Expand stimulus funds

Businesses demand in pre-budget meeting

Star Business Report

Business leaders yesterday urged the government to expand the size of its stimulus packages as trade and economic activities continue to suffer amid the ongoing onslaught of Covid-19.

Entrepreneurs also asked for necessary steps to be taken to ensure that small and medium enterprises easily get loans from the stimulus packages.

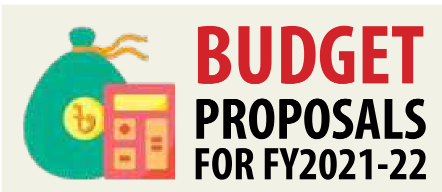
These pleas were made at a virtual discussion with Finance Minister AHM Mustafa Kamal.

The meeting was attended by the leaders of 12 trade bodies, including the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Metropolitan Chamber of Commerce and Industry, Dhaka Chamber of Commerce and Industry, Bangladesh Garment Manufacturers and Exporters Association.

The finance ministry organised the event to know the views and recommendations of entrepreneurs ahead of formulating budgetary measures for fiscal year 2021-22, which begins in July.

At a virtual press briefing after the meeting, Kamal said that businesses also demanded an increase in the size of stimulus funds for some sectors.

Suggestions also came for the inclusion of some new sectors in the stimulus fund.



Since coronavirus was first detected in Bangladesh in March last year, the government has announced Tk 124,000 crore stimulus funds for 23 sectors, mainly large businesses, exporters, small and medium enterprises, farmers, micro business and low-income people.

Of the amount, banks have been given the responsibility to distribute more than Tk 80,000 crore in the form of soft loans. The total package accounts for more than 4 per cent of the country's gross domestic product.

Kamal said it depends on Prime Minister Sheikh Hasina whether the government would extend the time frame for businesses to avail funds from the stimulus.

He also said that the premier took all the decisions of announcing stimulus packages last year.

"We only implemented those on her behalf," he said, adding that the prime minister might consider if there is any scope to widen the coverage of stimulus and extend the period for businesses to access the low-cost fund.

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Small businesses were hit hard by the new restrictions on people's movement to curb the spread of coronavirus. PHOTO: STAR

GSP Plus threshold needs to be negotiated: expert

Star Business Report

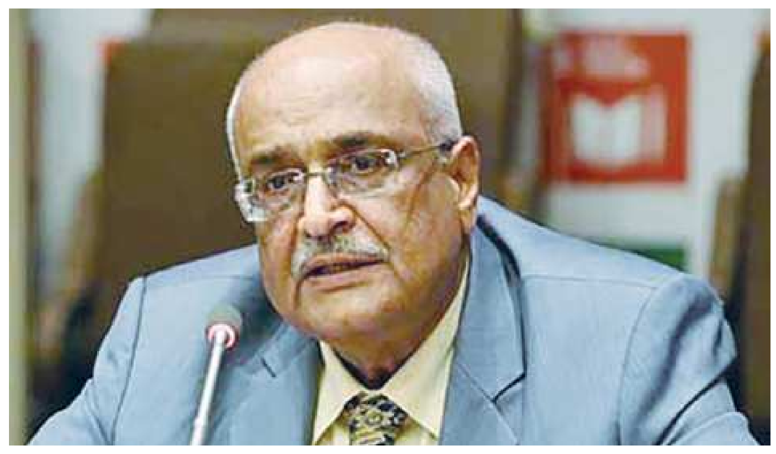
Bangladesh needs to negotiate with the European Union (EU) over the trade threshold for enjoying the Generalised System of Preferences (GSP) Plus once it graduates from the least developed country category, said a noted economist on Wednesday.

The EU's GSP Plus status allows countries duty-free export to the trade bloc. To be eligible, a country cannot account for over 7.4 per cent of the EU's annual imports.

However, Bangladesh has already crossed the threshold and it is already at 26 per cent now, said Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue (CPD).

Debapriya was presenting a keynote paper on "LDC Graduation of Bangladesh: Are We Ready for GSP+?" at a webinar organised by the Bangladesh German Chamber of Commerce and Industry (BGCCI).

Bangladesh's ambassador to Germany, Mosharraf Hossain Bhuiyan, said some 61 per cent of the country's export was destined for the EU, for which the GSP Plus was very important, according to a BGCCI statement.



