

Faster reforms key to better business climate

BIDA executive chairman says

JAGARAN CHAKMA

BANGLADESH will need at least three years to earn a place on the list of top 100 countries in the World Bank's ease of doing business ranking, said the top official of the country's investment promotion agency.

"In order to achieve the ranking, Bangladesh will have to carry out reforms at a much faster rate than what is happening now," said M Aminul Islam, executive chairman of the Bangladesh Investment Development Authority (BIDA).

The World Bank's ease of doing business index is an important indicator for the foreigners to take investment decisions, he said.

That's why BIDA has laid out a plan to improve the country's ranking in the index to below 100 by 2021 from the existing 176th, Islam said.

The agency was formed in September 2016 through the merger of two state-owned entities—the Privatisation Commission and the Board of Investment—in a bid to better the business climate.

Accordingly, the authorities prepared 88 reform proposals related to the ease of doing business.

"We have been able to implement 22 proposals in the last two years. We have to go faster if we want make Bangladesh an investment-friendly country," Islam told The Daily Star in an interview last week.

Among the achievements, it now takes 28 days to get electricity connection, from 400 days earlier. Mutation of land is now possible within a couple of weeks whereas it used to take a long time in the past, he said.

Getting permits and services for setting up businesses in Bangladesh is a cumbersome and time-consuming process. It takes an investor to go to 17 government ministries and agencies to get all the permits.

According to the WB's latest ease of doing business report, starting a business in Bangladesh needs 19.5 days, enforcing contracts take 1,442 days and getting electricity takes 150.2 days.

Islam said the BIDA had proposed bringing massive reforms in rules and policies, including those related to fiscal, VAT and tax as well as institutional reforms, with a view to improving the ranking.

He said rules and regulations, infrastructure, and skilled workforce were the major factors when it comes to attracting more foreign direct investment (FDI).

"These factors are still weak in Bangladesh."

Referring to Vietnam, Islam said Hanoi's rules and regulations on investment were better than those in the US and 60 percent global investors were keen to invest in the East Asian country.

"We have to follow Vietnam to improve the ease of doing business ranking and attract more FDI."

Bangladesh received \$2.84 billion in FDI as of November 2018, up from \$2.15 billion in 2017, BIDA data showed. The agency expects to draw about \$3 billion in the just concluded year.

Though the FDI flow to Bangladesh showed positive trend in 2018, the figure is still much lower than \$5.7 billion received by Myanmar and \$35.88 billion received by Vietnam.

Islam hopes Bangladesh will attract FDI amounting to \$5 billion to \$7 billion in 2019, as political situation will remain stable in the next five years and mega projects will be completed.

This month, the BIDA is going to introduce One-Stop Service Centre, which will primarily focus on providing 13 services as part of its target to raise the number of services to more than 100.

"We are working with 17 ministries and divisions to provide quick services to



M Aminul Islam

investors," said Islam, also a former top bureaucrat.

Islam said Japan had assured Bangladesh of extending necessary support to develop efficient and skilled workforce for Japanese investors.

Japan, South Korea, China, and India are keen to invest in Bangladesh in sectors such as energy and power, he said.

"Politics and the media have a vital role

in bringing FDI and brightening the country's image among the global investors."

Islam emphasised that Bangladesh needed technology- and knowledge-based investment instead of traditional one in order to compete globally and become a higher income country.

"We need to move to high-value activities and products and highly skilled human resources."

Singapore GDP growth cools amid trade woes

REUTERS, Singapore

Singapore's economy grew more slowly than forecast in the fourth quarter after the manufacturing sector shrank, adding to jitters that a trade dispute between the United States and China will drag on growth in 2019.

Rising trade protectionism and uncertainty over US-China relations are key risks for the city-state this year although the impact from trade frictions have so far had only a limited impact on its small and open economy.

Gross domestic product grew 1.6 percent in the October-December period from the previous three months on an annualised and seasonally adjusted basis, the Ministry of Trade and Industry said in a statement, around half the pace expected by economists.

