



Asoke Das Gupta, vice chairman of One Bank, presides over the bank's 21st annual general meeting on September 10. The bank announced 5 per cent cash and 5 per cent stock dividends. M Fakhru Alam, managing director, was present.

US economy is improving, weeks before the election. Will Trump benefit?

REUTERS
The US labor market and broader economy made some gains this week, which history shows should be good news for President Donald Trump's re-election campaign. But the gains may be overshadowed by the tens of millions of Americans still out of work because of coronavirus-related shutdowns and growing concerns that there is no new government relief package in sight. Job openings, a measure of labor demand, in July soared to 6.6 million, nearly back to their pre-crisis level, a Labor Department report showed this week. Inflation firmed last month, vanquishing fears of growth-stunting deflation. Higher frequency data tracking people's visits to stores and restaurants also pointed to an economic upswing. However, the economy is nowhere near to rounding the corner to recovery. At least 29.6 million people were still receiving unemployment benefits as of Aug. 22, a report on Thursday showed, and the number of new applicants for jobless benefits was stuck at a



Donald Trump

high level, at 884,000. Deadlock in Washington over a new fiscal relief bill could mean this is as good as things get for the economy for some time. On Thursday, the Senate failed to pass a Republican bill that would have provided around \$300 billion in new coronavirus relief. Democrats are pushing for a \$3 trillion bill. "Part of the healthy recovery

owes to generous fiscal stimulus policies which have started to fade," Bank of America economists said in a note on Friday. "It has become unlikely that another round of fiscal stimulus will be passed before the election." An extra \$600 a week for the unemployed, provided under the \$2.3 trillion government aid package passed in March, expired in July, and most of the hundreds of billions of dollars to cover payrolls at small businesses also provided under the aid package has now been spent. That could weigh on voters if the labor market fails to gain more steam, causing "some problems for the incumbent," said Michael Arone, chief investment strategist at State Street Global Advisors. A new \$300 weekly benefit for the unemployed, authorized by Trump, could provide some cushion, though the funding only covers six weeks of payouts. New US cases of COVID-19 have declined since July, but the virus is still circulating at high enough rates that many businesses are only allowed to operate at reduced capacity, and some not at all. That limits potential economic growth for the nation as a whole. "The better the economy does, and the more hopeful people are that there's going to be a rebound, it probably works for Trump," said Steven Englander, a managing director at Standard Chartered Bank. But with government aid waning as Nov. 3 approaches, "that could be pretty bad timing for the president."

After Japan, what next for UK in post-Brexit deals?

AFP, London
Britain won its first Brexit trade success Friday with a free trade agreement for Japan, but tough talks lie ahead for other landmark deals, especially with the European Union. Conservative Prime Minister Boris Johnson is pursuing his "Global Britain" strategy that seeks potentially more advantageous trade deals than those which were negotiated while it was an EU member. The accord largely replicates the current EU-Japan deal, and will be worth 15.2 billion (\$19.5 billion, 16.5 billion euros), according to the government. The UK-Japan Comprehensive Economic Partnership Agreement was agreed in principle, but has yet to be officially signed. Around 99 percent of exports between the two nations will be tariff-free under the deal, with a particular focus on the food and drink, finance and technology sectors. Britain left the bloc in January but still wants to pin down an ambitious deal with the EU because it is the nation's largest trading partner and accounts for half of foreign trade. The UK had been an EU member for almost five decades and therefore its economy is closely linked, notably in terms of food, finance and industry. Johnson wants a comprehensive trade agreement to ensure smooth, tariff-free trade can continue after the end of the transition period on January 1, 2021. But talks were thrown into chaos this week after Johnson vowed to break Britain's divorce treaty with new domestic legislation, going back on a withdrawal agreement that he himself signed last year. Johnson has set an October 15 deadline

for an agreement, without which Britain will embrace a no-deal departure and default to World Trade Organization tariffs. Analysts fear this scenario would deliver a painful double whammy for an economy already on its knees due to coronavirus. London is eager to conclude a free-trade agreement with the administration of US President Donald Trump, who has long been an admirer of Brexit architect Johnson. However, talks are moving at a glacial speed and it now seems highly unlikely that there will be any outcome ahead of the US presidential election in November. Johnson has placated the Republican president by excluding Chinese technology giant Huawei from Britain's super-fast 5G telecommunications network. But House of Representatives Speaker Nancy Pelosi has warned there will be "absolutely no chance" of a deal passing Congress if Johnson violates his own withdrawal agreement with the EU and it affects peace in Northern Ireland. A potential trade deal with Trump could also flounder if Britain is required to import chlorinated chicken and hormone-treated beef from the US -- both of which face stiff UK opposition. The UK government has begun separate formal discussions with both countries in recent months. Britain aims to seal a free trade agreement covering 80 percent of trade with Australia and New Zealand over the next three years. The UK is holding discussions with many other nations, including these six, as it seeks to replicate the agreements it had enjoyed as an EU member state. Britain has already concluded post-Brexit trade agreements with several countries including these five nations.



