Buoyant economy sending positive signals to global investors

Says Andy Wu, a director of Shohoz

Muhammad Zahidul Islam

BANGLADESH'S steady higher economic growth is sending strong messages to foreign investors that the country is a place to invest in and do business in various areas, including the service sector, said an angel investor of local technology company Shohoz.

Andy Wu, also an assistant professor for business administration at the strategy unit of the Harvard Business School, said the country has been pulling off massive economic growth for over a decade and this gives a positive signal to the outside investors.

The growth will transform many sectors and the same has happened to other markets as well.

"That's why investors are very interested about Bangladesh," he told The Daily Star in an interview.

Andy received a PhD and MS in applied economics from the Wharton School of the University of Pennsylvania, where he is a senior fellow at the school's Mack Institute for Innovation Management and earned a Bachelor of Science in economics and mathematics at the Massachusetts Institute of Technology.

He conducts research on strategies for how technology entrepreneurs internally organise and externally mobilise resources to achieve scale for competitive advantage.

Previously, Andy invested in drone and software and financial technologies in the US. He has 11 patents granted or pending in rapid prototyping, medical imaging, robotics, and e-commerce.

It started its journey in late 2014, introduced online ticketing and last year added ride-hailing and food delivery services.

Recently, it celebrated its five years journey and Andy was present in the ceremony in Dhaka. He says Shohoz suits him well.

Shohoz has made transportation and logistics accessible to everyone in Bangladesh, he said.

"And I am thrilled to have joined the Shohoz board, and for the opportunity to advise it on data-driven platform strategy."

Andy considers Shohoz as an exciting vibrant company, which was roping in both domestic and foreign talents.

"There is a lot of young talents in the company. I'm looking forward to using my expertise to guide Shohoz management on tailoring its product and pricing to serve the growing middle class of Bangladesh."

He has chosen Bangladesh for another reason: the family of his girlfriend has recently got involved in the eyewear sector in Bangladesh.

Andy Wu

He said Shohoz stands out for two reasons: first, there is tremendous economic growth potential in this region both in traditional sectors such as garment manufacturing and in the technology business.

Second, the leadership quality of Maliha Quadir, the founder and managing director of Shohoz.

"Maliha has demonstrated her ability time and time to grow the company and she is been able to scale that up."

She has been able to build her team and expanded to other areas. "That's been really impressive how she actually adapts to the new market," he said.

Among Shohoz's business wings, Andy gives priority to the ridesharing segment for the company's growth.

"Definitely ride-hailing service will be the driver of growth and it has the potential to grow. And my estimation is that the market serves only 20 to 30 percent of the potential market. And ridesharing has huge potential to generate huge amount of revenue."

The segment is very competitive as well, but with e-ticketing and food delivery, Shohoz will be able to log a huge amount of profits, Andy said.

Last year Shohoz raised $15 million from Golden Gate Ventures of Singapore to expand business and has recently made Ravi Garikipati, the immediate past chief technology officer of India's e-commerce unicorn Flipkart, a board member of the company.

Andy said he and Garikipati can help the company grow further and this will help create interest among institutional investors about Shohoz.

The investor is bullish about Bangladesh.

He said Bangladeshi users are ready to accept digital products, so digital companies have huge opportunities to grow in the country.

About the challenges in this market, he said the government needs to allow globally renowned players at least in the data centre business, linking local companies with global firms.

The market is very small in terms of using digital services and the government needs to adopt policies that will be helpful to expand the market, he added.

Andy also expressed his interest to expand his investment in other areas of technology business in Bangladesh.

France, US strike draft compromise on French digital tax

Reuters, Biarritz, France

FRENCH and US negotiators have reached a compromise agreement on France's digital tax, a levy which prompted US President Donald Trump to threaten a separate tax on French wine imports, a source close to the negotiations said.

The compromise struck between French Finance Minister Bruno Le Maire, US Treasury Secretary Steven Mnuchin and Donald Trump's White House economic adviser Larry Kudlow envisages that France would repay to companies the difference between a French tax and a planned mechanism being drawn up by the OECD .

The draft agreement will be submitted to Trump and French President Emmanuel Macron later on Monday at a G7 leaders summit in Biarritz.

"Trump's advisor is OK with the proposal," the source told Reuters. "That would be the mechanism at this stage, that's the joint proposal."

France's 3 percent levy applies to revenue from digital services earned by firms with more than 25 million euros ($27.86 million) in French revenue and 750 million euros ($830 million) worldwide.

US officials complain it unfairly targets US companies such as Facebook, Google and Amazon. They are currently able to book profits in low-tax countries such as Ireland and Luxembourg, no matter where the revenue originates.

Le Maire and his US counterparts worked on finding a deal all weekend, first at the French finance minister's family house in the Basque countryside and later at a Sunday dinner in a Biarritz restaurant, the source said.

The row has been threatening to open up a new front in the trade spat between Washington and the European Union as economic relations between the two appeared to sour.

