Next industrial policy will be more business-friendly: minister

STAR BUSINESS REPORT

The next industrial policy to be formulated in 2021 will be more business-friendly and time-befitting, Industries Minister Nurul Mazid Mahmud Humayun yesterday said.

The current policy is based on the Industrial Policy of 1972, the minister said while he was addressing a group of businessmen at a discussion at the Westin Dhaka hotel.

Bangladesh-German Chamber of Commerce and Industry (BGCCI) organised the discussion on "Industrialisation in Bangladesh: The Next Level".

Md Mosharraf Hussain Bhuiyan, chairman of the National Board of Revenue, said the tax administration would extend all kinds of support to the chamber to facilitate its operations and thus boosting the export and bilateral trade with the European countries.

Omar Sadat, BGCCI president, urged the minister to engage in conversation with all the chambers and business bodies to deliver a meaningful industrial policy.

Japan, South Korea, Thailand, Singapore and Malaysia had been the growth miracle of East Asia over the years, Sadat said.

"Bangladesh is also going on the right trajectory."

The BGCCI president said Germany has now become the largest bilateral development partner of Bangladesh surpassing USA as the annual bilateral trade volume now rose to $6.9 billion in a year.

Sadat also suggested for framing the industrial policy prioritising on sectors like garments, leather and leather products, ICT, and agro- processed foods.

Highlighting the bright prospects of the country's pharmaceuticals sector, Abdul Muktadir, managing director of Incepta Pharmaceuticals, said within the next few years Bangladesh would be exporting medicines worth billions of dollars abroad, including solely half a billion dollar per year to Germany.

He said the local pharmaceutical industries are now producing hi-tech and value-added products.

Kazi M Aminul Islam, executive chairman of Bangladesh Investment Development Authority; Golam Morshed and M Moin Uddin Mazumder, BGCCI vice-presidents also spoke.

China plans offshore bills sale, yuan jumps

REUTERS, Hong Kong/Shanghai

China's central bank said on Tuesday it will issue yuan-denominated bills in Hong Kong in the near future, in a move analysts said was designed to tighten offshore liquidity to stabilise the weakening currency.

The announcement came after the People's Bank of China sold 20 billion yuan ($2.90 billion) of bills in Hong Kong last week. The central bank had tapped the market every three months with the same deal size and structure since November.

The expected "off-cycle" issuance "is a clear indication that the PBOC wants to defend 7" per dollar handle, said one Hong Kong-based trader with a global asset manager.

The yuan has weakened almost 3 percent this month after the United States hiked tariffs on Chinese goods. The central bank said last week it will ensure that the currency does not breach the 7 per dollar level in the immediate term.

By soaking up yuan funds in Hong Kong, PBOC's bills could increase interest rates in the offshore yuan market, making it more expensive for speculators to bet on a weakening yuan.

US garlic growers profit from trade war as most farmers struggle

REUTERS, Gilroy, California

Unlike millions of other US farmers, garlic growers are profiting from the trade war with China and have cheered President Donald Trump's latest economic attack accordingly.

Sales of California-grown garlic are now increasing after decades of losing ground to cheaper Chinese imports. Sales are poised to get even better as Chinese garlic faces even higher tariffs, with no end to the trade war in sight.

"In a perfect world, we'd love to see the tariffs stay on forever," said Ken Christopher, executive vice president of family owned Christopher Ranch, the largest of three remaining commercial garlic producers in the United States.

While many farmers are suffering through the trade war because they relied heavily on imports to China, US garlic growers benefit because they rely overwhelmingly on domestic sales.

Tariffs on Chinese garlic increased from 10 to 25 percent on May 9, when the US hiked tariffs on $200 billion of Chinese goods and dashed hopes that a US-China trade deal could come soon.

While soybean farmers in the US Midwest watched silos fill with unsold crops as top buyer China all but stopped purchases, Christopher Ranch saw domestic garlic sales rise 15 percent in the last quarter of 2018 after the US applied a 10 percent tariff on imports of Chinese garlic in September.