Britain's Prime Minister Boris Johnson speaks during question period at the House of Commons in London, Britain on September 9.

Small factories in big troubles

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As a result, small factory owners are not being paid in a timely manner, leading to a liquidity shortage. Meanwhile, other factories that do not have strong financial backing have been unable to resume operations as the country's banks are uninterested in financing them. The demand for unusual discounts also puts the local suppliers in a tight spot. For instance, Debenhams, a multinational retailer based in London, asked for a 90 per cent discount on their orders even though the suppliers had previously agreed upon 25 per cent. Likewise, almost all foreign retailers that source their products from Bangladesh have demanded major discounts. "Asking for one per cent discount is acceptable but the rates international retailers and brands are demanding are totally absurd," said Shams Mahmud, president of the Dhaka Chamber of Commerce and Industry (DCCI). "We normally do business at a very marginal profit and so, if they demand such abnormal discounts, we will die out," he added. The price of apparel items has declined over the years while the Covid-19 fallout has only worsened the woes of garment suppliers. While almost all factories are facing difficulties, those that are truly suffering can survive with the help of banks, Mahmud said. According to the DCCI president, the demand for huge discounts is troubling the sector, with small and medium enterprises

being the biggest victims. Nazma Akter, president of the Sammito Garment Sramik Federation, a platform for garment workers, said trade unions had never wanted to bar the reopening of some factories, rather always tried to be helpful towards businesses. However, many of the factories that had shut down had not paid workers their dues, which is a breach of regulations. These factories should clear their dues before being allowed to reopen as international retailers and brands have been coming to Bangladesh again with a lot of work orders, Akter told The Daily Star over the phone. It is not possible for the government to support the factories for a prolonged period, said Ahsan H Mansur, executive director of Policy Research Institute (PRI). Over the last 10 to 15 years, many factories have been shut down or sold to others for many reasons, such as familial issues and financial challenges. Similarly, the coronavirus is just another reason why many small factories had to shut down. And so, consolidation in the sector will come about, Mansur said, adding that genuine sufferers survive through various means, such as by availing help from the government, banks, buyers or suppliers. The government should help genuine factory owners while sub-contracting factories should not be brought under the VAT net or other tax hassles so that they can grow, he said. Sub-contracting created a lot of successful entrepreneurs in the country, Mansur added.

India passenger vehicle sales up 14pc in August: industry body

REUTERS, Bengaluru
Total passenger vehicle sales in India rose 14.16 per cent in August, showing some signs of economic recovery as industries restart operations months after a coronavirus-led lockdown disrupted a sector already hit by poor demand. Indians bought a total of 215,916 cars, utility vehicles and vans in August, compared with 189,129 a year earlier, the Society of Indian Automobile Manufacturers (SIAM) said on Friday. "We are beginning to observe growth, which is instilling confidence back into the industry," SIAM President Kenichi Ayukawa said in a statement. The upcoming festive season, which culminates in Diwali and sees a majority of Indians making big ticket purchases, will help with a faster revival in demand, another executive said.

BJMC sells jute sacks at lower than official rate

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Rouf said the BJMC had been offering the \$90 rate for a long time and it was waiting for buyers. "None came forward," he said. Mushtaq Hussain, managing director of Golden Fibre Trade Centre Ltd (GFTCL), one of the major exporters of the BJMC's goods to Sudan, said his company bought jute goods on July 27. The GFTCL came to know about the deal on August 4. Just the day before it had applied to the corporation to buy 104,975 bales of the bags at \$90. Later, it urged the BJMC to cancel the contract as Taif International failed to pay 10 per cent of the value of the goods within three working days from the date of the signing of the agreement. In a letter to the textile and jute ministry last month, the BJMC said as per contract, Taif International could not deposit 10 per cent of the value of the goods by 5:00pm Bangladesh standard time on August 5. The money was deposited on August 6, it said, seeking directive from the ministry. The ministry, in response, said the BJMC has the authority to decide

on the marketing of its goods and advised it to take a decision based on rules. Humayun Khaled, a former chairman of the BJMC, who penned the contract on behalf of Taif International, said there was no problem with the payment. He said the BJMC wrote to Taif International informing that 10 per cent of the value should be paid by August 6 and just that was done. Khaled said he represented the Dubai-based firm upon request from Taif International's chairman. Asked how a former chairman of the BJMC could get involved in a deal where the corporation stands to lose, he said, "This is not a loss." "Why didn't anybody come to buy earlier? How many days would it take to clear one lakh bales?" The BJGEA alleged that the BJMC discriminates against enlisted local firms as domestic buyers have to pay 50 per cent of the value of the goods in advance whereas international companies pay 10 per cent. Rouf said there was no scope for cancelling the contract. He said there was a one-day difference regarding the 10 per cent

