Belt and Road a win-win for Bangladesh, China

Standard Chartered Bangladesh CEO says

MD FAZLUR RAHMAN

CHINA'S Belt and Road Initiative (BRI) could be a boon for Bangladesh as the former is looking to use its surplus capacity and the latter needs funds to bankroll mega infrastructure projects to transform the economy, said a top banker.

"This is a win-win proposition for both Bangladesh and China," said Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh (SCB).

But, negotiations and evaluation of the projects are extremely important for making the most of the opening.

"As two sovereign nations are involved here and the primary objective of both will be to protect their own interests, negotiation is extremely important. Otherwise, you can lose," Bijoy told The Daily Star in an interview on Saturday.

On the day, eight staff athletes from the London-headquartered multinational bank took part in a relay in Dhaka to showcase the bank's commitment and highlight the positive impact of the BRI to communities and businesses globally.

The bank has created the Standard Chartered Belt & Road Relay, the first-ever attempted relay along the Belt and Road, run by its employees across 44 markets over the course of 90 days.

The athletes completed the relay in 14 markets before coming to Bangladesh, which was the last stop in ASEAN and South Asia. The next stop for the athletes is Oman.

Bijoy, who became the third Bangladeshi to take over the reins of SCB in November 2017, said the bank is committed to the idea of BRI, a brainchild of Chinese President Xi Jinping.

Launched in 2013, the initiative wants to connect two-thirds of the world's population across 70 countries through a network of land links (the "belt") and sea routes (the "road").

"We actually say 'One Belt One Road One Bank' and the bank is Standard Chartered."

Bijoy has every reason to be gung-ho.

Standard Chartered has been connecting Asia, Africa, the Middle East and Europe for over 150 years. Its footprint covers two-thirds of the Belt and Road markets.

"With our rich heritage and deep local knowledge, we are ideally placed to help our partners, clients and local communities to make the most of the initiative."

The bank has announced that it will be facilitating an additional financing of at least $20 billion by 2020 and half of the target has already been achieved.

In 2017, the bank was involved in more than 50 Belt and Road deals worth more than $10 billion.

It has dedicated Belt and Road teams located in ASEAN, South Asia, Middle East, Africa and Europe, with more than 40 staff globally assisting its Chinese clients across a wide range of financial needs, according to Bijoy.

Bangladesh's affiliation with the BRI has already started to bear fruits as investment from China has accelerated.

In the past, China's involvement in Bangladesh was largely limited to EPC (engineering, procurement and construction) contractors and the country's investment was less than $1 billion in 2015.

Already, the two countries have signed an agreement for the 1,320-megawatt coal-fired power plant in Payra, Patuakhali involving $2.4 billion, with equal share for both parties.

A Chinese consortium, comprising the Shenzhen Stock Exchange and the Shanghai Stock Exchange, has bought 25 percent stake of the Dhaka Stock Exchange, becoming its strategic partner -- a move that has brought in roughly $125 million in investment.

Alipay, a concern of China's e-commerce and tech giant Alibaba Group, has bought 20 percent stakes in bKash, Bangladesh's largest mobile financial service provider, in an undisclosed amount of investment.

China is getting involved in many power projects, too.

"If you look at the flights from China and Hong Kong to Bangladesh, you will see they are full and they are full of Chinese investors. There is a lot of interest from China."

Going forward, more Chinese funds will flow in, Bijoy said, but Bangladesh must evaluate which projects are essential and need to be bankrolled with those funds.

But Bangladesh does need investment to fix its infrastructure and become a middle-income country by 2021 and a developed economy by 2041.

And it has plenty of room to take in external borrowing given its low foreign debt-to-GDP ratio, which is now at 15 percent.

Bijoy went on to dismiss concerns about foreign currency shortage.

"It is not at a concerning level," he said, adding that the country can relieve the pressure by allowing liberalised foreign currency loan. It will help solve the foreign currency pressure as well as lessen pressure on the local currency.

"That doesn't mean you will open a floodgate."

Bangladesh needs to develop the capital market, improve financial transparency further, climb up in the ease of doing business ranking and ramp up exports.

