Bangladesh deserves more attention than it gets

HSBC official says its economy has proved to be very resilient

STAR BUSINESS REPORT

BANGLADESH should receive more attention than it gets as the country has been posting steady economic growth amidst various challenges and is set to grow even faster in the next decade, said a top banker of HSBC.

Bangladesh has considerable growth potential and is likely to be the biggest mover in the global GDP rankings reaching 42nd position by 2030 from 26th place now, according to a recent report of HSBC.

"Bangladesh has a lot going for it," said Matthew K Lobner, head of international and strategy and planning at the London-based lender for Asia-Pacific.

Bangladesh is the world's eighth most populous country and the economy has consistently grown in excess of 6 percent a year for the past decade. Bangladesh grew at a record 7.9 percent in the fiscal year that ended on 30 June 2018, making it the fastest growing economy in Asia, according to HSBC.

Lobner said demographic trends such as urbanisation, smaller households, technology, more women in paid work and children in schools are all positive with an increased ability to save and indulge in discretionary spending.

Sales of products such as air conditioners, washing machines and computers are on the rise. A new consumer class is emerging that wants to enjoy the better things in life.

With no major natural disasters last year, agriculture flourished along with the industries and power sectors.

The big challenges, power shortages and poor infrastructure, are starting to be addressed. For a country faced with such challenges – Bangladesh's economy has proved to be very resilient.

In addition, remittances from Bangladeshi workers abroad are helping to keep external account problems at bay while growth soars.

More attention should be given to the market, Lobner told The Daily Star in an emailed interview.

He said the bank expects the economy to grow by 8 percent in the current fiscal year. The key drivers of growth remain unchanged – exports and remittances.

Lobner has direct responsibility for 10 international markets in Asia: Bangladesh, Indonesia, Japan, Korea, Mauritius, New Zealand, the Philippines, Sri Lanka, Thailand and Vietnam.

He said the bank is committed to Bangladesh's growth and has been actively contributing to the economy by providing innovative financing solutions, mobilising credit for energy and power, telecom, infrastructure and export-oriented industries.

"We are not only helping Bangladesh's businesses and entrepreneurs to capture global opportunities, we are also helping global players take advantage of the Bangladesh opportunity."

HSBC's global network, product coverage and balance sheet strength makes it uniquely positioned to help Bangladeshi companies, said Lobner, who joined HSBC Group in 2005 from McKinsey & Company.

Matthew K Lobner

"It enables us to be at both ends of import and export trade bringing greater efficiencies to the working capital cycle."

Over the past five years, HSBC in Bangladesh has arranged about $143 million of export credit agency-backed financing in the private sector, creating a gateway to the international debt market for local conglomerates.

HSBC is the only bank which has presence in all of the export processing zones in the country, facilitating foreign direct investment flowing into the country.

The bank's contribution to the power sector includes more than $1 billion of financing to implement four new power projects for Bangladesh Power Development Board.

It is also continuing its support for cross-border electricity import of 250 megawatts from India, Lobner said.

"This has supported the government's plan to diversify the energy source to opt for low-cost fuel sourcing for power generation."

In the telecom sector, the bank arranged 155 million euros in credit facilities to implement the country's first satellite project Bangabandhu-1. It has made possible the country's first commercial import of liquefied natural gas.

When asked what the impact of the US-China trade conflict on countries such as Bangladesh would be, Lobner said HSBC believes rules-based trade is mutually beneficial for economies and is the best way to support global growth and prosperity.

"Businesses like certainty, so we hope a fair and equitable resolution can be reached. Whatever happens, we will continue to help our clients navigate any changes impacting their business."

HSBC's global footprint and its presence at both ends of the world's biggest trade corridors means the bank is uniquely positioned to help customers capitalise on emerging growth opportunities, said Lobner, who is also the group general manager.

He also shed light on sustainable business practices in HSBC.

Sustainable supply chain finance are practices and techniques that support trade transactions in a manner that minimises negative impacts and creates environmental, social, and economic benefits for all stakeholders involved in bringing products and services to markets.

An estimated 80 percent of global trade passes through supply chains – networks of customers and suppliers that contribute to delivering an end product or service to market.

"We want to operate in a world where global supply chains support sustainable economic growth by offering opportunities for decent work and minimises negative environmental impacts," said Lobner.

"As a leading global trade bank, HSBC is ideally placed to support our customers and other companies as they seek to do business with each other in a more responsible and sustainable way."

Globally, HSBC is already working with its customers and clients to help deliver the extra $2.4 trillion of investment that will be required annually to achieve the Sustainable Development Goals.

