



Contractionary policy won't help curb inflation

MCCI says

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce and Industry (MCCI) has criticised the Bangladesh Bank's contractionary monetary policy, saying the policy will not help contain rising inflation but will raise borrowing cost.

Urging the central bank to revise its policy, the chamber said, "A contractionary monetary policy will raise the cost of borrowing for the entrepreneurs, discourage genuine businesspeople to invest in the formal economy and hinder economic growth."

In an editorial comment in the latest issue of its monthly journal, Chamber News, the MCCI has called for holding consultations with the leaders of private sector business and collectively evolving a strategy to rein in inflation and maintain the highest attainable growth in immediate and medium terms.

The MCCI noted that the first-ever mid-year Monetary Policy

Statement (MPS), announced by the BB on January 25, hinted at going for a tighter monetary policy in the near and medium terms.

According to the MCCI, an appropriate inflation control measure should include mechanisms to check the government's profligate spending and thus drastically cut budgetary deficits. It said the MPS observation about the rising trend of interest rate in global economy is not correct.

"Much of the inflationary pressure in the economy is believed to have been due to excessive public spending incurred out of large borrowing from the banking system. Such expenditure, and with that government borrowing, is likely to increase further in this election year," MCCI commented.

It said the prescription of the traditional quantity theory of money, which the MPS relies on, to contain inflation by decreasing the money stock is hardly relevant to Bangladesh. Because in the country rising prices are linked to a

plethora of non-economic factors, such as hoarding and profiteering, which cannot be checked by decreasing the flow of credit, the MCCI observed.

It further added: "It is now well-documented that the current rise in the inflation rate is induced by cost-push factors manifested through higher global prices of major imports (fuel, food and fertiliser, for example) and frequent increases in the government-administered prices of utilities".

The chamber said curtailment of credit will hamper the growth of industries, especially the small and medium ones, and dampen efforts to boost production in import-substituting and export-oriented industrial units.

In principle, the MCCI commented the BB policy statement saying the advance disclosure of the central bank's monetary policy "will help the trade and industry adjust their plans and programmes in line with the emerging policy."

Saarc central bank governors' meet begins Feb 15

BSS, Dhaka

A two-day meeting of the central bank governors of the seven member countries of South Asian Association for Regional Cooperation (Saarc) begins here February 15 to discuss common micro-credit policies and role of the state banks to help cut poverty and achieve higher growth.

Sources at the Bangladesh Bank, host of the regional meeting, told the news agency yesterday that governors of the seven countries would review the current monetary policies of the central banks in South Asia to strengthen and institutionalise micro-credit in the region.

The main objective of the meeting, the sources said, is to formulate a strategy to alleviate poverty through micro-credit, originated from Bangladesh.

The governors' meet, the sources said, would try to explore a common and integrated regional policy for micro-credit.

New restaurant opens in Dhaka

A new restaurant, 'Aristocrat', started operations in Dhaka on Tuesday.

Located on Road No 15, Gulshan 1, the newly launched restaurant, run by Aristocrat Food Ltd, has the capacity to serve as many as 5,000 people at a time, says a press release.

State Minister for Civil Aviation & Tourism Mirza Fakhru Islam Alimgir formally inaugurated the restaurant while Chinese and Japanese ambassadors to Bangladesh and a few MPs were also present.

Chinese, Thai, Caribbean, Indian and local cuisines will be available at the restaurant.



Visitors crowd a stall at the 15th 'US Trade Show 2006' that came to a close Friday in Dhaka.

PHOTO: STAR

US Senate starts hearing to avoid double taxation with Bangladesh

UNB, Dhaka

The US government has started the process of withdrawing double taxation in its trade regime aiming to boost investment in and trade with Bangladesh, as the country holds untapped business potential, officials here said.

According to the National Board of Revenue (NBR) sources, Bangladesh has already finished all the procedures to abolish the double-taxation system with the United States.

The source said that on February 2 the US Senate

started hearings in this regard and Bangladesh mission in the US kept track of the proceedings. "If the US government allows the double taxation withdrawal, it would help boost the US investment in the country," one NBR official said, adding that the total US investment in Bangladesh is now over US\$ 1 billion.

The American investors recently showed their keen interest in investing in the energy sector of the country, and the planned treaty rescinding the double-taxation system would encourage the US investors to invest in Bangladesh, he hoped.

US trade show concludes

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The three-day US Trade Show 2006 ended Friday at Dhaka Sheraton hotel amid good response from visitors.

Some 5,500 people visited the fair, where 75 companies showcased their products and services. US Embassy in Dhaka and American Chamber of Commerce in Bangladesh (AmCham) organised the annual event.

An official of Citibank said they received good response from visitors as the fair gave US companies a chance to interact with Bangladeshi consumers.

An official of Transcom Beverages Ltd, the official franchisee of Pepsi in Bangladesh, said visitors showed great interest in their products.

G8 wraps up with warning on energy prices

AFP, Moscow

Group of Eight finance ministers wrapped up Moscow meetings Saturday with a joint statement warning volatile energy prices threaten prospects for solid world economic growth in 2006.

"Overall global growth remains solid and this is expected to continue in 2006. Risks remain,

including high and volatile energy prices," said the final statement released here.

Concerns over high oil prices and the reliability of world energy supplies dominated a tightly secured meeting of the finance chiefs at a Moscow hotel, hosted by Russia for the first time.

High oil and gas prices have delivered a windfall to Russia, the

world's second biggest oil exporter, giving it greater economic clout than in the past.

Russia's G8 partners -- Britain, Canada, France, Germany, Italy, Japan and the United States -- were deeply concerned when Moscow turned off gas supplies to Ukraine in January to push through sharply higher prices.

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