"The capital market will give us a bigger access to liquidity, not only from Bangladesh, but also from abroad."

The country badly needs to issue sovereign bond as foreign companies are keeping watch on the Bangladesh market, said Bijoy, who holds an MBA from the Institute of Business Administration. The 49-year-old is very bullish about the potential of Bangladesh.

The country is passing through a very good time as its development is increasingly becoming visible.

There is untapped potential. Rural areas are growing faster than urban areas.

Even with the current growth rate, Bangladesh's economy would become a half-a-trillion dollar economy within the next five years, he said.

"It is prime time for Bangladesh. The country is really transforming. It is very tantalising."

Despite the liquidity and foreign currency pressure throughout 2018, SCB logged its highest ever revenue last year on the back of a number of large transactions and people's renewed confidence in the overall banking sector.

In discussing the cost of funds of SCB, Bijoy credits the bank's business model that has helped the lender to have one of the lowest costs of funds in the country.

"We are very selective about choosing our clients, meaning we go for the best quality clients. But the best quality clients can borrow from any bank. So, we have had to be very competitive to attract them."

Strategy-wise, SCB tries to depend less on fixed deposits. It has two advantages: the cost goes down and a lender can become the clients' main bank if it handles their operating accounts.

The handling of operating accounts allows a bank to comprehend beforehand if clients face any cash flow problem, said Bijoy, who has been with the British lender for 26 years now in various roles in the Middle East, Asia and Africa.

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Naser Ezaz Bijoy, *centre*, CEO of Standard Chartered Bangladesh, poses with a group of staff athletes of the bank who took part in the Standard Chartered Belt & Road Relay in Dhaka on Saturday. The relay aims to highlight the positive impact of the BRI.

Google fined $1.7b for search ad blocks in third EU sanction

REUTERS, *Brussels*

Google was fined 1.49 billion euros ($1.7 billion) on Wednesday for blocking rival online search advertisers, the third large European Union antitrust penalty for the Alphabet business in two only years.

The European Commission, which said the fine accounted for 1.29 percent of Google's turnover in 2018, said in a statement that the anti-competitive practices had lasted a decade.

"Google has cemented its dominance in online search adverts and shielded itself from competitive pressure by imposing anti-competitive contractual restrictions on third-party websites," European Competition Commissioner Margrethe Vestager said.

The case concerned websites, such as of newspaper or travel sites, with a search function that produces search results and search adverts. Google's AdSense for Search provided such search adverts.

The misconduct included stopping publishers from placing any search adverts from competitors on their search results pages, forcing them to reserve the most profitable space on their search results pages for Google's adverts and a requirement to seek written approval from Google before making changes to the way in which any rival adverts were displayed.

European Competition Commissioner Margrethe Vestager

The AdSense advertising case was triggered by a complaint from Microsoft in 2010. Both companies subsequently dropped complaints against each other in 2016. Last year, Vestager imposed a record 4.34 billion euro fine on Google for using its popular Android mobile operating system to block rivals. This followed a 2.42 billion euro fine in June 2017 for hindering rivals of shopping comparison websites.

Google is now trying to comply with the order to ensure a level playing field with proposals to boost price comparison rivals and prompt Android users to choose their preferred browsers and search apps. Critics however are still not happy. ($1 = 0.8811 euros)

Nirav Modi arrested in London, British police say

REUTERS, *London*

Fugitive billionaire jeweller Nirav Modi had been arrested in London on behalf of the Indian authorities, British police said on Wednesday.

India had asked Britain in August to extradite Modi, one of the main suspects charged in the $2 billion loan fraud at state-run Punjab National Bank (PNB), India's biggest banking fraud.

Police said Modi, 48, had been arrested in the Holborn area of central London on Tuesday and was due to appear at London's Westminster Magistrates Court on Wednesday.

Punjab National Bank, India's second-largest state-run bank, in 2018 said that two jewelry groups headed by Modi and his uncle Mehul Choksi had defrauded it by raising credit from other Indian banks using illegal guarantees issued by rogue PNB staff.

Nirav Modi

Modi and Choksi, who have both denied wrongdoing, left India before the details of the fraud became public.

