



Now that Eid-ul-Azha is around the corner, tea vendors near the Gabtoli cattle market, the sole permanent one in Dhaka, have diversified their business to sell ropes, bells and various trinkets used to decorate sacrificial animals. The photo was taken on Sunday.

PHOTO: PRABIR DAS

China casts shadow over emerging nations' chase for debt relief

REUTERS, London

From a \$360 million project to expand Zambia's international airport in Lusaka to a \$1.4 billion city port in Sri Lanka's capital of Colombo, China is the missing piece in the puzzle of a number of debts talks under way in developing markets.

The second-largest economy and the biggest bilateral creditor in the world is a dominant lender to many smaller, riskier developing nations. But Beijing has kept a low profile, not only on lending conditions but also on how it renegotiates with borrowers in distress.

That became more evident after the Covid-19 pandemic hit. Many economies buckling under economic strain are seeking debt relief.

Now, the pressure is rising on China to take a more active role in helping strained economies overhaul their debt burdens. Leaders of the Group of Seven rich democracies on Tuesday called on China specifically when urging creditors to help countries.

Poorest countries face \$35 billion in debt-service payments to official and private sector creditors in 2022, with

over 40 per cent of the total due to China, according to the World Bank. But analysts say the International Monetary Fund (IMF) and World Bank premise of fair burden-sharing in debt relief talks could set them on a collision course with China, putting the prospect of comprehensive debt restructurings into question.

"Chinese 'Belt and Road' money is everywhere - so we will see this over and over in sovereign debt restructurings," said Dennis Hranitzky, head of sovereign litigation at law firm Quinn Emanuel. According to Beijing, the Belt and Road Initiative unveiled in 2013 is a platform for international cooperation in infrastructure, trade, investment and financing linking China with other parts of Asia, the Middle East, Europe and Africa. China's foreign ministry and central bank did not respond to requests for comment.

Zambia and Sri Lanka are test cases on how fast debt talks evolve. Both also need to restructure with overseas bondholders and hammer out IMF programmes.

"China's engagement on debt talks

is not in the hands of the IMF nor governments," said Polina Kurdyavko, head of emerging markets at BlueBay Asset Management in London. "Bringing China to the negotiating table in a timely manner could be the biggest challenge in the upcoming debt restructurings."

Chinese lending is mostly extended by state-controlled agencies and policy banks and is often opaque.

A working paper of the National Bureau of Economic Research in the United States found half of the 5,000 loans and grants extended to 152 countries from 1949 to 2017 have not been reported to the IMF or the World Bank, despite China being a member of both multilaterals.

"Opacity is a recurrent problem with some of these Chinese loans," said Matthew Mingey, senior analyst with Rhodium Group, adding China had stricter confidentiality clauses on its commercial loans.

Data compiled over three years by AidData, a U.S. research lab at the College of William & Mary, found terms of Chinese state-owned banks' loans

require borrowers to prioritise them for repayment.

Examinations of 100 Chinese loans with 24 low- and middle-income countries showed - when compared to those of other bilateral, multilateral and commercial creditors - demands for an unusual level of confidentiality, in some cases, "even the fact of the contract's existence", the study led by Georgetown Law professor Anna Gelper found.

Where China has agreed to ease debt burdens, details are often unclear.

The plethora of Chinese lenders also adds to complexity, though Export-Import Bank of China and the China Development Bank feature most heavily.

"When it comes time to renegotiate, individual Chinese banks may not necessarily have an idea of what other Chinese banks are doing," said Mingey. Progress has often been slow.

Zambia is seeking relief on \$17 billion of external debt after becoming the first Covid pandemic-era default more than two years ago. Some of the slow progress is due to China's lack of experience with tricky debt restructurings, people familiar with the matter say.

Dhaka Bank focuses on SMEs

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The ratio of non-performing loans in the bank stood at 3.32 per cent in December, way lower than the industry average of 7.93 per cent.

"This reflects our strong corporate governance practices. We have never compromised on corporate governance," said Sarker, who established Purbani Group in 1973.

"Delinquent borrowers frequently show their dissatisfaction after failing to manage loans from us."

