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HSBC to launch Female Entrepreneur Fund today

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As part of HSBC's global commitment to supporting female entrepreneurs, Hongkong and Shanghai Banking Corporation (HSBC) will launch the "Female Entrepreneur Fund (FEF)" in Bangladesh today.

The aim of the programme is to promote financial inclusivity for women entrepreneurs in Bangladesh through the FEF initiative by supporting: financial literacy, networking, and financing, a press release said.

Of HSBC's clientele base - female led corporates, NGOs that help and promote female entrepreneurship, female led startups and some selected non-customer groups and individuals will be eligible to participate in the programme.

"Finance has a pivotal role to play as a catalyst for change and, through programmes such as the Female Entrepreneur Fund, we are taking strides to bring financial independence and inclusivity to the communities that we operate in,"said Kevin Green, country head of wholesale banking at HSBC Bangladesh.

"This initiative will help us to connect our customers and communities with opportunities for growth."

After a successful launch in 11 markets, Bangladesh will join a number of markets in Asia to the coverage of the programme.

India cuts fuel export taxes

REUTERS

India has cut fuel export taxes for the second time in less than two weeks and increased a windfall tax on locally produced crude oil, a government notification on Tuesday said.

India cut export taxes on jet fuel to zero from 4 rupees per litre and diesel to 5 rupees per litre from 11 rupees per litre, the finance ministry notification said.

The changes will be effective from Wednesday.

India, which is the world's third largest oil importer, on Tuesday also raised the tax on domestically produced crude to 17,750 rupees ($226.14) per tonne from 17,000 rupees per tonne, the government notification said.

With food inflation hitting hard the world over, the government of Bangladesh is planning to purchase soybean oil from foreign sources so that it can be supplied to low-income groups in the country at subsidised rates. PHOTO: STAR/FILE

Govt to buy 3.3cr litres of soya oil from foreign firms

STAR BUSINESS REPORT

The government plans to purchase 3.30 crore litres of soybean oil from two foreign refiner companies at a cost of Tk 136 per litre so that it can supply the key cooking ingredient to low-income families at subsidised rates.

The state-owned Trading Corporation of Bangladesh (TCB) will procure 2.20 crores litres of soybean oil from Polaska Spzoo Food Stuff Trading LLC of the United Arab Emirates through the company's local agent, Shan Trading Limited.

Another 1.1 crore litres of the oil will be bought from Haque Group, a local agent of Canada INC. The purchase has been approved in the direct procurement method at a cost of Tk 449 crore without issuing any tender.

The Cabinet Committee on Government Purchase (CCGP) at a meeting with Finance Minister AHM Mustafa Kamal in chair approved the proposal yesterday, according to a statement from the finance ministry.

The government has moved forward with this plan as they have already started to sell essentials to one crore low-income families countrywide through TCB cards at subsidised rates.

In the current phase, low-income groups would be able to buy two litres of soybean oil at Tk 110 per litre as the government will give a subsidy of Tk 26 per litre.

In the meeting, the CCGP approved the purchase of 30,000 tonnes of bagged granular urea fertilizers in the second phase from Kafco Bangladesh at a cost of Tk 157.32 crore.

The Bangladesh Chemical Industries Corporation (BCIC) under the industries ministry will import each tonne at a cost $557.87 while its previous price rate was $567 per tonne.

The BCIC will then purchase 30,000 tonnes of bulk granular urea fertilizers from the SABIC Agri-nutrients Company of Saudi Arabia in the third phase at a total cost of Tk 158.15 crore. Earlier, the price was 597.5 per tonne.

Meanwhile, the Cabinet Committee on Economic Affairs approved in principle two proposals for state-to-state fertilizer imports.

Under these contracts, BCIC will procure 3.6 lakh metric tonnes of urea fertiliser from Fertiglobe Distribution Ltd in the UAE and Qatar while the Bangladesh Agriculture Development Corporation (BADC) will import one lakh tonnes of MOP fertiliser from Falco General Trading LLC in the UAE.

However, to begin imports by stretching prices, the two proposals will need final approval from the CCGP.

In response to a query on the flow of remittance through the Hundi market, Finance Minister Kamal said that he does not have an exact idea about it.

"When I was the planning minister, we conducted a study on it and found that around 49 per cent of the remittance usually comes through hundi," he said.

"We now offer incentives to increase the flow of remittance through official channels," Kamal added.

The finance minister then said that a large amount of black money is generated in the country due to the existing system.

But in the current budget, the government allowed citizens who have cash squirrelled away in foreign shores to bring them back home by paying 7 per cent tax.

Kamal believes that through this initiative, the government will bring back handsome amounts to the country.