Then Trump ordered even higher tariffs this month after trade talks broke down when China backtracked on a host of issues crucial to US officials.

The escalation came just a few weeks before the US garlic harvest.

"The timing couldn't be better for us," Christopher said. "We anticipate a surge in demand for California garlic in the coming weeks."

Christopher, 33, whose farm has 59,000 acres of grass-like garlic fields in Gilroy, California, traveled to Washington D.C. in July to urge the Trump administration to include garlic in the list of imports that would face tariffs.

In lobbying for tariffs, Christopher follows in the footsteps of his father, who fought to implement an anti-dumping duty of up to 400 percent on Chinese garlic in the 1990s.

"We understand in a broader economic sense that a trade war is not in the U.S. best interest," he said, "But since the tariffs were happening anyway, we needed to be sure that garlic was part of the equation."

Not everyone is a fan of the garlic tariff. While Christopher was testifying in favor of tariffs to congressional committees, executives from one of the world's top seasoning companies, McCormick & Company Inc., were arguing against them.

McCormick says its recipes mostly rely on Chinese garlic, calling it a different product from what is grown in the United States.

"They're not substitutable," CEO Lawrence Kurzius told Reuters in an interview. "Just like wine, origin matters and terroir matter."

Taste differences aside, California garlic has traditionally sold at far higher prices than Chinese garlic. It now sells for about $60 per 30-pound box on the wholesale market, according to Christopher. Until recently, Chinese garlic sold for $20 per box, but that has risen to $40 with tariffs and will likely soon rise further, he said.

The new profits U.S. garlic farmers have enjoyed from tariffs are an exception in the U.S. farm sector.

China last year retaliated to Trump's tariffs with duties on U.S. goods including soybeans, corn and pork.

Trump has pledged up to an additional $20 billion in aid to help U.S. farmers hurt by the prolonged dispute after groups such as the American Soybean Association criticized the failure to reach a deal. That's on top of $12 billion the administration promised last year to compensate farmers for trade-war losses.

REUTERS

A man holds garlic cloves at Christopher Ranch in California.

BGCCI

Industries Minister Nurul Mazid Mahmud Humayun and National Board of Revenue Chairman Md Mosharraf Hossain Bhuiyan attend a programme on "Industrialisation in Bangladesh: The Next Level" and iftar organised by the Bangladesh-German Chamber of Commerce & Industry at a city hotel yesterday.

Appetite for Saudi Arabia tested by latest jumbo loan

REUTERS, Dubai

Saudi Arabia's Public Investment Fund (PIF) has attracted only tepid interest in plans for its latest multibillion-dollar debt sale, banking sources say, suggesting the kingdom is losing its appeal for some lenders.

International banks have flocked to join the efforts of the the Middle East's largest economy to reduce its reliance on oil and have continued to seek Saudi business despite Riyadh's relations with Western allies being tested by the murder last year of journalist Jamal Khashoggi.

The Saudi government has raised nearly $60 billion in global bonds since 2016, as well as a $16 billion international loan, with a string of state entities also joining the debt bonanza, including this year's $12 billion bond issue from oil giant Saudi Aramco.

Though banks have queued up for relatively low-earning Saudi sovereign bonds and loans in the expectation this would lead to more lucrative work, postponement of Aramco's planned stock market listing and a slow start to a slate of other planned privatizations have left some lenders disappointed.

"Banks had been made a lot of promises, on the equity side mostly, and what is happening is just sovereign borrowing," said one banker with an international lender.

Having raised $11 billion through a syndicated five-year loan last year, PIF is in talks with international banks for an expected $8 billion offering to be paid back within one year from the sale of the sovereign fund's 70% stake in petrochemicals company SABIC to Aramco.

"Banks already participated in the (PIF) term loan, so they're hesitant to also participate in the bridge loan if it's not at commercial terms and more about relationship lending," said another banker who is familiar with the matter.

Some large banks, such as HSBC and Citi, will participate, the sources said, meaning the deal is likely to get done. But the waning interest indicates that Saudi Arabia may have to start paying higher rates for sovereign debt that is not a precursor to more profitable work.