In December, a British court agreed that another high-profile Indian businessman, aviation tycoon Vijay Mallya, could be extradited to his homeland to face fraud charges. Mallya is currently appealing the decision.

Germany to create fund to foil foreign takeovers after China moves

REUTERS, *Berlin*

GERMANY plans to pass legislation by the end of 2019 to create a state-owned fund that can protect key companies from takeovers by Chinese and other foreign firms, government sources said, in a marked shift from its "hands-off" approach to business.

Economy Minister Peter Altmaier proposed the fund in February as part of a more defensive industrial strategy and three officials told Reuters the government was now working on draft laws so the fund could be up and running next year.

Two senior government officials, who spoke on condition of anonymity, said the idea was for the state-owned investment fund to work with the private sector when buying company stakes to foil unwelcome takeovers.

One official said the state could buy a stake initially and then sell it on as soon as possible to private investors while the other official said in some cases the fund could work with private investors from the start.

"In the past, Germany was too reluctant to define its national interests. This is changing now," the first government official said.

"We see that we cannot lean back anymore and let everything be decided by the free play of market forces," he said. "And this means more protection from the state."

Long an ardent advocate of free markets, Germany's move is a response to China's state-driven metamorphosis from customer to competitor and US President Donald Trump's threats of unilateral trade sanctions and higher tariffs, the sources said.

For decades, German politicians followed the "ordoliberal" principles of post-war economy minister Ludwig Erhard who said free markets should decide winners and losers, with the state only providing a framework for fair competition.

The German move also comes at a time the European Union as a whole is reconsidering the bloc's industrial strategy and relations to China in the face of increased investment in critical sectors by Chinese state-owned enterprises. The European Commission has urged the bloc to back its ideas to curb Chinese companies and EU leaders are due to discuss the issue at a summit in Brussels this week.

In Germany, the Chinese takeover of robotics maker Kuka in 2016 was the wake-up call for the government that underlined the urgency for the state to become more active, the officials said.

An attempt by China's State Grid last year to buy a stake in power grid operator 50Hertz also focused German minds. After Berlin failed to find an alternative private investor in Europe, German state-owned bank KfW stepped in to keep the Chinese out.

That's why the German government is now aiming to pass new laws creating the investment fund by the end of the year so it can be ready for use in 2020, the first official told Reuters. "Ideally, there will be stake acquisitions together with private investors," the official said, adding that Berlin had no plans to intervene in daily business decisions. "It's not about the state becoming entrepreneurial."

The state-owned fund could be managed by KfW, or be an altogether new entity empowered to hold company shareholdings, the second official said.

The plan goes hand in hand with a decision by the government in December to lower the threshold for screening, and even blocking, purchases of stakes in German firms in strategic areas by non-European investors.

An economy ministry spokesman said investment by the state fund would be limited to "very exceptional cases" and stakes would only be bought for a restricted period.

Such cases would mainly involve the protection of critical infrastructure where the government viewed a non-European investor as a threat to Germany's national interests, the ministry spokesman said.

"The idea and its possible implementation are being discussed now in the further process of the industrial strategy," said the spokesman, who declined to comment on the fund's expected size.

Altmaier said in February after presenting Germany's industrial strategy for the next decade that key sectors were steel and aluminum, chemicals, machine and plant engineering, optics, autos, medical equipment, Green technologies, defense, aerospace and 3D printing. Among the companies whose survival Altmaier described as crucial for the economy as a whole were marquee names such as Deutsche Bank, thyssenkrupp, Siemens and Germany's big carmakers.