Russian firm to fill gap left by Coke, Pepsi

REUTERS, *Moscow*

As the world's biggest soft drinks makers cut their Russian ties, local producer Chernogolovka is aiming for a 50 per cent share of the country's near $9 billion market, its boss told Reuters.

A mass exodus of Western firms due to sanctions and restrictions over Russia's actions in Ukraine has created an unexpected opportunity for Russian businesses and entrepreneurs.

Chernogolovka, named after the town outside Moscow where it was founded in 1998, makes snacks, bottled water, herby lemonades, energy drinks and, since May, Cola Chernogolovka.

The privately-owned company is more than doubling its business this year, its CEO Natalia Sakhnina said in an interview, and expects to reach a 30 per cent market share within two years, up from around 8.5 per cent at the end of 2021.

"We were, are and will be the main Russian producer of drinks," Sakhnina said. "We hope and are working on gaining absolute leadership in the Russian market." Revenue in Russia's non-alcoholic drinks market totals $8.8 billion, according to data provider Statista.

Although fizzy drinks made by Coca-Cola and PepsiCo are still available in Russia, they are set to disappear over time as existing stocks are run down, leaving local manufacturers to step in.

PepsiCo suspended soda production and sales in Russia in March, one of many Western consumer brands to curtail operations after Russia sent troops into Ukraine.

Coca-Cola also suspended operations in March. In June, it said bottler Coca-Cola HBC AG and its existing customers in Russia were depleting stock.

Chernogolovka has almost doubled volume in the southern city of Krasnodar and increased capacity by 50 per cent in Siberia's Novosibirsk so far in 2022 when compared to 2021, Sakhnina said.

How dollar became

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reserves in the 1960s, the government found it too expensive to maintain the promise.

The Bretton Woods system of fixed currency exchange rates tied to gold through the US dollar collapsed in 1971 because the global economy and its demand for safe assets outgrew the available supply of bullion.

However, the dollar maintained its prominence and rose as a major global currency after the Nixon administration struck a deal with Saudi Arabia in 1974 that the oil-rich country would trade oil in dollars. Since then, Saudis have only traded oil in dollars, according to a Wall Street Journal report in March.

The dominance of the US dollar can be realised if some data on global finance is analysed.

Financial magazine The Economist, in 2015, said the United States accounts for 23 per cent of the global GDP and 12 per cent of merchandise trade.

Yet about 60 per cent of the world's output, and a similar share of the planet's people, lie within a de facto dollar zone, in which currencies are pegged to the dollar or move in some sympathy with it.

As of 2020, the US had $2.04 trillion in circulation. As much as half that value is estimated to be in circulation abroad, according to The Balance, an online journal.

In the foreign exchange market, the dollar rules. Around 90 per cent of forex trading involves the US dollar.

The dollar is just one of the world's 185 currencies according to International Standards Organisation List, but most of these currencies are only used inside their own countries, The Balance said.

Almost 40 per cent of the world's debt is issued in dollars. As a result, foreign banks need a lot of dollars to conduct business.

The Economist said one of the oddities of globalisation is that although America's trade footprint has shrunk, its monetary footprint has not. When the Fed changes course, trillions of dollars follow it around the world.

With the rise of some economies, Japan, Switzerland, the European Union, China, and Russia all tried several times to introduce their own currency as the reserve currency but failed.

Economists, businesses, traders, political leaders and experts said most of the people in the world still trust and have belief in the US treasury system and the US Federal Reserve for its global standard of ethics and smart management of the dollar and financial system.

As a result, many rising currencies could not be turned into reserve currency for other countries despite several attempts.

In March 2009, China and Russia called for a new global currency. China wanted its currency to be fully traded on the global foreign exchange markets.

In 1995, the Japanese yen and the Deutsche mark of Germany tried to take the place of the global reserve currency as the value of the two currencies were rising.

Businesses for using multiple currencies

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Bangladesh imports industrial raw materials, intermediate goods, spare parts, cotton, machinery, chemicals, and woven and knitted fabrics worth $15 billion a year.

Products worth $10 billion come from India.

According to Islam, using other currencies in international trade is for a temporary period, not permanently.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, echoed Islam.

"There is nothing wrong with the currency convertibility in the RMB. It can be done for a temporary period to save the economy. The RMB can be an option to keep the supply chain stable."

Textile millers are one the largest importers of Chinese products.

"We want the central bank to introduce the RMB as the second option for international trade because we import a lot of goods from China," said Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association.

A lot of the RMB should be kept in the vault of the central bank to use them in times of emergency, he said.

"Exporters will not lose any penny even if the RMB is used as the US dollar will determine the exchange rate," he added.

Md Shahidullah Azim, senior vice-president of the Bangladesh Garment Manufacturers and Exporters Association, says the RMB can be introduced as a test case.