Debapriya Bhattacharya

He suggested signing a free trade agreement to enjoy the duty-free benefit after 2029 as the local exporters would face an 8.7 per cent duty in the absence of either the GSP Plus or a free trade agreement.

Compliance with labour and environment issues is needed to secure the GSP Plus, said Ahsan H Mansur, executive director of the Policy Research Institute (PRI).

Negotiation capacity at the ministry level was weak, which is one of Bangladesh's biggest problems, and so the country needs further development in this area, he said.

Faruque Hassan, president-elect of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said Bangladesh exported $34.13 billion worth of readymade garments in fiscal 2018-19.

Of it, $25 billion worth of export enjoyed duty-free market access to different countries for Bangladesh being a least developed country, he said.

This means 73 per cent of Bangladesh's export is entitled for duty-free access which will face new tariff regime as soon as Bangladesh officially enters into the higher middle income category, he said.

Md Fazlul Hoque, former president of the Bangladesh Knitwear Manufacturers and Exporters Association, said they need mainly to focus on keep the single transformation status valid as long as possible.

He also said Vietnam was Bangladesh's prime competitor and they were set to get duty-free access to the EU, which would have a double impact on Bangladesh's export.

BGCCI President Omar Sadat, Hafizur Rahman, director general of WTO Cell under the commerce ministry, Faiyaz Murshid Kazi, director general (West Europe & EU) under the foreign affairs ministry, and Zafar Sobhan, editor of Dhaka Tribune, also spoke.

Telenor, Axiata in talks to merge Malaysian operations

Star Business Desk

Telenor Group and Axiata Group Berhad are in advanced discussions about a potential merger of their Malaysian mobile operations Digi and Celcom, Telenor said yesterday.

The merged company will be named Celcom Digi Berhad, the Norwegian company said in a press release.

"Telenor and Axiata will work towards finalising agreements in relation to the proposed transaction within the second quarter of 2021 following due diligence," it added.

Both parties will have an equal ownership of 33.1 per cent each in the new company, which is expected to be a leading provider of telecommunication services in the Southeast Asian country, with competence and scale to meet increasing expectations and demand from a digitally connected society.

The parties aim to create a leading telecommunication service provider in Malaysia with the capabilities to drive research and innovation and facilitate a platform for accelerated digital growth in the local ecosystem.

A progressive digital economy is important to Malaysia's future economic resilience and competitiveness, and the merged company will be well-positioned for delivering industry innovation, high-quality connectivity and a diversified value proposition to the customers, Telenor said.

"The proposed merger represents an important milestone in Telenor Group's strategy to strengthen its Asian presence and create value in the region," said Jørgen C Arentz Rostrup, executive vice-president and head of Telenor Asia.

"The new entity will have the size and financial capabilities to support Malaysia's digital aspirations and lead industry development in a connected society. We look forward to partnering with Axiata to realise the potential of the new company."

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GLOBAL BUSINESS

Tesla scouts for showroom space in India, hires executive for lobbying

Reuters, New Delhi

Tesla Inc is scouting for locations to open showrooms in three Indian cities and has hired an executive to lead its lobbying and business efforts ahead of its planned entry into the country, sources familiar with the discussions told Reuters.

The electric-car maker in January registered a local company in India, where it is expected to import and sell the Model 3 sedan by as early as mid-2021, seeking to target rich customers in a niche market.

The world's most valuable automaker by market capitalisation is looking for commercial properties as large as 20,000-30,000 square feet each to open showrooms and service centres in the capital New Delhi, financial hub Mumbai in the west and tech city Bengaluru in the south, three sources said.

Separately, Tesla has recruited Manuj Khurana, a former executive of India's investment promotion body Invest India, in the first major hire to lead its policy and business development efforts in the country, two other sources said.

Tesla did not respond to a request for comment, while Khurana declined to comment.

Tesla CEO Elon Musk

In October, Tesla CEO Elon Musk said on Twitter the company will enter India in 2021 "for sure", though the billionaire had issued similar tweets in the past.

The search for showroom space and Khurana's appointment signal Tesla is moving faster.