BSEC to be tough about minimum shareholding

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But, about 50 companies have failed to comply, prompting the regulator to decide on issuing a new circular.

As per the new obligation, sponsors and directors will not be able to sell, transfer or keep mortgage their shares if they do not hold at least 30 percent stakes collectively.

Such companies will be barred to issue right shares, repeat public offer and bonus share and merge with other companies in order to raise capital.

If a director fails to maintain at least 2 percent of shares, the directorship will fall vacant and the company will have to fill the vacancy within 30 working days. Companies that fail to maintain the minimum shareholding obligation will be segregated and formed in a new different category.

Companies will be allowed to issue stock dividends if they use the raised funds for business extension, modernisation, re-building, balancing, modernisation, rehabilitation and expansion (BMRE), and qualitative development.

Moreover, firms will have to inform its investors of the price sensitive information on how the funds will be used.

The BSEC said Alliance Securities & Management breached securities laws by providing money withdrawal opportunities to its directors and their families although there was not adequate money in their accounts.

It also transferred its consolidated customers account's money of Tk 12.97 crore to the dealers' account and opened a fixed deposit in a bank with the money, in a clear violation of the securities laws. The regulator primarily decided to cancel the certificate of the brokerage and the decision will be executed later.

Finance ministry strong-arms banks

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"The ministry even should not impose such a decision on the state banks even though it enjoys their ownership," said Mansur, also a former economist of the International Monetary Fund.

Earlier in August last year, the finance ministry took a decision to keep 50 percent of the government deposits in private banks and 14 non-bank financial institutions in contrast to the previous ceiling of 25 percent.

The decision came following assurance from the Bangladesh Association of Banks (BAB), an organisation of private banks' sponsors, to keep the interest rate on deposits and lending at 6 percent and 9 percent respectively. "But, the management of the banks cannot function on the whims of BAB," he said.

The directive comes at a time when lenders are offering interest rates of 11-12 percent to attract deposits, as a result of which the interest rates on lending have gone up to 12-16 percent.

Asked whether the ministry issued such an instruction for the banking sector, Md Serajul Islam, spokesperson and executive director of the Bangladesh Bank, said: "Banks should be allowed to run their business following the structure of the open market economy."

With some exceptional cases, no government agency has so far kept their deposits at 6 percent interest with lenders, said Syed Mahbubur Rahman, chairman of the ABB.

In reality, the government and autonomous organisation are now parking their deposits at 10 percent and above with lenders, he said.

"We want to disburse loans at 6 percent. But, how is it possible?"

Two operators fail to deliver promised 4G speed

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Grameenphone and Robi have also improved their service in recent times compared to their performance shown during the regulator's first and second drive tests. About the survey report, Grameenphone CEO Michael Foley said the operator has consistently invested in its network to ensure quality service for its customers.

"Maintaining quality service requires continuous adjustments to adopt the latest technology as well as accommodate the dynamic usage patterns of our growing customer base. We consider this as a challenge to improve every day." Shahed Alam, head of corporate and regulatory affairs of Robi Axiata Ltd, said, "We are very happy to see that Robi is leading the industry in terms of quality of service."

"Especially, it is very heartening to find that the massive investment we have made for creating the largest 4.5G network has already resulted in the best data speed available in the industry. Our impressive performance in the BTRC survey only emboldens us to deliver innovative quality digital services to our customers."

According to the findings, Teletalk's call drop rate and call setup time is much higher than the threshold.

Two percent call drop is accepted and the test found Teletalk's call drop rate is 2.17 percent. Its average call setup time is 8.33 seconds from the ceiling of 7 seconds. Other operators are operating within the threshold.

14 mega projects to get Tk 45,140cr in new dev budget

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Of the mega projects, the Rooppur Nuclear Power Plant was given the highest allocation of Tk 14,980 crore. The project's total cost has been estimated to be Tk 113,092 crore and until February Tk 16,665 crore has been spent, according to planning ministry documents.