"HSBC takes its commitment to sustainable growth seriously and has pledged $100 billion of investment in sustainability by 2025," said Lobner.

"Given our global presence and strong relationships we have with our large customer base, we can help companies transition to a low carbon future and find efficiencies in their supply chain through bespoke sustainability solutions."

Are we ready to compete with global e-commerce giants?

MUHAMMAD ISMAIL HOSSAIN and NASRIN AKTER

THE size of the e-commerce market in Bangladesh crossed the Tk 1,700-crore mark in 2017, which is not surprising due to the rapid changes of consumer behaviour facilitated by the growing adoption of internet, smartphones and handheld devices.

Against this backdrop of evolving e-commerce market, the possible entry of the largest virtual and physical retailers Amazon and Walmart is certainly good news for customers of Bangladesh.

The two giants dominate the global retail landscape. However, between them, Amazon with its wide range of products, service offerings and delivery channels is briskly expanding throughout the world.

The company now operates in 15 countries and earned $177.8 billion in global revenue in 2017.

Nonetheless, the entry of Amazon in Bangladesh is raising many concerns for local players: should they let foreigners skim the cream off the market after all the hard work to make the customers ready for e-commerce?

Or, are we too optimistic about the growth of e-commerce market in Bangladesh considering its demographics, technology acceptance rate and economic growth?

The e-commerce journey started in Bangladesh in the late 90s, but tangible positive change in the industry came in 2009 through the implementation of the e-payment gateway by the Bangladesh Bank and the introduction of WiMax internet.

E-commerce now accounts for only 0.099 percent of the total consumers' spending, but the future looks bright.

American management consultancy firm Boston Consulting Group reported 2 million Bangladeshis will join the middle and affluent class every year for the next decade and Bangladesh will have 63 key cites by 2025 populated each with at least 100,000 people with income of $5,000 or more.

The majority of the population will own smartphones, leap towards mobile and other forms of virtual purchase and payment, be brand loyal, quality-conscious and less discount-prone, it added.

The prediction of BCG seems plausible as the dominant age group, which is 15-59 with a median range of 29.5 years, is found to be technologically savvy.

This compelled the e-Commerce Association of Bangladesh to predict that the market will hit Tk 7,000 crore by 2021.

In a market economy it is plausible that where there is demand companies like Amazon would go to serve that demand and possibly may create a significant imbalance in the market due to their sheer size, coverage, assortments, efficiency and responsiveness.

This growing interest and likeliness of strong competition, therefore, breeds a relevant query: what is the level of readiness of Bangladeshi e-commerce companies to survive/compete in a market that accommodates industry leaders like Amazon, Alibaba and eBay?

The portrayed scenario of local e-commerce brands led us to an intriguing query: how sensible would it be for Bangladesh to think that local brands of this infant industry can compete and survive equally with Amazon and its digital agility?

It is to some extent certain that investment of Amazon and eBay in Bangladesh will open up many new avenues of supporting business opportunities, development of logistics infrastructure, knowledge-sharing and employment opportunities.

It is also a possibility that such action may hurt the entrepreneurial initiatives of existing local e-commerce players in the form of

The success of Pathao, a home-grown ride-hailing platform that hit valuation of $100 million, in just four years of existence shed some light on the question. Today, Pathao is competing toe-to-toe with Uber, the global leader in ride-hailing service.

Pathao entered the market by spotting a service gap: it provided rides on motorcycles instead of cars like in Uber. The monetary, social and road network-based infrastructure fit made Pathao an instant hit with customers.

A study by Hossain and Akter (2018) on market positioning of different local ecommerce companies found that most of the respondents do not have a clear idea about the products and services of many e-commerce companies.

This suggests that the market is not adequately aware of the local e-commerce brands, including the segments they serve, their products or services and their points of differences. Inadequate and, at times, inappropriate positioning are not helping them to be perceived as brands with unique identity and image like Amazon.

removal and/or acquisition initiatives of the big foreign players.

Building brands that portray uniqueness personally and culturally could be a safeguard for the local e-commerce players against these actions.

Flipkart in India, aided by Tencent and Walmart, is still defending their market share even after the entry of Amazon.

It won market acceptance and loyalty through branding initiatives centring on cultural sensitivity and personalisation. It is also continuously making efforts to achieve higher levels of efficiency by optimising its cost for technology, sourcing, marketing and logistics.