"Most people's expectation is that we are in for a slow grind for 2019. It would not be out of the realm of this world if we see a continued slower story into the first half of this year," said Selena Ling, OCBC's head of treasury research.

The economy was forecast to have expanded 3.2 percent in the fourth quarter from the previous three months, according to six economists in a Reuters poll, and compared with an upwardly revised 3.5 percent pace in the third quarter.

Singapore is considered a bellwether for global growth because international trade - equating to about 200 percent of its GDP - dwarfs its domestic economy.

Manufacturing, which accounts for less than a quarter of GDP, shrank a seasonally adjusted and annualised 8.7 percent from the third quarter, the first contraction in a year, data showed.

Ling said the sector saw a lot of front-loading activities in the run-up to US-China tariffs, after which the rush tailed off and December was also a slower month as shipping of goods for Christmas probably peaked by November. But exporters are already floundering, with November exports down for the first time in eight months year on year and shipments to China, Singapore's biggest market, continuing their decline.

From a year earlier, GDP grew 2.2 percent in the fourth quarter, slightly slower than 2.3 percent forecast by economists and a revised 2.3 percent growth in the third quarter.

The trade-reliant economy expanded 3.3 percent for all of 2018, slowing from a three-year high of 3.6 percent the prior year. The government's forecast for 2018 growth had been 3.0 to 3.5 percent.

Some economists have said that while growth is expected to slow in 2019, it may still expand at a sufficiently robust pace to justify more tightening by the Monetary Authority of Singapore.

US-China trade war takes toll on global manufacturing

REUTERS, London/Hong Kong

FACTORY activity weakened across much of Europe and Asia in December as the US-led trade war and a slowdown in demand hit production in many economies, offering little reason for optimism as the new year begins.

A series of purchasing managers' indexes for December released on Wednesday mostly showed declines or slowdowns in manufacturing activity

months' time.

The UK manufacturing PMI rose to a six-month high, stronger than all forecasts in a Reuters poll of economists.

Survey compiler IHS Markit cautioned the improvement did not herald a big change in the outlook for Britain's stuttering economy — it was caused in large part by manufacturers stockpiling inputs and finished goods.

"Despite the headline index rising to a six-month high in December, the manufacturing PMI still suggests that the sector



REUTERS/FILE

Employees work on a drilling machine production line at a factory in China.

across the globe.

"We are really seeing a global slowdown into this year, and in Asia, particularly, export-oriented countries are hurting," said Irene Cheung, Asia strategist at ANZ.

"Our expectation for central banks is that most of them won't change policy in 2019 and these numbers coming out on the weak side won't change that outlook."

Euro zone manufacturing activity barely expanded at the end of 2018, providing disappointing reading for European Central Bank policymakers, just after they ended their 2.6 trillion-euro asset-purchase scheme.

Earlier PMI surveys showed Italy remained in contraction territory and was joined by France, where data showed a first deterioration in operating conditions for 27 months. Manufacturing growth in both Germany and Spain was modest, easing to the weakest in around two-and-a-half years.

British factories, however, ramped up stockpiling as they prepared for possible border delays when Britain leaves the European Union in less than three

stagnated in Q4," said Andrew Wishart at Capital Economics.

Later on Wednesday, surveys are expected to show US activity was a tad slower, but still expanding, in a sign China has suffered more from trade frictions than the United States.

But world shares started 2019 on a downbeat note, oil prices and bond yields slid, and the Japanese yen strengthened on Wednesday as the factory survey data confirmed the picture of a global economic slowdown.

In China, the Caixin/IHS Markit PMI slipped into contraction territory for the first time in 19 months, broadly tracking an official survey released on Monday. China's weakness spilled over to other Asian economies. Malaysian manufacturing slowed to its weakest pace of expansion since the survey began in 2012, and Taiwan fell to its lowest since September 2015.

Meanwhile, official economic data out of Singapore showed its gross domestic product grew more slowly than forecast in the fourth quarter as the city-state's manufacturing contracted on a quarterly basis.

