Time to invest in Bangladesh as economy is set to grow faster

Says Enamul Huque, StanChart's country head for corporate, commercial and institutional banking, in an interview

MD FAZLUR RAHMAN

Bangladesh has a golden opportunity to strengthen its economic ties with neighbouring countries and forge greater integration with regional and sub-regional blocs to boost exports and accelerate economic growth, according to a top banker.

"While Bangladesh's achievements so far are no doubt commendable, there always remains potential to do more," said Enamul Huque, country head of corporate, commercial and institutional banking at Standard Chartered Bangladesh.

Analysis suggests that Bangladesh can leverage only around 40 per cent of its trade potential with its South Asian neighbours, the banker said.

"Building sustainable and mutually-beneficial bridges with our neighbouring countries is essential if we are to achieve our aspirations," he told The Daily Star in an interview recently.

Greater integration with regional and sub-regional blocs such as the South Asian Association for Regional Cooperation, the Association of Southeast Asian Nations, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) will help accelerate the access of Bangladeshi products into their markets and facilitate regional cooperation on a new level, he said.

In order to realise the full potential of regional trade and investment, Bangladesh has been prioritising infrastructure development since the fiscal year of 2011-2012 and has increased infrastructure investment significantly. A number of mega projects have been undertaken to aid trade and investment.

"The government has done superbly in terms of addressing the country's infrastructural deficit with an aim to continually improve Bangladesh's competitiveness at the global level scale on a sustainable basis."

The completion of the Padma Bridge will create a host of new investment opportunities, said Huque.

Standard Chartered Bangladesh is facilitating trade and investment across key trade corridors. Its dedicated desks are serving China, Japan, and Korea corridors, respectively.

The bank organised a Japan Road Show for investors in Tokyo in 2018 and 2019 and a similar event aimed at Korean investors in 2019.

It arranged the China-Bangladesh Investment Summit in association with the Bangladesh Investment Development Authority (BIDA), the embassy of China in Dhaka, and Bangladesh's embassy in China in January. The virtual event showcased the potential of partnership opportunities between Bangladesh and China and highlighted emerging strategic imperatives in a shifting global landscape.

"The response to the event was great, with more than 400 delegates representing Chinese public and private sectors, policymakers, investors, along with prominent leaders from Bangladesh's private and public sector in attendance," Huque said.

Huque has been with the London-headquartered multinational lender since 2001. He served the bank mostly in Dhaka and had short stints in the UK and India.

He said Bangladesh and China have always enjoyed warm bilateral relations.

China is not only the largest trading partner but also one of the key infrastructure development partners of Bangladesh. Chinese FDI is steadily flowing into Bangladesh, with investments going into critical sectors such as power, infrastructure, textiles, and electronics.

> *Analysis suggests that Bangladesh can leverage only around 40 per cent of its trade potential with its South Asian neighbours*

Enamul Huque

There is heavy dependence on imports from China. However, exports are also growing.

Bangladesh's exports are concentrated largely in two markets: Europe and the US. But China could be a major export destination for Bangladesh.

As per China's National Bureau of Statistics, per capita expenditure on clothes is around 1,300 Chinese renminbi, which translates to aggregate consumption of about $280 billion worth of apparel items.

Despite being the largest apparel exporter, China still relies on imports to meet almost 12 per cent of clothing demand.

"Hence, we can tap into the market through international buyers with a presence in China as we have duty-free access, and it could be a significant market for us," said Huque.

As Chinese firms seek new ports-of-calls to expand integration with global value chains, Bangladesh-China partnerships hold a unique promise. In order to fully leverage these opportunities, a close partnership between banks, investors and governments will be critical.

"The summit was our first step to establish the platform for this collaboration," said Huque, adding that StanChart is going to organise similar events for other target markets.

According to the banker, the economy has shown much resilience during the pandemic.

"Bangladesh has managed the pandemic extremely well. Our battle against Covid-19 once again showed the true mettle of the character of Bangladesh people, businesses and the economy."

The government has ensured a faster rollout plan in terms of key protocols for managing Covid-19 issues. Despite the pandemic, agricultural production has been resilient, ensuring food security for a nation of 170 million.

Remittances have soared in recent months. The foreign exchange reserve has reached the highest level ever. Exports picked up towards the end of the year. Macro-economic fundamentals remained stable.

Huque pointed out the lack of diversification of the export basket, citing that the garment industry continues to remain as the key driver of export earnings.

The government is trying to diversify exports in areas such as pharmaceuticals. But none of the products has crossed the billion-dollar mark. "This is an important area for us to look at."

Deeper engagement of the private sector is needed to fund $300 billion by 2030 for infrastructure development, said Huque, who studied marketing at the University of Dhaka and holds an MBA from Mt. Eliza Business School in Australia.

In addition to financing from multilateral and developmental financial institutions, other sources of funding need to be explored. Bonds could be a source of financing.

