

Direct cargo flight with South Korea takes off

STAR BUSINESS REPORT

TAD Logistic Limited, an international freight forwarder based in Dhaka, recently launched direct cargo flights from Bangladesh to South Korea for the first time to boost bilateral trade.

The cargo flight of Air Incheon of South Korea departed from the capital's Hazrat Shahjalal International Airport for South Korea on Saturday. The authorities have decided to operate two flights each week initially.

Md Ashikur Rahman Tuhin, managing director of TAD Group, said the cargo flights will help Bangladesh grow its export.

"We delivered our first direct cargo flight to South Korea within four hours," he added.

The maiden flight arrived at 7:15am on Saturday carrying pharmaceutical raw materials from South Korea before leaving Bangladesh with around 14 tonnes of products, including jackets and other garment items, at 8:15am the same day.

Major exports from Bangladesh to South Korea include leather and leather goods, apparel, fish and human hair.

"We hope we will soon be able to export a good amount of perishable goods from the country as the travel time is shorter on direct flights," Tuhin said.

"We are already getting a good response from clients and so, we are planning to expand the number of flights to five days a week based on market demand."

Bangladesh's readymade garment exports to South Korea could hit the \$1-billion mark in the current fiscal year thanks to the availability of direct flights and diversification of the export baskets, according to the Bangladesh Garment Manufacturers and Exporters Association, the trade body of the sector.



Bangladesh is not being able to take full advantage of its export potential because of insufficient logistics infrastructure, said Nihad Kabir, chairperson of the Business Initiative Leading Development.

PHOTO: STAR/FILE

Improve logistics for higher economic growth

Experts say at workshop

STAR BUSINESS REPORT

Bangladesh needs an efficient development policy for the logistics industry as inadequacies in the current infrastructure create hurdles for businesses and reduce the country's competitiveness and growth potential, according to experts.

"Bangladesh is not being able to take full advantage of its export potential because of insufficient logistics infrastructure," said Nihad Kabir, chairperson of the Business Initiative Leading Development (BUILD).

For example, the average speed of 90 to 95 per cent of goods laden trucks that ply the roads with import-export cargo is 19 kilometres per hour (kmph), which is much lower than the targeted 40 kmph.

"So, Bangladesh needs to put in place international level logistic services if we are to

continue competing in the global market," she said, adding that connectivity through railways and waterways in the country remains unutilised.

Nihad was speaking at the inaugural session of a two-day workshop on "Formulating National Logistics Development Policy for Bangladesh: Experience from Global Good Practices", jointly organised by the industries ministry, BUILD and World Bank Group at the InterContinental Dhaka yesterday.

She then said Bangladesh's garment sector has set an export target of \$100 billion, which will only be possible only if an effective logistic sector is established.

Other than the garment sector, other industrial sectors that are highlighted in the country's export policies need proper logistics to continue growing.

"So, the logistics industry holds importance for our economy,

which is growing at a high pace," Nihad added.

She went on to say that the highways and railroads need to be prepared for handling the country's economic activities when all 100 of its economic zones go into operation.

"We will not be able to handle this unless we have a proper framework that enables us to do that," Nihad said.

The workshop was a part of first public-private interaction forum, termed "Logistics Infrastructure Development Working Committee (LIDWC)", developed by the Prime Minister's Office (PMO) and BUILD in 2020 to overcome the logistics barrier for economic development.

On request from the PMO, LIDWC, under the industries ministry, prepared a draft "National Logistics Development Policy Framework" this year.

The two-day workshop was

organised to sensitize the participating public and private sector agencies on good global practices of logistics policies and nudge them towards a coordinated strategy to address the logistics bottlenecks, according to organisers.

About 10 ministries and more than 20 government agencies play roles in setting up policies and regulations, planning operating infrastructure and providing services and logistics.

Therefore, it is essential that there be good coordination to assure ease of doing business, reduce the cost of doing business and enhance trade affiliation to improve our logistics index, Nihad added.

Masrur Reaz, chairman of the Policy Exchange of Bangladesh, said a constitution of nodal agencies or ministries is needed for effective governance of the logistics sector.

MTB reappoints Mahbubur as MD

STAR BUSINESS DESK

Syed Mahbubur Rahman has recently been reappointed managing director and chief executive officer of Mutual Trust Bank (MTB).

He joined the MTB in November 2019. Prior to it, he was serving at Dhaka Bank in the same capacities, said a press release.

Rahman started his professional career as a monitoring officer at the Saudi Bangladesh Industrial and Agricultural Investment Company in 1988. He then went on to work at ANZ Grindlays Bank, Standard Chartered Bank, Citibank NA, Brac Bank and Prime Bank.