He, however, favours the introduction of the Chinese currency only to settle import payments, instead of opening it for all other sectors.

Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry, said multiple currencies can be introduced for international trade transactions as the dollar has become dearer.

The RMB can be an option as Bangladesh has had an agreement with China since 2017 on the use of the currency, Rahman said.

He said Bangladesh imports nearly $15 billion worth of goods from China and exports about $1 billion worth of products.

So, the RMB can be used to settle import payments equivalent to at least $1 billion, said Rahman.

Should Bangladesh

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number of countries where the US dollar is essential to run their operations smoothly."

In principle, the idea of using multiple foreign currencies for international transactions and reducing the dependence on a single currency is fine, said Atiur Rahman, a former governor of the Bangladesh Bank. There are difficulties, especially in implementing the payment system, he said.

"The regulatory challenges will be huge as well. It will be difficult to trade between countries with substantial trade imbalances," he said, adding that a lot of arrangements regarding payments and settlements are needed involving banks and central banks.

Rahman thinks Bangladesh should not jump on this just because there is pressure on the reserve.

"At best, we can do experimentation using one or two banks to see how the system works. Our situation is not so dire that we will have to pull out of the existing system that is time-tested."

"And it will take time to replace the US dollar as the greenback is still very user-friendly."

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, thinks since Bangladesh is an import-depended nation, there are few options for the country to reduce its reliance on the US dollar.

Even, a currency swap might not be a cost-effective method arrangement for the country, he said.

"If we follow swap with the countries like China and India, Bangladesh will hardly benefit. We will have to face a hefty amount of interest in repaying the loans under the swap."

In the past, efforts were made to popularise the euro and the renminbi to counter the dominance of the USD.

Multiple currencies reduce the risk of sanctions. But there have to be inflows and outflows to enjoy the benefit of carrying out trade in multiple currencies, said Mamun Rashid, a treasury and economic analyst.

Currencies have to be convertible against each other. This means the taka could be traded directly against the Indian rupee or the renminbi. When that happens, exporters from Bangladesh could receive the currencies and settle imports against them as well.

"Otherwise, reducing dollar dependencies is difficult," said Rashid, who headed the treasury section at Standard Chartered and ANZ Grindlays Bank in Bangladesh.

Selim Raihan, a professor of economics at Dhaka University, backs the idea of a currency swap, saying a number of countries are already doing this. "But any currency swap is not a good idea at this volatile time in the global market."

According to Prof Raihan, Bangladesh can consider doing trade with countries and regions with their own currencies.

For example, the country can export goods to India in the rupee and clear the equal amount of import bills using the currency as well.

A similar process can be followed in the case of China, the biggest import source of Bangladesh.

Bangladesh exported $1 billion worth of goods to India and imported $8.5 billion from the neighbouring country in the fiscal year of 2020-21, according to BB data.

The nation exported $566 million worth of goods to China and imported $12.9 billion worth of items from the world's second-largest economy in the same year.

"We can also do the same for trade with the European Union. We must explore the opportunity," said Prof Raihan, adding that such arrangements could allow Bangladesh to reduce the demand for the US dollar by nearly $2 billion.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, argues that the use of the Chinese currency in trade instead of the US dollar will not yield much in saving the greenback.

"This is because the final convertibility will be done in the US dollar. So, the idea of using the RMB instead of the dollar is not feasible at this moment."

Similarly, a full currency swap is also not possible with both China and India, he said.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said the choice of the US dollar for price invoicing and payment settlements is an international convention.

"It could have been any other currency as long as it is generally accepted by all parties."

"What is important is everyone uses the same currency as a unit of account. Using multiple currencies would be a regression towards an unnecessarily higher transaction cost like the barter system."

Hussain says the Chinese renminbi is ascending as a currency for settling international payments, but it is not used as a unit of account by third parties nor considered a safe haven.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, said the BB does not have significant reserves of the Indian or Chinese currencies to carry out trades. "The availability of the currencies is a major challenge."

Bangladesh runs higher trade deficit with both India and China so it is not easy to trade in their currencies, he said.

"At maximum, we can trade in the currency only up to the amount that we export to these countries."

Md Serajul Islam, a spokesperson of the BB, says the central bank is observing the global situation and will decide depending on the situation.

India, Russia

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in the Indian rupee could be conducted and urged the Reserve Bank of India to allow them to invest in Indian assets in return.

Another mechanism being explored by both countries is that if there is a problem in converting India rupees into Russian rouble, some Russian banks can invest in Indian financial assets via a dedicated route to earn yields on the idle money.

Whatever is finalised as the final arrangement for payment, both sides are committed to ensuring that it bypasses the sanctions. With many European Union countries shunning Russian oil, India has ramped up its purchase at discounted prices.