

Bangladesh's major trade bodies join global call for Red Sea safety



A view of Chattogram port, the premier seaport of Bangladesh. The country uses the Red Sea route to mainly export garment items to Europe and the US.

PHOTO: STAR/FILE

REFAYET ULLAH MIRDHA

Three of Bangladesh's major trade bodies have joined a global initiative calling on governments to collaborate in ensuring safe passage of commercial vessels over the Red Sea and deter a repeat of last December's attacks.

Iran-backed Houthis, who control much of Yemen but are not recognised internationally, had launched the attacks, saying it was to put pressure on Israel over its devastating war with Palestinian Hamas militants in the Gaza Strip, reports the AFP.

The attacks prompted major shipping lines to suspend travel across the Red Sea and adjoining Suez Canal, which basically connects Africa and Asia, and divert to a much longer route, around Africa's Cape of Good Hope.

The value of the diverted cargo is upwards of \$80 billion.

That's because some 30 percent of the world's trade, including critical items like food and agricultural products, energy, clothing, shoes, electronics, and

medicine, depend on the Red Sea route.

The diversion has added at least 2-3 weeks of travel and hundreds of thousands of US dollars in additional fuel and labour costs.

Bangladesh uses the Red Sea route to mainly export garment items to Europe and the US.

It is common for international retailers and brands to bear the carrying cost under a freight on board method.

There are very few local suppliers who pay the transportation cost under a cost and freight method.

Regardless, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and the Leathergoods And Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB) have joined the global initiative.

The initiative is in the form of an open letter issued by the American Apparel & Footwear Association (AAFA) and International Apparel Federation (IAF) on

February 8.

The letter urgently calls on countries to join, support, or align with wider cooperation to support safe and secure maritime commerce in the Red Sea and across the globe, according to an AAFA statement.

The initiative could be similar to Operation Prosperity Guardian, a multinational security initiative with at least 23 participating countries to date, said the statement.

The letter has so far drawn 105 global trade bodies and associations, whose members depend on safe and secure ocean shipping routes, as signatories.

"We are involved in this global initiative," said Faruque Hassan, president of the BGMEA.

BKMEA Vice-President Fazlee Shamim Ehsan said he also endorsed the initiative.

Because businessmen alone cannot bring any solution to the Red Sea crisis and it requires a combined effort of governments of countries. "We need safety and security for business and trade," he said.

Both Hassan and Ehsan are currently board members of the IAF.

"It is imperative that governments unite behind a zero-tolerance approach to deter attacks on commercial vessels and seafarers in the Red Sea, and anywhere in the world," said AAFA President and CEO Steve Lamar.

"The prosperity of millions of people who are employed in our industries and in the global maritime industry depends on safe and secure freedom of navigation," he said in the statement.

The consequences of these attacks extend beyond immediate financial losses. Route changes are causing port congestion, equipment shortages, and soaring shipping rates across the globe, all of which create inflationary impacts, read the statement.

Even shipping lanes on the other side of the world from the Red Sea are beginning to be adversely affected. Moreover, the alternative route becomes even more challenging during the Southern Hemisphere winter months, it added.

BRAC Bank gets new independent director

STAR BUSINESS DESK

BRAC Bank recently appointed a young law professional as an independent director to its board of directors, effective January 30, 2024.

The appointee, Anita Ghazi Rahman, will bring to the board a wealth of experience and a fresh perspective that promises to steer BRAC Bank to new heights in its journey of growth and excellence, the bank said in a press release.



With over 19 years of post-qualification experience in the legal domain, Rahman is a qualified barrister and advocate of both the High Court Division and the Appellate Division of the Bangladesh Supreme Court, specialising in company law, general corporate law, and dispute resolution.

Meheriar M Hasan, chairperson of the bank, welcomed Rahman to the board.

