stymied by the plunge in the bank's share price, regulatory probes in the United States and Brexit.

In particular, a long-running investigation by the US Department of Justice into the bank's mis-selling of toxic mortgage-backed securities delayed the share sale.

# Private pension shaping up

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Finance ministry sources said the government plan will only include private sector employees. Private sector employees will make a voluntary contribution to the pension fund. If a person resigns from an organisation and joins another, his contribution will be transferred.

To materialise the idea, several subsidiary institutions will be established, including pension enrolment office, pension trust, custodian, central record keeping agency, trustee bank, pension fund managers and annuity service providers.

A new pension office will be set up along with a pension cell in the finance division to prepare a

revised draft law for the pension scheme. A pension authority will be formed to bring all the citizens under the scheme.

The finance ministry official said the ministry has already examined the pension systems in other countries, discussed the matter with stakeholders and made a draft proposal.

Preparatory works, including framing laws, will be done in the next fiscal year, he said.

The World Bank has informed the government about its willingness to provide financial and technical assistance for the private sector pension scheme.

The lender has committed \$100 million for introducing the private sector pension scheme.

# India won't use Venezuela's cryptocurrency in oil trade

REUTERS, New Delhi

India said on Monday it had no plans to use Venezuela's local cryptocurrency 'petro' in oil trade with the Latin American nation, which is facing sanctions from the United States. Responding to a question at a news conference, India's Foreign Minister Sushma Swaraj cited an order by the country's central bank saying it did not allow trade using cryptocurrency.

Venezuela, whose oil output is falling under pressure from the US sanctions, is offering discount on oil sales done in 'petro'.

Indian media earlier reported that Venezuela had offered as much as 30 percent discount on oil sales to Indian refiners provided they traded in 'petro'.

# Exporters duped by foreign buyers

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The survey titled "Practices of Obtaining Credit Report of Foreign Counterparts in Trade Services- Is It Working?" found several cases of how local businesses became victims of fraud thanks to disregarding the foreign firms' credit reports.

The report found that two local garment buying houses had placed export orders with 26 garment factories with a special requirement from their British buyer that raw materials from selected suppliers in China are used. Subsequently, the garment factories approached different local banks to open back-to-back letters of credit for importing the raw materials.

The banks looked for the British buyer's credit report but could not locate most of them. The ones they managed to locate showed the buyer to be high risk ones, which prompted the banks to refuse to open the back-to-back LCs. The factories turned to other banks and in the end did manage to convince a few to open the LCs.

But once the shipments were made to the UK, no payment was received even after 50 days of sending the documents, meaning the factories were left with losses of about Tk 600 crore.

"Banks have to spend huge sums of foreign currency to obtain the credit reports," said Shah Md Ahsan Habib, professor and director of BIBM, at the unveiling of the study at an event held yesterday.

If the credit report is properly followed during business deals with foreign firms, such fraudulence can be avoided, he said.

The cost of obtaining credit report, which ranges from \$60 to \$200, is a key concern of the central bank, policymakers, banks and traders as well, the report said.

In 2017, banks spent about \$18 million to obtain credit report.

Maintaining a central database might substantially reduce such foreign currency outflows, the report said.

Banks have to focus on skills development on foreign trade activities to avert fraud risk, said Abu Hena Mohd Razee Hassan, deputy governor of the Bangladesh Bank.

Poor credit reporting facilitates money laundering, said Helal Ahmed Chowdhury, supernumerary professor of BIBM, while calling for training of bank officials on the matter.

# Three new banks on the horizon

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Prime Minister Sheikh Hasina earlier agreed to allow the Bangladesh Police to set up a new bank if they could arrange Tk 400 crore as paid-up capital.

The BB had earlier turned down proposals from Bengal Bank and People's Bank but it had to go back on the decision following pressure from the government higher-ups. In its response to the finance ministry on December 18, the BB said the

current precarious conditions of the nine new banks should be considered before allowing yet another bank.

The capital base of the nine banks, which got licences in 2013, is not good, with two of them being currently on life support, according to the BB letter.

The central bank is also under pressure to allow another new bank -- Citizen Bank -- from the government higher-ups, the BB official added.

REUTERS, Singapore

Record crude oil volumes exported from the United States will be heading to Asia in the next couple of months to take another piece of the market away from Russia and producers in the Organization of the Petroleum Exporting Countries (Opec).

The United States is set to export 2.3 million barrels per day (bpd) in June, of which 1.3 million bpd will head to Asia, estimated a senior executive with a key US oil exporters.

Data from the Energy Information Administration shows US oil exports peaked at 2.6 million bpd two weeks ago.

The record outbound volumes come as US crude production hit all-time highs, depressing US prices to discounts of more than \$9 a barrel below Brent crude futures on Monday, the widest in more than three years and opening an arbitrage for excess supplies to other markets.

The difference in the key benchmarks was a chance for Asian refiners to reduce light crude imports from the Middle East and Russia after Brent and Gulf prices touched multi-year highs, traders in Asia said.



REUTERS

Automobiles speed past an oil refinery as they travel down a major highway in California.

"We're diversifying a lot to other regions. If Saudi Aramco still doesn't reduce prices next month and ADNOC (Abu Dhabi National Oil Company) follows, we will increase our US crude purchases," a Southeast Asian oil buyer said.

In Asia, China - led by Sinopec, the region's largest refiner - is the biggest lifter of US crude. The company, after cutting Saudi imports, has bought a record 16 million barrels (533,000 bpd) of US crude,

to load in June, two sources with knowledge of the matter said.

India and South Korea are the next biggest buyers in Asia, each lifting 6 million to 7 million barrels in June, sources tracking US crude sales to Asia said. Indian Oil Corp bought 3 million barrels earlier this month via a tender, while Reliance Industries purchased up to 8 million barrels, the sources said, although it wasn't clear if Reliance's cargoes would all load in June.

The sources declined to be named due to company policies.

South Korea's purchases are driven by its top refiners SK Energy and GS Caltex. Taiwanese state refiner CPC Corp [CHIP.UL] has also snapped up 7 million barrels to be lifted in June and July.

US exports to Thailand will increase to at least 2 million barrels. State oil company PTT PCL is 1 million barrels of WTI Midland, while Thai Oil and Esso Thailand bought at least 500,000 barrels of Bakken crude each, said traders with knowledge of the country's crude deals.

Reliance declined to comment. PTT, Thai Oil and Esso Thailand all did not respond to requests for comment.

But even if Asia and Europe are keen to take more US crude, the record volumes are straining export infrastructure in the United States, limiting its ability to pump and ship more oil.

"Tight (shale) oil's been eating OPEC's lunch for the last few years. The lack of infrastructure will temporarily cede market share back to OPEC," R.T. Dukes, head of US Lower 48 oil supply at Wood Mackenzie said in a note last week.