Rahman is now chairman of the Industrial and Infrastructure Development Finance Company, vice-chairman of Primary Dealers Bangladesh and Prothom Alo Trust, director of the Life Insurance Corporation of Bangladesh and BD Ventures, and a member of the board of trustees of CSR Centre.

He attained an MBA degree from the Institute of Business Administration of the University of Dhaka.



Singapore's bank DBS to open office in Dhaka

STAR BUSINESS REPORT

Singaporean bank DBS yesterday announced that it will be expanding its regional footprint with the establishment of a representative office in Dhaka.

With this, the bank now has international presence in 19 markets globally, the bank said in a statement.

DBS has been active in Bangladesh providing trade finance and advisory, in addition to arranging mandates in project investments, according to the statement.

The establishment of DBS Dhaka will provide further impetus to the bank's activities and greater market connectivity for DBS' customers globally, it said.

The bank has appointed Tahsina Banu as chief representative of DBS Dhaka.

A seasoned banker with more than 20 years of experience working in global banks in Bangladesh and the Middle East, Banu's banking experience spans business and support functions including wholesale banking, trade operations and risk management.

Tan Su Shan, DBS Group head of institutional banking, said: "As Singapore celebrates its 50th anniversary of establishing bilateral relationships with Bangladesh this year, it is an opportune time for DBS to invest in this rapidly growing market to build on the strength of our institutional and transaction banking franchise."

"In recent years, due to Bangladesh's strategic location, it has emerged as a strategic gateway and priority market for our clients who are tapping into intra-regional trade opportunities in South Asia and beyond. Our representative office is part of our commitment to support our clients in their expansion plans in this region."

IDRA asks insurers

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than Tk 500 crore must have at least three officers, said the IDRA notice.

Ala Ahmad, chief executive officer of MetLife Bangladesh, the only foreign insurance company in the country, says actuaries help in assessing financial risks, providing solutions to mitigate them and creating value from the opportunities.

They design insurance products and help insurers maintain financial stability against uncertainties. "Because of these vital skills and contributions, the actuarial profession enjoys respect and has demand globally," Ahmad said.

According to him, there is a lack of awareness about the role and potential of the actuarial profession.

To address the gap, MetLife Bangladesh is continuing a

scholarship programme where interested students are supported with education expenses and guidance from the company's in-house actuaries.

In the absence of an actuarial department, the assessment of life insurers is not up to the mark, industry insiders say.

As a result, the claim settlement ratio and the penetration of the insurance sector have been low in Bangladesh.

In 2021, the claim settlement fell to 68 per cent from 88 per cent the previous year, according to the Financial Stability Report of the Bangladesh Bank for 2021.

Last year, life insurance penetration, measured as the ratio of gross written premium to gross domestic product, was 0.5 per cent,

way lower than 0.94 per cent in 2010.

Actuarial society's fellowship or associateship examinations should be encouraged to provide incentives to students, said the IDRA.

A report citing the number of employees/students working in the actuarial department, subjects passed and salary allowances and examination fee assistance provided by the company should be submitted in June and December, it added.

Nasir Uddin Ahmed, the first vice-president of the Bangladesh Insurance Association, welcomed the decision.

"Insurance is a long-term business so determining assets and liabilities correctly is an important task. This reduces a company's risks and proper valuation brings sustainability to the business," he said.

Depositors' money

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commodities in the global market have skyrocketed in recent times, which is why businesses are requiring more greenbacks to buy the products than before, said Hussain.

"We have to ensure a balance between the inflow and outflow of dollars," he said.

There was no problem over importing any item during the pre-pandemic period but things are completely different now, he said.

Under such a situation, banks should open LCs considering the supply of the dollar, said Hussain.

On top of that, businesses avail short-term foreign loans amounting to around \$15 billion to \$18 billion just two to three years back, he said.

The loans have started to reach maturity, so there is pressure on the economy emancipating from the repayment of foreign funds, Hussain said.

In addition, many importers enjoyed deferral support to settle their LCs a year ago due to the business slowdown stemming from

the pandemic. Now time has come to make the import payments, creating an additional pressure on the foreign exchange reserves, he said.

The reserves stood at \$34.24 billion yesterday in contrast to around \$45 billion a year ago.

"We had no hint both about the pandemic and Russia-Ukraine war. So, the unexpected events have hit the economy all of a sudden. Against the backdrop, we should work together to tackle the situation," he said.

Banks are now spending their dollars based on the supply of the foreign currency and the current attitude of banks is completely appropriate, he said.

"We should revisit our financial programmes given the situations of the pre and post-pandemic times," he said.

Things have started to get better as banks have already stopped importing non-essential goods, he said.

Moreover, both Bangladesh Foreign Exchange Dealers' Association, an organisation of banks that implements foreign exchange-related

policies, and the ABB is now working jointly to tackle the volatility, he said.