The queries as well as the worries presented so far become more burning if we consider the proposed amendment to 'Draft Digital Commerce Policy 2018' where a dialogue is going on to grant foreigners the right to own 100 percent share in local e-commerce ventures instead of the earlier proposal of maximum 49 percent shares.

This seems to be misaligned with the current health of the local e-commerce brands.

Therefore, a government initiative is needed to shield this emerging industry from foreign competition by guaranteeing local e-commerce brands a reasonable share of the domestic market until it is able to compete on its own.

For example, the Indian government is proposing a new e-commerce law to protect home-grown companies, store Indian user data locally and modify the rules around how foreign companies sell online in India.

The Bangladesh government may adopt some protectionist approach relating to business rules for foreign e-commerce companies. This may also increase FDI in terms of product/service sourcing and transfer of technology and skills.

Once skills and market acceptance are ensured, consequent experiential knowledge about local market could work as a big impetus for sustainable competitiveness of local e-commerce businesses. This competitive strength has the power to draw inward and outward FDI.

For example, Shohoz.com received an investment of $15 million from Singapore's Golden Gate Ventures; Pathao will soon start their operations in Nepal.

Adopting a protectionist approach in this regime of free trade is difficult and may take some time.

Therefore, rather than relying solely on possible protectionism policy facilitated by government, the local players in the meantime should focus on strengthening their existing product/service breadth and depth, ensuring data and payment security and privacy of their customers.

Research cells at national/ministry and association level is needed to continuously track the changes relating to aforementioned issues and suggest best practices to industry players.

The e-CAB should be more agile and take collaborative initiatives toward the development of necessary infrastructure.

This is the time when both the government and e-commerce industry players need to adopt and implement visionary digital strategic policy equipped with a strategic trade-off between encouragement of FDI and protection of infant industry to build competitiveness and ensure positive balance of trade.

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Many US firms in China eyeing relocation as trade war bites

REUTERS, *Shenzhen*

MORE than 70 percent of US firms operating in southern China are considering delaying further investment there and moving some or all of their manufacturing to other countries as the trade war bites into profits, a business survey showed on Monday.

US companies operating in China believe they are suffering more from the trade dispute than firms from other countries, according to the poll by the American Chamber of Commerce in South China, which surveyed 219 companies, one-third from the manufacturing sector. Sixty-four percent of the companies said they were considering relocating production lines to outside of China, but only 1 percent said they had any plans to establish manufacturing bases in North

REUTERS/FILE

Buildings are seen in Shenzhen, China.

America.

"While more than 70 pct of the US companies are considering delaying or cancelling investment in China, and relocation of some or all manufacturing out of China, only half of their Chinese counterparts share the same consideration," the AmCham report said.

The trade war is shifting both supply chains and industrial clusters, mostly towards Southeast Asia, the survey found.

US companies reported facing increased competition from rivals in Vietnam, Germany and Japan, while Chinese companies said they were facing growing competition from Vietnam, India, the United States and South Korea. Customers are slowing down orders or not placing them at all, Harley Seyedin, president of AmCham South China, told Reuters.

"It could very well be that people are holding back on placing orders until times are more certain or it could very well be that they are shifting to other competitors who are willing to offer cheaper products, even sometimes at a loss, in order to get market share," he said.

"One of the most difficult things about market share is once you lose it, it is very hard to get back."

Companies in the wholesale and retail sectors have suffered the most from US tariffs, while agriculture-related businesses have been most hit by Chinese measures, the survey found.

The survey was conducted between Sept. 21 and Oct. 10, shortly after the US imposed tariffs on another $200 billion worth of Chinese goods. That prompted Beijing to retaliate with additional tariffs on $60 billion of US products, escalating a tariff war between the world's two largest economies.

The US duties are set to rise sharply on Jan. 1.

Both Washington and Beijing appear to be digging in for a long battle, though US officials say President Donald Trump would go through with plans to meet Chinese President Xi Jinping at the G20 summit next month if it looked like the discussions would be positive.

Nearly 80 percent of the survey respondents said the tariffs have knocked their businesses, with US tariffs having slightly more impact than the Chinese ones. Around 85 percent of US companies said they have suffered from the combined tariffs, compared with around 70 percent of their Chinese counterparts. Companies from other countries also reported similar impacts as their American counterparts.

The top concern of companies surveyed was the rising cost of goods sold, which resulted in reduced profits. Other concerns included difficulties managing procurement and reduced sales.

One-third of companies estimated the trade dispute had reduced business volumes ranging from $1 million to $50 million, while nearly one in 10 manufacturers reported high-volume business losses of $250 million or more.