Sarker takes pride in the fact that the board does not intervene in the day-to-day running of the bank, which has paved the way for Dhaka Bank to strengthen its position in the market.

Over the years, the bank won the heart of depositors

thanks to sound corporate governance.

Deposits stood at Tk 23,041 crore last year, up 12 per cent year-on-year.

"We strongly believe that loans should be disbursed complying with banking rules as the funds belong to depositors," Sarker said.

He describes customers as the main strength of Dhaka Bank, saying they play a major role in strengthening its financial health.

But the situation was completely different when Sarker and others planned to set up a bank in the 1980s, the industrialist recalled.

"The public faced lots of trouble and had to spend hours in queues at branches while securing banking services at that time," said Sarker.

The disappointing customer service prompted him to come up with the idea of establishing Dhaka Bank. He was the founder chairman of the bank.

Sarker also touched upon some issues confronting the financial sector.

He termed right the central bank's decision to discourage the imports of non-essential items to tackle the ongoing foreign exchange pressure in the banking sector.

He suggested the central bank make the lending rate cap flexible and follow a floating exchange rate.

"The economy is strong enough to maintain a flexible lending rate. We should follow the free-market economy in line with global standards," Sarker added.

Govt allows rawhide

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can also take the help of the Bangladesh Small and Cottage Industries Corporation in preserving rawhides and thereby get better prices, he said.

The government has been allowing export of rawhide from sacrificial animals over the last three years to create demand so that the valuable goods do

not end up being discarded for a lack of good prices.

Over the last couple years, thousands of pieces of rawhides of sacrificial animals were discarded across the country after seasonal traders failed to ensure adequate prices.

Eid accounts for some 50 per cent of the rawhides the country generates in a year.

Iran, Russia and Turkey

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nations after invading Ukraine, was reported to have already asked Iran in May to supply it with key components it could no longer access.

As sanctions bite, the proposed cooperation on automobile construction between the three nations could progress rapidly, Najafi-Manesh said.

"This idea can be realised very soon," he said.

"Manufacturing all the parts of this car... avoiding currency transfers to provide spare parts, and the existence of export markets are among the advantages of such a project." He added that the idea was first floated by Turkey and that Russia was "interested".

Iran has also suffered under stringent economic sanctions, reimposed by the United States in 2018 after Washington unilaterally pulled out of a deal with world powers on Iran's nuclear programme.

Western carmakers have ventured into Russia to assemble cars over

the past two decades as the country's economy expanded.

But since Moscow sent troops into Ukraine in February, numerous car makers have stopped sales of their cars or parts to Russia - including Audi, Honda, Jaguar and Porsche.

Makes that have halted Russian production include BMW, Ford, Hyundai, Mercedes, Volkswagen and Volvo.

Iran and Turkey share a land border, while Russia shares a maritime border with Iran and Turkey across the Black Sea and Caspian Sea respectively.

Turkey already exports more than \$12 billion worth of automobile spare parts annually, while Iran was ranked the 19th largest automaker in the world in 2021, according to the International Organization of Automobile Manufacturers.

Based on OICA data, Iranian automakers produced 894,298 vehicles in 2021, IRNA reported.

Western firms struggle

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But Paulig is one of a relatively small number that have sold assets or handed over the keys to local managers. A Reuters tally shows fewer than 40, including McDonald's Societe Generale and Renault, have announced deals.

Interviews with half a dozen executives at companies who have divested assets show the complexity and uncertainty of selling at speed and hefty discounts - and why it may be taking many so long.

The obstacles are huge: confusion has swirled over what the Kremlin would allow foreign companies to do; staff are nervous after government threats

of retaliation; sanctions have limited the pool of buyers and there is little time to check them out; sales prices have been steeply discounted; and negotiations are being done virtually because fears of reprisals make it too risky to visit Russia in person.

With Moscow preparing a new law that is expected to come into force soon allowing it to take control of the local businesses of Western companies that decide to leave, the stakes are getting higher.

"If you haven't started the process already or if you still have doubts about it, then it's going to get harder," Ladau told Reuters, speaking before Putin's

swoop on the Sakhalin oil and gas project.