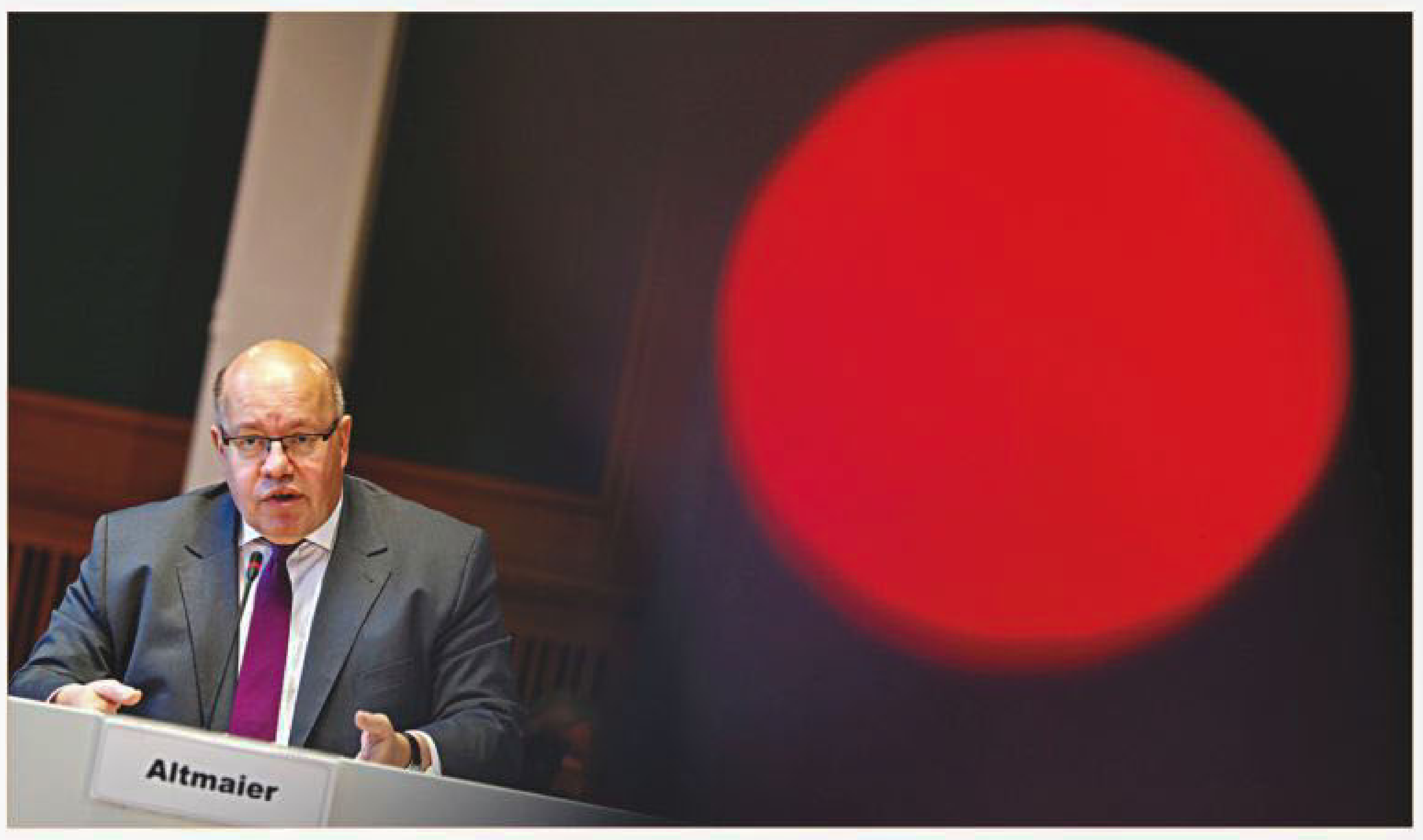
Altmaier told Reuters in an interview that his aim was to safeguard global competitiveness and technological leadership of German industry for the coming decades.

"This should also be a top priority for the next European Commission," he said. "With this, we will secure jobs and prosperity in Germany and Europe. And, above all, it's what will give Europe its economic sovereignty and independence."

Germany and France, the two biggest economies in the euro zone, are liaising closely on how the EU could overhaul its competition and state subsidy rules to support European champions that can compete on a global level.

Following a decision by Brussels to block a rail deal between Siemens and Alstom - a merger that was meant to counter Chinese competition - German Chancellor Angela Merkel wants to put reform of Europe's competition laws high on the agenda during Germany's EU presidency in 2020.

While Germany's powerful BDI english.bdi.eu industry association has welcomed the government's plan to tackle a more assertive China, support national champions and reform competition law, it has criticized the idea of a state investment fund.



German Economy Minister Peter Altmaier