Global property consultant CBRE Group Inc - hired for the showroom searches by Tesla - has been surveying places for several weeks and is focussing on locations which will give the company easier access to affluent customers, sources said.

Some luxury car showrooms in upmarket areas of metro cities are typically between 8,000-10,000 square feet, but most showrooms are far smaller in India where high-end real estate space is usually in short supply and property prices in New Delhi and Mumbai are among the highest in the world.

"If you look at Tesla's showrooms globally, they are like experience centres. It would look at replicating that with some modifications for the Indian market," said one of the sources, all of whom declined to be identified as the talks are private. CBRE said it does not comment "on work we may be doing on behalf of our clients".

Khurana has previously been on a government panel on the future of transportation led by Prime Minister Narendra Modi's top scientific adviser. In his new role, he is also handling Tesla's market-entry process in India, two sources said.

But India isn't likely to be an easy market to crack for Tesla.

High stakes at sea in global rush for wind power

Reuters, London

Global competition for offshore wind power is so hot that licence auctions now resemble the oil and gas competitions of just a few years ago, and some of the names are familiar too as global oil majors move aggressively into renewable energy.

The drive among top fossil fuel producers to make fast inroads into lower-carbon businesses comes as more and more countries roll out plans to boost wind power in an effort to reduce their carbon footprint.

The oil majors, with deep pockets, are willing and able to pay up for a foothold in the market, even though margins are much smaller than for their traditional operations.

At a leasing round held by the Crown Estate earlier this year for seabed options around the coast of England, Wales and Northern Ireland, BP and German utility EnBW paid a record price to secure two sites, representing 3 GW.

A general view of the Walney Extension offshore wind farm operated by Orsted off the coast of Blackpool, Britain. REUTERS/FILE

The cost of securing sites to develop has risen to levels that some top wind farm operators say are unsustainable and which will hurt consumers by driving up power prices.

Governments worldwide are expected to offer a record number of tenders for offshore wind sites and capacity this year, with more than 30 gigawatts (GW) on the block.

That is almost as much as total existing global wind capacity of 35 GW, and the tenders are shaping up to be the most competitive ever.

Several European oil firms including Total, BP and Shell plan to rapidly increase their renewable power portfolios, reducing reliance on oil and gas to satisfy investors who want to see viable long-term low-carbon business plans and governments which are demanding reductions in emissions.

Developers pay an annual option fee prior to taking a final investment decision (FID), which in the case of BP and EnBW will amount to around 1 billion pounds ($1.38 billion) made in four annual payments of 231 million pounds for each of the two leases.

Traditional offshore wind developers, Iberdrola, Orsted and SSE all confirmed to Reuters they had been unsuccessful in the leasing round.

The previous Crown Estate offshore round was held more than a decade ago when the market was a fraction of its current size and structured without option fees, an added cost developers will now have to recoup.

IMF renews message to China: boost consumption

AFP, Washington

China is seeing a strong recovery from the Covid-19 crisis but now should use its financial heft and shift its focus to boosting its own consumers, a top IMF official said Wednesday.

That comment renews the International Monetary Fund's longstanding pre-pandemic message to Beijing to change its model away from one dominated by exports and massive government projects.

Before Covid-19 shutdowns upended international commerce and threw the world into the worst peacetime crisis in a century, the Washington-based lender had long warned that China's massive export program and huge trade surpluses were causing imbalances in the global economy.

"Importantly, going forward, China can use fiscal policy, to facilitate the transformation to a new growth model ... that relies less on investment in public infrastructure, relies more on private consumption," said Vitor Gaspar, director of the IMF Fiscal Affairs Department.

REUTERS

A man walks past a colour-coded sign which indicates the vaccination rate at a business is below 40 per cent, part of a campaign to urge people to get vaccinated against the Covid-19, in Beijing on April 7.

In addition, he told reporters that "strengthening social safety nets in China and reforming the tax system are important opportunities for progress. "Beijing has provided strong government support throughout the pandemic and is on track "in 2021 to be one of the fastest growing economies in the world" with the IMF forecasting growth of 8.4 percent this year. "Clearly China has fiscal space (and) should maintain flexibility in fiscal policy and avoid withdrawing fiscal support prematurely," Gaspar said at a briefing on the fund's Fiscal Monitor report.