Hussain went on to hope that the economy would turn for the better within the next couple of months due to recent measures taken by both banks and the BB.

Importers can defer

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Under the buyer's credit, foreign lenders make payments to suppliers for which they receive payments at the end of the loan maturity.

But the central bank has allowed deferring payments till June owing to the dollar shortage in the banking sector, said a Bangladesh Bank official.

The reserves stood at \$34.24 billion yesterday in contrast to around \$45 billion a year ago.

The latest instruction of the central bank will help banks get relief from the ongoing stress on the foreign exchange market, said the official.

Businesses, however, will have to convince the relevant foreign entities over the deferral, said the official.

H&M has big sourcing plan

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garment exports are cotton-based apparel and just 24 per cent are MMF.

Speaking at the event, Sharifa Khan, secretary of the Economic Relations Division, also suggested local manufacturers ship more garment items produced from MMF to secure better prices. She said Bangladesh has already secured five years as the transition period when it comes to duty benefits instead of three years supposed to be granted.

Another review is going on at the United Nations Conference on Trade and Development for further extension of the transition period. But she said Bangladesh is not expecting any further extension.

"Bangladesh has always been a resilient economy and we will need to stand on our own feet."

She suggested aligning the Generalised System of Preferences with the Sustainable Development Goals so that all the LDCs benefit.

The ERD secretary also alleged that international retailers and brands always put pressure on increasing conditions for local suppliers.

For instance, previously it was said that Bangladesh would have to comply with 27 international conventions to obtain the GSP Plus status in the EU market. Now, the number of conventions has been

raised to 32 conventions, said Khan.

Ahmad Kaikaus, principal secretary of the prime minister, said Bangladesh is the largest denim supplier to the United States despite a 16.50 per cent duty. "This indicates that the export of garments will not be affected after the LDC graduation."

Kaikaus also said a team from the International Monetary Fund (IMF) that visited the country recently did not come to rescue Bangladesh by providing loans.

Rather it was a regular visit and they wanted to know about the government's preparation for the LDC graduation, he said.

The IMF has agreed to provide \$4.5 billion in loans to Bangladesh.

The IMF team also did not attach any condition to the loan except for enquiring about the situation of the Export Development Fund (EDF), according to Kaikaus. The IMF has long been prescribing Bangladesh calculate and regularly publish the net foreign currency reserves.

The central bank currently shows gross foreign currency reserves by including \$7 billion of the EDF.

"LDC graduation is a challenge but it is possible to overcome it and grow," Kaikaus said.

Nazneen Ahmed, the country economist of the UNDP, said if Bangladesh can continue its

manufacturing growth even after the LDC graduation, it will not fall into the middle-income trap.

"The conventional country branding will not do. Branding should include all of the potential sectors," said Riaz Hamidullah, Bangladesh's ambassador to the Netherlands.

He called for using technology, innovation and design in products.

Asif Ibrahim, a director of the BGMEA, demanded signing trade deals with major trading partners to avail more market access after graduation.

In another session styled "Responsible Business Needs Global Alliance on Due Diligence - the Perspective of Manufacturers & the Western Buyers", Senior Commerce Secretary Tapan Kanti Ghosh said Bangladesh signed the Global Sustainability Compact a long ago that called for shared responsibility. But it is not discussed with importance, he said.

The senior secretary said Bangladesh has improved a lot in line with EU due diligence over the past decade. He is worried that the EU due diligence may be used as a non-tariff barrier.

The BGMEA and the Bangladesh Apparel Expo jointly organised the Made in Bangladesh Week, which ends tomorrow.

Global Islami Bank plunges

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Two other companies -- Navana Pharmaceuticals and Chartered Life Insurance Company -- which got listed in the last two months, registered an upward trend in their stock prices.

Both stocks closed over 9 per cent higher yesterday.

Initially operating as NRB Global Bank, the lender was renamed Global Islami Bank in December 2020.

It got the nod from the capital market regulator to raise Tk 425 crore in funds from the stock market

by offloading 42.4 crore ordinary shares through an initial public offering (IPO).

The Bangladesh Securities and Exchange Commission (BSEC) approved the IPO during a commission meeting held at its office in Dhaka in June.

LankaBangla Investments and Prime Bank Investments are the issue managers of the IPO. With the IPO proceeds, the bank said it would invest in the SME sector, government securities and stock market.

Its weighted average earnings per

share was Tk 1.08 for the last five years.

Following the direction of the central bank, the BSEC allowed the bank to allot 25 per cent shares for non-resident Bangladeshis.

The remaining 75 per cent of shares was divided -- 75 per cent going to general investors and 25 per cent to eligible investors.

The lender's profits dropped 18 per cent year-on-year to Tk 80 crore in the January-September period of 2021, according to the company's financial reports.