Trump had lambasted Macron's "foolishness" for pursuing the French levy and threatened to tax French wines in retaliation.

The French leader pushed hard in 2018 for a digital tax to cover EU member states, but met resistance from some other countries. He decided to go ahead with a national tax, which was signed into law in July and applies retroactively to Jan. 1, 2019.

Japan denies it gave Trump too much in trade talks

Reuters, Tokyo

JAPAN'S top government spokesman denied on Monday that Tokyo made too many concessions in trade talks with the United States, saying the fact the two countries were able to reach a broad agreement was "very valuable."

Japan's Prime Minister Shinzo Abe

The United States and Japan agreed in principle on Sunday to core elements of a trade deal that President Donald Trump and Prime Minister Shinzo Abe said they hoped to sign in New York next month.

A final agreement would cool a trade dispute between the two allies just as a trade war between the United States and China escalates, but some Japanese commentators say Tokyo gave up too much.

In announcing the deal with Abe on the sidelines of a Group of Seven summit in Biarritz, France, Trump made no public commitment to drop his threat to slap additional tariffs on Japanese automobiles.

Chief Cabinet Secretary Yoshihide Suga said he believed the United States would not resort to fresh tariffs because Trump and Abe had previously agreed that Washington would hold off while talks were under way.

"Japan and the US have negotiated based on the joint statement last September," Suga told a news conference in Tokyo. "Related ministers agreed based on that, so it was very valuable."

The agreement was reached after marathon talks between Japan's Economy Minister Toshimitsu Motegi and US Trade Representative Robert Lighthizer in Washington last week.

Lighthizer said the deal, which covered agriculture, industrial tariffs and digital trade, would open up Japanese markets to US goods and lead to a substantial reduction in tariffs on such items as beef.

Japan imports about $14 billion worth of US agricultural products, and the agreement will open up markets to over $7 billion of such products, Lighthizer said, adding that beef, pork, wheat, dairy products, wine, and ethanol would benefit.

Trump said Japan has agreed to buy excess US corn that is burdening farmers as a result of the tariff dispute between Washington and Beijing.

There was little information on what Japan gained from the deal. Japan's Nikkei newspaper reported the United States will not cut the 2.5 percent tariff it applies on Japanese automobiles for now, and it will be discussed in separate talks.

In May, Trump declared that some imported vehicles and parts pose a national security threat. But he delayed a decision on imposing national-security tariffs under Section 232 of the Trade Expansion Act for up to six months to allow for more time for talks with the European Union and Japan.

Policymakers in Tokyo fret that Trump could still impose the tariffs or set import curbs on Japanese automakers. Getting Trump to scrap the tariff threat is a key element of success for Japan in signing a deal.

Grab to invest more in Vietnam

Reuters, Singapore

SINGAPORE-based ride-hailing firm Grab is set to invest "several hundred million dollars" in Vietnam where the company sees its next major growth market, just weeks after it unveiled a $2 billion plan in Indonesia.

The proposed investment is the latest example of a top-notch regional brand deepening its commitment to Vietnam, one of Asia's fastest growing economies. It also shows the eagerness of Grab, which has raised billions of dollars from investors, to put its cash to work.

"We're very excited about Vietnam. We see very similar characteristics to Indonesia," Grab President Ming Maa told Reuters in an interview.

Grab and rival Indonesia-based Go-Jek are evolving from ride-hailing app operators to become one-stop shops for services as varied as payments, food delivery, logistics and hotel bookings in Southeast Asia.

Grab, with its app on more than 160 million mobile devices across eight countries, has said its Indonesia investment aims to build a next-generation transport network and transform how critical services such as healthcare are delivered.

Like Indonesia, many middle class and young consumers in Vietnam are using apps and websites to access services, Maa said.

"I would expect us to invest over several hundred million dollars into growing our Vietnam business," he said without giving specific details on the investment.

REUTERS

Grab's President Ming Maa poses before an interview with Reuters in Singapore on August 22.

Vietnam ranks third or fourth among Grab's top markets, said Maa, who joined the company three years ago from its major investor, Japan's Softbank Group Corp, and a previous decade-long stint at investment bank Goldman Sachs.

Grab partnered with Vietnamese fintech firm Moca in 2018 to launch a digital wallet. Grab formed a joint venture with Credit Saison, a Japanese credit card company, last year to offer loans and credit analysis to consumers and micro-entrepreneurs across Southeast Asia.

Grab was Vietnam's most downloaded ride-sharing app from January to July, according to market data and analytics firm, App Annie. Aside from Go-Jek, Be is another ride-hailing competitor.

The wealthy city-state of Singapore is Grab's second-biggest market, where it is building a $135 million headquarters. The company, which has over 4.5 million drivers in the region, aims to double its revenue to $2 billion this year.

Maa said its total gross merchandise volume (GMV) in food delivery, a segment where it is expanding aggressively, has surged 300 percent in the first half. GrabFood now accounts for 20 percent of the company's total GMV.