"In a sustained low-yield environment, infrastructure projects are an asset class with attractive long-term returns. Well-structured infrastructure assets can prove to be attractive for foreign investors and continue to drive Bangladesh's progress," Huque said.

As with all economies around the world, FDI has been fairly muted for Bangladesh.

But the banker thinks with companies looking to invest in diverse markets to build resilience and leverage available resources and prospects, Bangladesh has a unique window of opportunity to expand the FDI pool.

BIDA is also taking the story of a rising Bangladesh to investors around the world. Bangladesh, as a destination, needs to be continually showcased to international investors, according to Huque.

StanChart is working with the BIDA to collaborate on accelerating the efforts to promote Bangladesh.

Policy consistency and tax clarity are important to attract foreign investors, according to Huque. The connectivity and land issues have to be sorted out as they pose challenges to investors.

The banker also touched upon the economic recovery from the pandemic, digitalisation in the financial industry and challenges facing the banking industry.

Economic activities have gone up significantly in recent months.

"Initially, we were concerned about the impact of the pandemic on our economy. I was in Sylhet on holiday recently. I saw the resilience of the economy buzzing with activity. The people were moving around and actively participating in moving the wheels of the economy. I think this is the story across the country."

> *"While Bangladesh's achievements so far are commendable, there always remains potential to do more."*

Standard Chartered recently interviewed more than 300 chief financial officers and senior finance executives at internationally active companies based in Europe and the Americas.

The survey found that global expansion remains a major driver of revenue growth, with companies looking to gain market share, optimise costs, increase access to untapped sources of skill and talent, and manage risks.

"Bangladesh has all this to offer and more," Huque said.

He said the BIDA had achieved laudable progress in the One-Stop Service, driving collaboration and automation across all relevant government bodies. Coordinated policy reforms are underway to attract more FDI.

"We are making our way steadily up the Ease of Doing Business Index and can expect to see further progress in the future."

The pandemic has pushed banks and their customers towards digitalisation in a faster way. The central bank has also come up with regulations to drive the digitalisation agenda forward in the last several months.

StanChart's internet banking platform has grown four times in terms of transactions.

"People's acceptability of digitalisation has gone up significantly as well. Clients understand how digitalisation can help them," Huque said.

"Going forward, the bank would be more focused on digitalisation and providing faster service to clients. Digitalisation will be the key enabler to support clients in the future."

GLOBAL BUSINESS

India asks refiners to diversify, cut reliance on Middle East oil after Opec+ decision

REUTERS, *New Delhi*

India has asked state refiners to speed up the diversification of oil imports to gradually cut their dependence on the Middle East after Opec+ decided last week to largely continue production cuts in April, two sources said.

India, the world's third biggest oil importer and consumer, imports about 84 per cent of its overall crude needs with over 60 per cent of that coming from Middle Eastern countries, which are typically cheaper than those from the West.

Most of the Opec+ producers, led by world's top exporter Saudi Arabia, last week decided to extend most output curbs into April.

India, hit hard by the soaring oil prices, has urged producers to ease output cuts and help the global economic recovery. In response, the Saudi energy minister told India to dip into strategic reserves filled with cheaper oil bought last year.

"We have asked companies to aggressively look for diversification. We cannot be held hostage to the arbitrary decision of Middle East producers. When they wanted to stabilize the market we stood by them," said a government source.

A worker rides a bicycle at the Bharat Petroleum Corporation refinery in Mumbai. PHOTO: REUTERS/FILE

India had not cancelled any shipment of crude oil from the Middle East in 2020 when oil demand collapsed due to COVID-19, the source said. Already OPEC's share in India's oil imports declined to a historic lows during April 2020-January 2021, the first ten months of this fiscal year.

While initial costs could be high, the strategy will pay off in the long term, the source said.

Two oil refiners confirmed that the government had asked them to expedite efforts to diversify crude import sources.

One plan is to import oil from new producer Guyana, the sources said. The country's top refiner Indian Oil Corp has also renewed its oil import contract with Russia, they added. India hopes to resume Iranian oil imports this year.

India's oil ministry and IOC did not respond to requests from Reuters for comment. Iraq and Saudi Arabia are the two biggest oil suppliers to India. This year, Iraq has cut annual supply volumes while Kuwait has shortened the duration of contracts with Indian buyers to 9 months.

After Opec's last week decision, crude oil prices rose to over $71 per barrel although the prices eased to $69.08 a barrel by 1027 GMT. Saudi has also raised April official selling price of its oil for Asia.

"A beginning has to be made. No one had imagined that US oil will account for a significant share in our crude basket. We are trying for shorter-term contracts with new countries and sellers," the first source said.

"The world was together during the pandemic but now it seems some producers are working for their own economies," said the first source.