"Russia has no interest in letting foreign companies out of the market easily." Many Western firms have run into problems trying to leave.

Burger King halted corporate support for its Russia outlets in March, but the fast-food chain's roughly 800 restaurants are still open. Lawyers say part of the problem is the complexity of its joint venture-style franchise agreement.

UniCredit has disposed of some assets via swaps but has had to widen the search for potential buyers to countries such as India, Turkey and China.

City Bank, IFAD Group sign deal

STAR BUSINESS DESK

City Bank signed an agreement with IFAD Group to avail Citygem priority banking facilities.

Sheikh Mohammad Maroof, additional managing director of City Bank, and Taskeen Ahmed, group deputy managing director of IFAD Group, inked the deal at the IFAD Tower in Tejgaon, Dhaka yesterday, a press release said.

Md Arup Haider, head of retail banking at the bank, Mohammad Mahmud Gony, head of commercial banking, Fahria Huque, head of Citygem priority banking, Hasan Uddin Ahmed, head of employee banking, were present.

Euro near 5-year low vs dollar

REUTERS, London

The euro flattened on Monday, staying near a five-year low against the US dollar, as investors sought safety in the greenback amid worries about slowing global growth.

The war in Ukraine and its economic fallout, in particular soaring food and energy inflation, has been a major drag on the euro, which has weakened more than 8 per cent against the dollar this year. The difference between the European Central Bank and the US Federal Reserve response to higher inflation has also weighed on the euro.

Data on Friday showed euro zone inflation surging to another record, adding to the case for the ECB to raise interest rates this month.

Jeremy Stretch, head of G10 FX strategy at CIBC said he expected headwinds on the euro to persist as the ECB is set to hike rates on July 21 by "a mere 25 basis point".

"ECB action remains moderate when compared with a 75bps Fed hike," he said. "Beyond ECB monetary policy discussion, the primary European Union risk variable relates to the energy sector."

ECB to push climate-friendly investments

AFP, Frankfurt

The European Central Bank on Monday unveiled plans to integrate climate change into its monetary policy in a bid to encourage eurozone businesses to pay more attention to their environmental impact.

The steps by the ECB's governing council "aim to better take into account climate-related financial risk" and "support the green transition of the economy in line with the EU's climate neutrality objectives", the central bank said in a statement.

Under the new plans, the ECB will aim to "gradually decarbonise corporate bond holdings" from October 2022, shifting them towards issuers with better climate performance.

This will be measured through indicators such as lower greenhouse gas emissions, more ambitious carbon reduction targets and better climate-related disclosures, the ECB said.



Towfika Aftab, chairperson of Citizens Bank PLC, inaugurates the bank's commercial operations through its principal branch in Motijheel, Dhaka on Sunday. Masuduzzaman, Mohammed Iqbal, Mukhleshur Rahman, Sk Md Iftekarul Islam, Shafiqul Hoq, directors of the lender, and Mohammad Masoom, managing director, were present.

PHOTO: CITIZENS BANK PLC



Mohammed Yunus, chairman of Shahjalal Islami Bank, virtually presides over the bank's 342nd board meeting recently. Mohiuddin Ahmed and Mohammed Golam Quddus, vice-chairmen of the bank, Anwer Hossain Khan, Md Sanaulah Shahid, Abdul Karim, Abdul Halim, Akkas Uddin Mollah, Khandaker Sakib Ahmed, Md Towhidur Rahman, AK Azad, Md Moshir Rahman Chamak, Jabun Nahar and Fakir Mashrikuzzaman, directors, Md Masud, alternative director, Ekramul Haque, KAM Majedur Rahman and Nasir Uddin Ahmed, independent directors, and M Shahidul Islam, managing director, were present.

PHOTO: SHAHJALAL ISLAMI BANK



Mohammed Rabiul Hossain, managing director of Uttara Bank Ltd, inaugurates the bank's relocated foreign exchange branch on Dilkusha Road, Motijheel in Dhaka on Sunday. Maksudul Hasan, Md Abul Hashem, and Md Ashraf-uz-Zaman, deputy managing directors of the bank, were present.

PHOTO: UTTARA BANK