In its mature ride-sharing business, the company is profitable in several of its markets, Maa said, adding that Grab has no specific plans for an IPO.

'By rolling out a range of daily services at varied price points, Maa was confident of Grab sustaining high growth rates. The company counts Toyota, Microsoft, China's Didi Chuxing and Hyundai among its backers.

Grab, Southeast Asia's biggest start-up with an estimated valuation of about $14 billion, is also betting on its payments business to fuel growth in financial services.

"We're just at the tip of the iceberg for financial services," said Maa, adding that developing the region's largest payment mobile wallet gave Grab valuable data insight into customers and drivers on its network.

It wants to use those insights to create specific financial products including in insurance, credit and ultimately wealth management offerings.

Maa said Grab is interested in taking up a digital banking licence in Singapore, where the central bank has announced plans to issue up to five online-only bank licences and is expected to provide detailed guidelines in a few weeks.

"By using deflationary forces like digital banking, we are able to provide very similar sets of financial services at much lower cost than what traditional banks are able to provide," said Maa, who earned a master's degree from the Massachusetts Institute of Technology.

Grab's interest in digital finance shows how non-banking firms in Asia are shaping up as potential rivals to traditional banks by leveraging their technology and user databases to offer banking services to retail consumers and small businesses.

Southeast Asia's internet economy is expected to exceed $240 billion by 2025, a joint study by Google and Temasek Holdings showed in November, a fifth more than previously estimated, as more consumers use their smartphones to go online.

Nearly 100 firms move to Netherlands amid Brexit

Reuters, Amsterdam

NEARLY 100 companies have relocated from Britain to the Netherlands or set up offices there to be within the European Union due to the UK's planned departure from the bloc, a Dutch agency said Monday.

Another 325 firms worried about losing access to the EU consider a move, the Netherlands Foreign Investment Agency said.

"The ongoing uncertainty in the UK, and the clearer possibility of a no deal, is causing economic unrest," said Jeroen Nijland, NFIA commissioner.

Oil rises on hopes of easing trade tension

Reuters, London

OIL prices rose on Monday after the United States and China both suggested they could ease up in a trade war that has undermined the outlook for the global economy and crude demand.

Brent was up 56 cents, or 0.9 percent, at $59.90 a barrel by 0950 GMT, while US oil was up 66 cents, or 1.2 percent, at $54.83 a barrel.

US President Donald Trump said on Monday he believed China was seeking a trade deal after he said Beijing contacted US officials overnight to say it wanted a return to talks.

Chinese Foreign Ministry spokesman Geng Shuang said he had not heard about a phone call between the two sides.

China's top negotiator, Vice Premier Liu He, had earlier said Beijing was willing to solve the impasse through "calm" negotiations and opposed an escalation.

Concerns for the global economy have increased as trade tensions between Beijing and Washington mounted in recent days.

Yuan sinks to weakest in 11 years

AFP, Shanghai

CHINA'S currency slid on Monday to its weakest point in more than 11 years as concerns over the US trade war and the potential for global recession weighed on markets.

The onshore yuan was around 7.1425 to the US dollar in late morning Asian trading, its weakest point since early 2008, but slightly off lows reached earlier in the day.

Global economic tensions have intensified in recent days with the Washington and Beijing raising tariffs on each other's imports, President Donald Trump calling on US businesses to leave China, and the fracas fuelling warnings of a worlwide downturn.

The yuan is not freely convertible and the Chinese government limits its movement against the dollar to a two percent range on either side of a figure that the central bank sets each day to reflect market trends and control volatility.

The People's Bank of China has set that rate steadily weaker in recent weeks and on Monday put it at 7.057 to the dollar.

Allowing the yuan to depreciate makes Chinese exports cheaper, and offsetting some of the burden of punitive US tariffs.

"The gloves are coming off on both sides and as such yuan depreciation is an obvious cushion against US tariffs," Mitul Kotecha, a senior emerging markets economist at Toronto-Dominion Bank told Bloomberg news.

AFP/FILE

The photo shows bundles of 100 yuan notes at a bank in Shanghai.

"As long as China can ensure that yuan weakness is well controlled, i.e. it does not provoke strong outflows, expect to see further depreciation in the currency."

The yuan breached the key 7.0 threshold against the dollar earlier in August, just days after the US announced plans to impose fresh tariffs on Chinese imports from September 1.

The plunge past 7.0 prompted Washington to officially brand Beijing a "currency manipulator" and raised fresh concerns that the two sides were weaponising economic policies.

US politicians have long accused China of keeping its currency artificially low in order to increase the competitiveness of its manufacturers.

But Washington had previously refrained from branding China a "manipulator", as that was seen as a significant escalation in trade tension between the world's two biggest economies.

The designation is largely symbolic, however, as it calls for consultations with countries found to be manipulating.

But it could gain teeth if the Commerce Department begins imposing tariffs on countries determined to be undervaluing their currencies, as the department earlier this year said it plans to do.