"As BRAC Bank navigates through a critical phase in its growth trajectory, it is imperative to have innovative and dynamic leadership. Anita's youthful energy and vast expertise and experience will provide invaluable guidance in shaping policy direction and outlining a future roadmap for the bank," said Hasan.

Rahman has lent her expertise as an independent director to the Chittagong Stock Exchange and holds a board position at bKash.

She is the founder and managing partner of The Legal Circle, a law firm, and the founder editor of Think Legal Bangladesh, an innovative web-based legal resource platform.

National Bank gets new DMD

STAR BUSINESS DESK

National Bank has recently appointed an official to the post of deputy managing director (DMD).



The official, Imran Ahmed, was working for Sonali Bank as general manager and chief audit officer prior to joining his new role, the bank said in a press release. Ahmed has an illustrious career spanning over 26 years in finance and information technology.

He embarked on his professional journey with the Asian Vegetable Research & Development Center, where he started as an accountant in 1998.

He previously worked for NRB Bank, Bank Asia and Dhaka Bank. He is a Fellow Chartered Accountant, Certified Information Systems Auditor, Certified Shariah Adviser and Auditor, and Certified Sustainability Reporting Specialist.

Is China now an 'alternative' investment?

REUTERS, Orlando

An engine of world growth for 20 years, the largest consumer of commodities and world's number two economy has somehow slipped into "alternative investment" buckets for many global investors.

China's property bust and increasingly interventionist government, along with deepening geopolitical fissures with the United States, have dramatically dimmed its allure as a destination for international capital.

China may not yet be "uninvestable", as US Commerce Secretary Gina Raimondo suggested US companies believe, but many investors are recategorizing their reduced exposure - in some cases to alternative investment.

"Alts" are typically assets outside the traditional stocks, bonds and cash buckets, like hedge funds, real estate and private equity. They are often riskier but potentially more lucrative bets, and are attractive for their diversification and hedging qualities.

Crucially, they are non-correlated with traditional assets. This is where many investors see Chinese stocks and bonds now - a non-correlated, idiosyncratic play, effectively a hedge against their core bets.

That was the anecdotal evidence garnered from investors, asset managers and allocators on the sidelines of the recent "Hedge Fund Week" conferences in Miami. It is also supported by global capital flows trends.

One fund manager said he may put 5-10 percent of his portfolio in Chinese stocks but is fully prepared to lose it. A hedge fund manager

overseeing billions of dollars of assets said he likes China's "idiosyncrasies" and diversification qualities but noted that his investors' money is mostly offshore, not onshore.

Alex Lennard, fund manager at Ruffer, admitted that the economic climate in China is "clearly awful" but his firm is putting money there, essentially as a hedge.

"It's a small part of our portfolio, about 4 percent, but it does provide an offset to some of the other market 'certainties' that exist," Lennard said.

It's worth noting that they are relative optimists on China. The

percent on an equal-weighted basis, according to Morningstar Data.

Demand for Chinese bonds should be stronger though, right?

China is included in the \$1.2 trillion benchmark JP Morgan EMBI Global Diversified bond index, and there is now an in-built demand for Chinese bonds from the yuan's emergence in recent years as an alternative international reserve currency.

But China's share of the \$12 trillion global FX reserves pie has slipped to a four-year low of 2.37 percent, and has never been higher than 2.83 percent, according to the International Monetary Fund.

Figures from the Institute of International Finance show outflows from Chinese debt portfolios for seven straight months and only three-monthly inflows in the last two years.

Emerging market ex-China debt funds, meanwhile, have attracted inflows for the past seven months and in January drew in \$47.3 billion, the most since October 2022 and one of the highest on record.

Whichever way you slice it, investors of all stripes are taking chips off the Chinese table. This is not how many thought it would pan out.

A Greenwich Associates survey of institutional money managers in 2020 showed that pension funds and endowments had 3.5 percent allocations to China and only 5 percent of North American institutions had any dedicated exposure to Chinese stocks.