It was followed by the Dhaka Metro Rail project, which got Tk 7,212 crore in the new ADP. Of the total project cost of Tk 21,985 crore Tk 5,860 crore has been utilised until February.

The government allocated Tk 5,370 crore in another high-priority mega project: the Padma Bridge.

The Payra deep sea port got Tk 713 crore in the upcoming fiscal year, the Hazrat Shahjalal International Airport expansion project Tk 2,750 crore and the Dhaka Elevated expressway Tk 1,349 crore.

New ADP

In the next fiscal year, foreign aid utilisation will get a big boost: it has been fixed at Tk 71,800 crore, which is 40.78 percent higher than the current year's.

"Foreign aid has piled up, so we have decided to utilise more of it next year," said a senior official of the planning ministry.

As of November last year, the amount of foreign aid in the pipeline stood at $48.75 billion.

Conversely, the government's own fund allocation has not increased much: it has been set at Tk 130,921 crore, up 12.86 percent year-on-year.

The government also allocated Tk 52,805 crore, which is 26.05 percent of the new ADP to the transport sector.

The second highest allocation went to the power sector: Tk 26,017 crore. This is 12.83 percent of the proposed ADP.

Among the other sectors, physical planning, water supply and housing got Tk 24,324 crore; education and religion Tk 21,379 crore; science, information and communication technology Tk 17,541 crore; rural development Tk 15,157 crore; health Tk 13,055 crore; agriculture Tk 7,616 crore; water resources Tk 5,652 crore; and public administration Tk 5,023 crore.

The government also approved Tk 12,393 crore for the state-owned enterprises. Previously, the allocation for SoEs were part of the ADP, but this year it was announced separately. So if it is included, the total size of the ADP comes to Tk 215,114 crore.

Only Tk 1 lakh allocated to projects

Some 446 projects were supposed to be completed this fiscal year, but 101 will be unable to reach the finish line.

Of them, some were extended and the fate of some are yet to be decided. To keep them going until the ministry takes a call on them, Tk 1 lakh has been allocated to some 37 projects.

The planning ministry made another list of 272 projects whose tenure will end in June but they are nowhere near completion. Some Tk 15,559 crore has been allocated for the projects, which is 7.6 percent of the total ADP outlay.

Deal to be signed on May 26

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Sumitomo has built and continues to run economic zones in the Philippines, Indonesia, Myanmar and Vietnam and the special economic zone in Bangladesh would be its fifth, according to Chowdhury.

Beza and Sumitomo will spend around $66 million to develop the zone, the former providing $16 million and the latter the rest. Besides, Japan International Cooperation Agency, the Japanese government's development arm, will lend about Tk 1,000 crore to Bangladesh at a concessional interest rate to establish the zone, according to Beza officials.

Beza is expecting $20 billion in foreign direct investment (FDI) from Japan once the zone was established.

The Beza executive chairman hopes for the factories to be set up in early 2022.

"Not only will FDI come to the Japanese economic zone, there will also be technology transfers from Japan to Bangladesh which will encourage other investors to come in Bangladesh," Chowdhury said.

He also said giant Japanese investors would come to manufacture high-end products in the zone alongside recycling plants for industrial waste.

According to a latest study of Japan External Trade Organisation (Jetro), the investment of Japanese companies in Bangladesh had been increasing steadily at a rate of 16-17 percent for the last couple of years with a majority of investors showing growing interest to expand their business.

The Jetro study shows that 70 percent of Japanese companies expressed interest to expand their presence in Bangladesh within a year and around 60 percent in the next two to three years.

The number of Japanese companies operating in the country was 183 in 2014 and it went up to 223 in 2015, 245 in 2016, 260 in 2017 and 269 in 2018, according to the survey.

The Beza executive chairman also said Japanese investors would have to be provided quality utility services and policy support for the FDI to increase.

LAVISHO

Lifestyle fashion brand Lavisho's Director Saima Binte Ilias and Managing Director AKM Fazlur Rahman attend its first anniversary celebration in Police Plaza at Gulshan 1 of Dhaka recently.