Indian father and son battle for billion-dollar empire

AFP, New Delhi

VIJAYPAT Singhania thought he was keeping his billion-dollar Indian textile empire in the family when he gifted control of the Raymond Group to his son Gautam three years ago.

But their relationship has disintegrated spectacularly since, with the father accusing the son of cheating him out of an exclusive apartment and of unceremoniously kicking him out of the company offices.

Vijaypat now bitterly regrets his decision, which he claims was made because of "emotional blackmail", marking the latest in a long line of high-profile family feuds to scar corporate India.

The 80-year-old transformed a small textile business into a household name in India, and the Raymond Group today claims to be the world's biggest producer of high-quality worsted wool suits.

It is yet another success story for one of South Asia's great entrepreneurial families -- different branches of the Singhania family have interests in cement, dairy and tech.

India ranks third in the world for the number of family owned conglomerates, behind China and the United States, according to a recent Credit Suisse report.

And with more than its fair share of power struggles and a new generation itching to take control, some analysts say the country needs more global corporate standards to better govern such businesses.

It may help avoid the kind of sparring that happened in the Ambani family.

Mukesh Ambani, currently Asia's richest man, fought with his brother Anil for years over the Reliance conglomerate after their father Dhirubhai died without leaving a will.

Hostilities were far more intense between liquor and property baron Ponty Chadha and his brother Hardeep, who killed each other in a 2012 shootout as they fought over their company.

And assault accusations have flown between billionaires Shivinder and Malvinder Singh as they battle for the family pharmaceutical empire.

Vijaypat Singhania's troubles started after he handed over his 37-percent controlling stake in 2015.

Under a 2007 agreement to settle a separate family tussle, Vijaypat says he was supposed to receive an apartment in the Singhania family's 36-storey JK House in the upmarket Malabar Hill area of Mumbai, India's financial capital.

The price agreed was far below the market value of the flat -- which is in the tens of millions of dollars -- and Gautam advised the Raymond board against selling a valuable company asset.