Nearly a quarter of respondents said they planned to increase or significantly increase their dedicated allocation to Chinese equities in the next three to five years.

Dollar eases

REUTERS, New York/London

The dollar eased on Friday as it headed for a fourth week of gains while traders reduced their bets on how quickly the Bank of Japan might raise interest rates and how soon the Federal Reserve will cut them.

Traders shrugged off revised US monthly consumer prices that rose less than initially estimated in December. While underlying inflation remained a bit warm, the mixed picture did not alter the market's outlook on the timing of Fed rate cuts.

The annual revisions published by the Labor Department also showed the consumer price index (CPI) increasing slightly more than previously reported in October and November.

"The revisions aren't going to make the Fed cut rates," said Steven Ricchiuto, US chief economist at Mizuho Securities USA LLC in New York.

"The market's in a rush, (but) the Fed is sitting there saying we're not in a rush. Actually, things are really pretty good from their perspective," he said.

IMED plans

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"We have already sent a letter to the CAAB seeking permission. It is now under processing," said Mohiuddin.

The IMED secretary said they were focusing on using drones in areas outside of the capital, especially in places that are difficult to access physically.

Seeking anonymity, an IMED official involved in the drone training process said that drones are very effective in monitoring the work being done by contractors.

He added that they had already detected some irregularities in some projects and opined that irregularities could be reduced if drones were used extensively.

Pharma sector exports

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The researcher said the SME sector did not recover because of lower-than-required incentives extended by the government and the central bank.

Therefore, the urban vulnerable non-poor and marginal groups who are involved or dependent on the sector returned to rural areas again.

Shafiuzzaman said Bangladesh offers products at competitive prices compared to many other countries, becoming an attractive destination for pharmaceutical manufacturing.

"The cost advantage allows local companies to produce high-quality generic drugs at competitive prices."

At the same time, he said, the pharmaceutical industry adheres to international standards such as Good Manufacturing Practices and the International Organization for Standardization.

"Our products meet stringent quality requirements, making them acceptable in global markets."

Some pharmaceutical companies have obtained regulatory approvals

from drug authorities such as the US Food and Drug Administration, the European Medicines Agency, and the World Health Organization.

"These approvals open up lucrative export opportunities in the US, Europe, and other markets," Shafiuzzaman said.

He said domestic medicine makers produce a wide range of generic drugs, including antibiotics and anti-cancer medicines. "This diverse product portfolio allows them to cater to various global healthcare needs."

Shafiuzzaman also credited government incentives and support measures for the growth of the pharmaceutical industry and raising its competitiveness.

"Overall, Bangladesh's pharmaceutical industry has significant export potential driven by its cost competitiveness, adherence to standards, regulatory approvals, diverse product portfolio, and government support."

Signs of reverse migration

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The researcher said the SME sector did not recover because of lower-than-required incentives extended by the government and the central bank. Therefore, the urban vulnerable non-poor and marginal groups who are involved or dependent on the sector returned to rural areas again.

Matin thinks the nature of the reverse migration will be different from other times and it might be a long-term migration.

"Since the cost of living is higher in urban areas, the newly migrated group will try to settle in villages and look for jobs there."

Matin, however, sees some positive aspects in the reverse migration.

"They will try to bring innovations to adapt to rural life. So, there should be some policy support as well as credit support for them so that they can contribute to the economy by utilising their expertise."

Hossain Zillur Rahman, executive

chairman of the Power and Participation Research Centre, also blamed the higher cost of living for people's return to villages.

"Higher inflation has made it difficult for them to live in the city even if they have an income."

Under the circumstances, rural employment needs to be increased and the urban social security system needs to be strengthened, Rahman said.

BB tightens rules

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Tk 50,000 per month along with the regular allowance, according to the new regulation.

Anis A Khan, an independent director of Trust Bank, described the guideline as comprehensive.

He said the guidelines cited some committees and there are some responsibilities for the bodies. Some compensations are needed for the committee members.