deposit. "They informed us that offices opened in Sudan a day after in Bangladesh. As such, in Sudan, three working days started from August 4 and ended on August 6. In Bangladesh, the working day began on August 3," he said. He said the contract does not specifically state that the money has to arrive according to the Bangladesh time. "We have taken legal opinions and legal advisers say everything was lawful." "There is a question whether we will win in international courts if we scrap the agreement. If we cancel and they go for arbitration, we may face a huge penalty," said Rouf. However, Hussain said the corporation itself had written to the textile ministry informing that the money had not come on time. "There is no mention of the name of the main buyer and its address as the sender of the money. The BJMC can cancel the contract on this ground," he said. As the contract was inked in Bangladesh, the law of the land should be followed, he said.

Import ban on used cars to leave the market uneven

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He went on to advise the government to set up a quality control institute that would regulate the import of brand new or reconditioned passenger cars in a bid to avoid the adverse environmental impact of carbon emissions. Importers opt for Japanese cars that are sophisticated, environment-friendly and cost-effective, said Mannan Chowdhury Khasru, former president of Barvida. Besides, Barvida has created a market for reconditioned cars in Bangladesh to help meet customers' demand.

"We do not stand against the manufacturing of brand-new cars in Bangladesh but instead, we want a competitive market instead of phasing out imports of reconditioned cars," Khasru said. "The government should create a level playing field for locally produced cars and imported ones so that the market can automatically decide the industry's future," he added. In this regard, the former Barvida president demanded withdrawal of the proposed ban on reconditioned car imports in the automobile policy for 2020.

Agent banking on a roll

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In the April-June quarter, agent banking has continued to grow in all dimensions amidst severe business interruptions due to the Covid-19 pandemic, the central bank said in its quarterly report.

The model is gaining popularity as a cost-effective delivery channel as well as a convenient way of providing banking services to the mass people who would otherwise have remained beyond the reach of conventional branch banking.

Govt finalises draft of PTA with Bhutan

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"However, we can say in details about the CEPA after the completion of the joint study, which is going on between the two countries," Uddin also said. Bangladesh will have to sign different trade pacts like FTAs, PTAs and CEPA with the potential trading countries or trading blocs for enjoying the trade benefits after its graduation to a developing country. "We have to be active in signing the FTAs and PTAs for our own interest. It is a good signal that we are pro-active about PTA and FTA," Razzaque of PRI said. Bangladesh should also sign FTAs with the vital trading partners or trading blocs like ASEAN and EU so that the country is greatly benefited after its graduation, which will eliminate the guaranteed duty privileges for the country, he said. For instance, Bangladesh can start negotiation with the Association of South East Asian Nations (ASEAN) so that the country can grab market share within the Asian region, he said. If it is not possible to enter the league of ASEAN, the signing of FTA with a single member of the ASEAN can also be highly beneficial for Bangladesh, he said.

For example, if an FTA can be signed with Malaysia or Indonesia, Bangladesh would be able to enjoy greater duty benefit of the ASEAN through its member country, he said. "However, we have to understand whether we are ready to open up our economy or not through the signing of the FTAs or CEPA or PTA." Currently, Bangladesh has no FTA with any of the country although the government has long been trying to sign such deals. As per the country's previous economic development records, the UN Committee for Development Policy (UN CDP) is scheduled to complete the final round of assessment of Bangladesh's LDC graduation in 2021. If the UN CDP finds Bangladesh's assessment positive, the country will graduate to a developing country in 2024. Once the country is graduated, all the tariff benefits will be lifted for the country. Only, the EU will allow the tariff benefit to Bangladesh for another three years as a grace period. That means, Bangladesh will enjoy the zero-duty benefit to the EU until 2027, but in other countries the tariff benefits will be withdrawn from 2024. Currently, Bangladesh as an LDC, enjoys

zero-duty benefits, preferential trade benefits and regional trade benefits on exports to 38 countries, including 28 EU countries. Also, in the USA, Bangladesh enjoys zero-duty benefit for 97 per cent of its products. But unfortunately, Bangladesh's main export items, including garment, are not included in the package. As a result, Bangladeshi exporters have to face 15.62 per cent duty on export of apparel items to US markets. Nevertheless, the US is the single largest export destination for the country. Bangladesh will face competition in the EU market after graduation as Vietnam has already signed an FTA with the European Union. Some 74 per cent of Bangladesh's export earnings come under preferential trade as an LDC. Of that percentage, 64 per cent comes from the EU and 10 per cent from Japan, Canada and other developed countries. Bangladesh's export will decline by 5.7 per cent annually if the Everything but Arms (EBA) is not extended and local exporters will have to face an 8.7 per cent duty to the EU. So, there is a possibility of losing more than \$2 billion worth of export business annually after graduation, according to UN body.