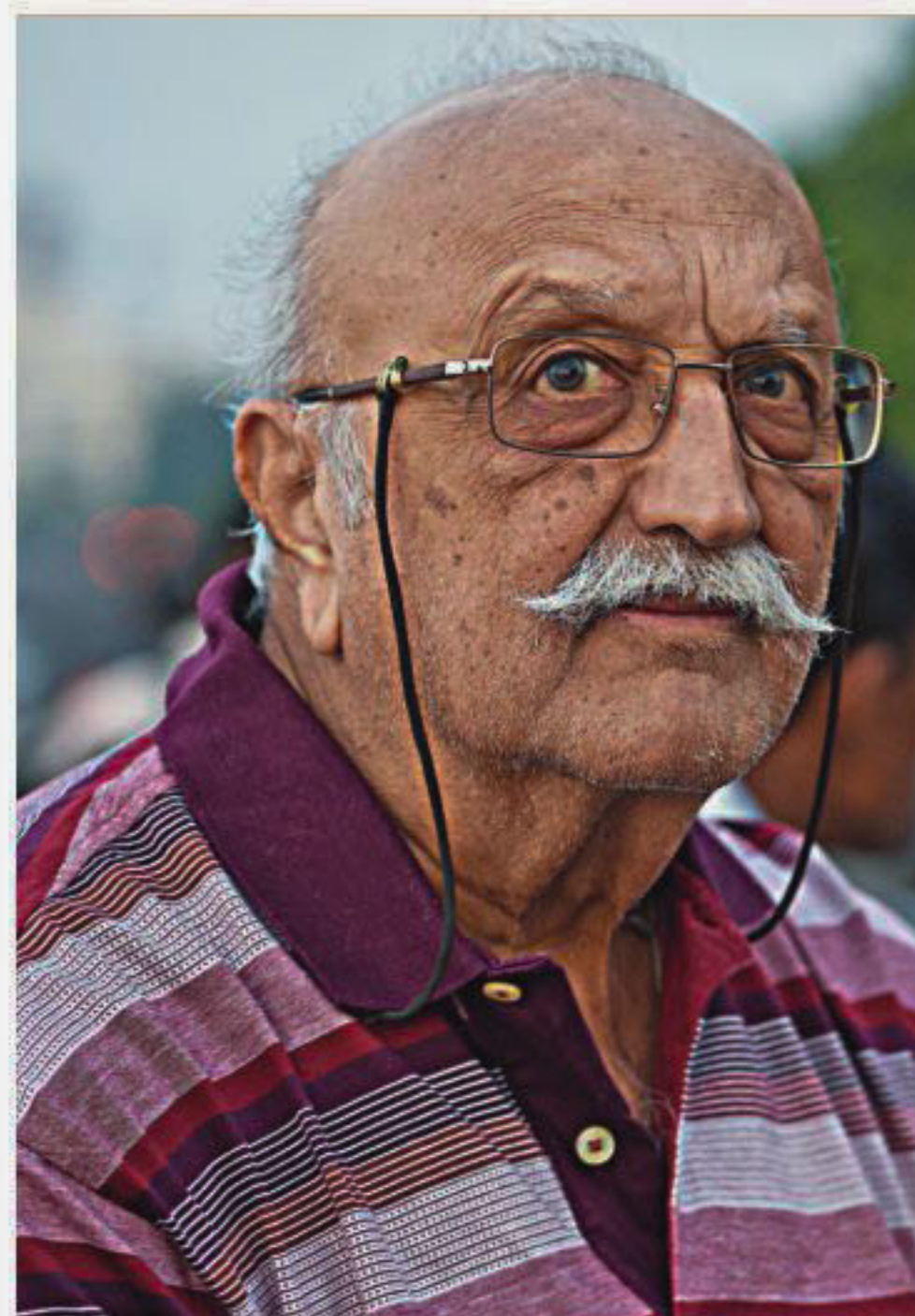
As the feud escalated, the board also took away Vijaypat's "chairman emeritus" title, accusing him of using abusive language in letters to the company. And he claims he was physically removed from his office and his possessions -- including a Padma Bhushan, one of India's top civilian honours -- were stolen.

Vijaypat, who says he has not spoken to his son in two years, now plans to test a recent Indian court ruling that allows parents to take

fered from the dispute. It reported a 50-percent profit rise for the second quarter of 2018, recently opened a major factory in Ethiopia, and is now exporting to more than 55 countries.

India's corporate family quarrels need to be addressed, according to Pranav Sayta, a partner at the Ernst and Young consultants.

"The business environment today is far more complex and the stakes are much higher," he said.



Father Vijaypath Singhania



Son Gautam Singhania

back gifted property from their children under a 2007 law if they do not have their basic needs met.

He describes handing Raymond over to Gautam as "the height of stupidity", and the start of a campaign to oust him from the 93-year-old business he once helmed.

"I would advise parents everywhere not to make the mistake of giving away all your savings to your children during your lifetime," said the elder Singhania, an accomplished aviator who in 2005 set the world record for the highest flight in a hot air balloon.

But Gautam has said he was simply doing his job.

"It was the right thing to do. My responsibility as a son is different from as chairman of Raymond. Here is a board member (Vijaypat) who is using his position of the board to take company assets," Gautam told India's Economic Times last year.

"I am the victim. What have I done wrong?" Raymond Group has apparently not suf-

"Culturally too, youngsters today are more impatient and they want to have a say in the business affairs. Some global best practices have not been implemented fully in India," particularly on separating ownership from management, he added.

And as was the case with the Ambanis and the Chadhas, succession and family politics are often at the core of these bitter disputes.

"Family feuds were always there but in light of these factors their probability has gone up several notches now," said Sayta. "The need to adopt best practices and put in place a clear and robust succession plan is more critical today."

A new style of management made all the difference at Raymond, Gautam Singhania claims.

"The whole game for me changed when I took shareholding control from my father," he told the Economic Times.

"I could take a lot of decisions to enhance growth which I was not able to do earlier."