US central bankers are mostly white men. The Fed wants to change that

REUTERS, *San Francisco*

Over more than a century of the Federal Reserve's existence, the critical job of controlling the cost of money and the availability of credit has fallen mostly to white men, even though women and minorities have for decades made up a majority of the workforce in an increasingly diverse economy.

Inside the Fed there is a move to change that, made more urgent in the wake of last year's pandemic downturn that hit women and people of color particularly hard. To that end the central bank is remaking an important part of its leadership structure - the 108 people who serve as directors at its regional banks - to look more like America.

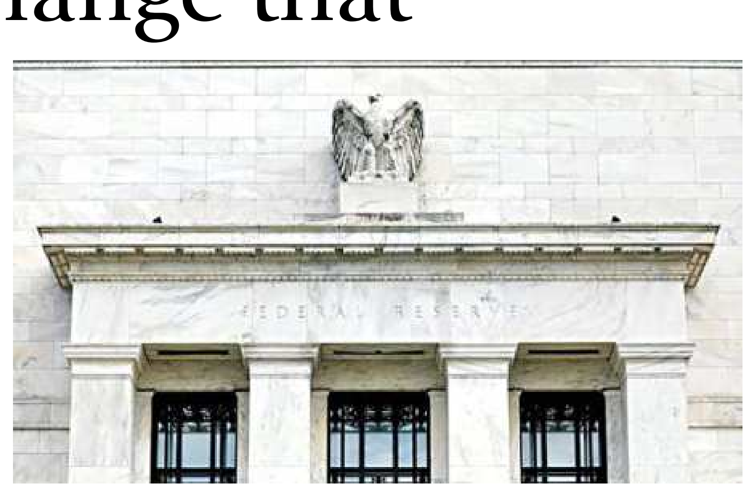
Reuters recently reviewed data from all 12 regional banks and interviewed three bank presidents, a regional director and a senior member of the main Fed Board in Washington about this undertaking. The conversations came roughly a year after Reuters reported the Fed had tapped women and minorities for a majority of those board seats for the first time.

This year, 34 per cent of the directors at its 12 regional banks identify as racial or ethnic minorities, up from 29 per cent last year and 17 per cent in 2016, the Reuters analysis found. Some 44 per cent are women, up from just over a quarter five years ago.

On both fronts that is as close as the boards have ever come to reflecting the US population, about 40 per cent of which identifies as part of a racial or ethnic minority, and 51 per cent as women.

Fed bank directors do not make monetary policy themselves. That's the purview of the Fed bank presidents and the Fed's Washington-based Board of Governors.

But they do have influence. Fed policymakers say their directors help them better understand the economy. They also pick the bank presidents.



REUTERS/FILE

The Federal Reserve building is pictured in Washington, DC.

NEWS *In Brief*

Tesla loses a third of its value for the third time in a year

REUTERS

Tesla Inc's stock extended losses on Monday and is now down by a third from its January record high, making it the third time in about a year that the electric car maker's shares have corrected that dramatically.

With investors worried about rising interest rates and dumping high-valuation stocks in recent weeks, Tesla's market capitalization has fallen by almost $300 billion since its Jan. 26 record high to $550 billion, moving behind Facebook Inc, which it overtook in December after joining the S&P 500.

Tesla shares fell over 4 per cent on Monday and were down almost 35 per cent from their peak on Jan. 26. The ARK Innovation ETF, which has 10 per cent of its assets invested ark-funds.com/arkk#holdings in Tesla, fell 6 per cent.

Elon Musk

Technology and other growth stocks have fallen broadly since Feb. 12, when the Nadsaq closed at its most recent record high. However, Tesla's decline during that time has been much deeper than Wall Street's other heavyweights.

Tesla's surge in recent months is rooted in expectations it will expand car production quickly and profitably. The stock's latest dip follows a tweet by Chief Executive Elon Musk on Saturday that an update on Tesla's planned Cybertruck pickup would likely be provided in the second quarter. Musk unveiled the Cybertruck in 2019.

The most volatile among Wall Street's largest companies, Tesla's shares have fallen by amounts similar to or greater than the current selloff twice since early 2020. The stock slumped over 60 per cent in February and March last year, when the coronavirus pandemic shocked global markets. After soaring to new highs in August, it dropped 33 per cent before resuming its meteoric rise.

German exports rise in January on brisk China trade

REUTERS, *Berlin*

German exports unexpectedly rose in January, buoyed by robust trade with China in a positive start to the year for manufacturers in Europe's largest economy.

Seasonally adjusted exports increased 1.4 per cent on the month after an upwardly revised increase of 0.4 per cent in December, the Federal Statistics Office said on Tuesday. Imports fell 4.7 per cent after showing no change in the prior month, an upward revision.

A Reuters poll had pointed to a 1.2 per cent drop in exports and a 0.5 per cent fall in imports. January's 1.4 per cent increase in exports far surpassed even the most optimistic forecast. The trade surplus grew to 22.2 billion euros. On the year, exports to China rose by 3.1 per cent.