STOCKS		COMMODITIES (As of Friday)		ASIAN MARKETS (Friday Closings)				CURRENCIES (STANDARD CHARTERED BANK)				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	CNY
1.19%	1.02%	$1,929.43	$42.85	0.81%	0.12%	0.04%	1.68%	BUY TK	83.95	98.22	108.59	12.33
4,858.36	8,337.20	(per ounce)	(per barrel)	40,509.49	23,619.69	2,532.96	3,272.08	SELL TK	84.95	102.02	112.39	12.96

Star BUSINESS

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Govt to use forex reserves for development projects

REJAUL KARIM BYRON *and* AKM ZAMIR UDDIN

The government has decided to use the country's ballooning foreign exchange reserves to implement development projects.

"The government is carrying out a study to select the probable projects where forex reserves will be invested," Finance Minister AHM Mustafa Kamal told The Daily Star last week.

The Prime Minister's Office is working on it and holding meetings with various ministries.

"The funds would be repaid in foreign currencies so that the reserves remain the same," Kamal said.

His comments came as the country's reserve touched a new milestone of $40 billion on October 8 riding on robust flow of remittance, a fall in imports caused by the pandemic and a recent uptick in exports.

The government would pick those projects for the foreign currency loans that would have a high rate of return so that it can repay the loans also in the foreign currencies, Kamal said.

In September, the central bank submitted a concept paper to the finance ministry on using the foreign exchange reserve.

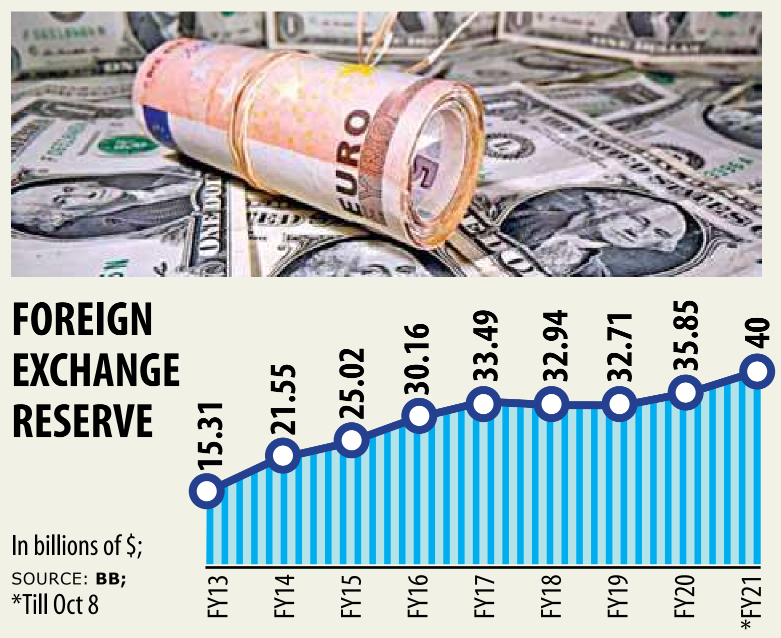
As per Bangladesh Bank Order 1972, there is no scope to use the reserve in any projects, the central bank informed the ministry.

If the government takes fund from the reserve to implement projects, it will have to provide guarantee, the BB said.

The fund will have to be returned in foreign currencies as well.

The central bank gave out foreign currency loans to Biman Bangladesh Airlines through state lender Sonali Bank last year to procure aircraft. The government gave the guarantee to mitigate the financial risk for the lender.

The guarantee means the government will pay back the loan to the state lender if the national flag carrier fails to return the amount on time.



THINGS TO KNOW

- Forex reserves cross $40b
- Existing law does not allow investment of forex funds in projects
- PM asked officials concerned on July 6 to find a way out
- BB has submitted a concept paper to finance ministry
- Govt will have to provide guarantee against invested fund
- Govt to return fund in foreign currency

The outstanding loans given by the central bank to the national flag carrier now stand at $580 million.

The same example will be applied for using the foreign exchange reserve for local projects.

The central bank also came up with another alternative: the government could purchase foreign currencies from the reserve directly by using the taka.

The board of directors of the central bank approved the concept paper before submitting it to the finance ministry.

Prime Minister Sheikh Hasina asked officials on July 6 to verify the ways to use the reserve in order to finance development projects.

Bangladesh has to borrow from external sources to finance large projects.

In recent months, the reserve has reached a new high on the back of remittance, dwindling import payments and budgetary support and loans from the Asian Development Bank, the International Monetary Fund, the World Bank, the Asian Infrastructure Investment Bank and the Islamic Development Bank.

Many countries such as China, Hong Kong and Singapore earlier created sovereign wealth funds to manage their excess foreign exchange reserves by investing them in the productive sector.

The countries whose foreign exchange reserve is not sufficient have hardly invested the fund at home and abroad for long terms.

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Bangladesh should sign comprehensive trade deals with key partners

Experts prescribe this for high economic growth after LDC graduation

REFAYET ULLAH MIRDHA

Bangladesh needs to sign comprehensive trade agreements with its major partners in order to retain preferential access to key international markets after graduating from the least developed country (LDC) status, according to experts.

Only the EU will provide a three-year grace period, during which Bangladeshi exports will enjoy duty-free access to the market, following the country's graduation in 2024.

Therefore, the signing of preferential trade agreements (PTAs) or free trade agreements (FTAs) with other developed nations might ease the burden of export taxes to some extent, they said.

Although the process of signing PTAs with Bhutan and Nepal is already underway, Bangladesh needs to sign such agreements with higher-income countries like the EU, the USA and Canada.

"It is good that Bangladesh started the process of signing PTAs," said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue (CPD).

"However, we have to sign agreements with our major trading partners like the EU, Association of South East Asian Nations (ASEAN), the US and Canada as the trading preference will erode after graduation," Rahman told The Daily Star over phone.

In most cases, Bangladesh should look to sign Comprehensive Economic Partnership Agreements (CEPA), which not only cover duty, but also investment, logistics, services and other important issues.

> *Some 74 per cent of Bangladesh's export earnings come under preferential trade as an LDC. Of that, 64 per cent comes from the EU and 10 per cent from Japan, Canada and other developed countries*

The country should begin trade negotiations immediately in order to secure the zero-duty benefit after graduation, he added.

Bangladesh currently enjoys zero-duty benefits, preferential trade benefits and regional trade benefits on exports to 38 countries, including 28 in the EU, thanks to its LDC status.

After the country graduates though, it will have to fulfil the reciprocity clause.

This means Bangladesh will have to provide some trade benefits to its trading partners, and so, this should be negotiated now, Rahman said.

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.

The government should also increase its revenue generation from internal sources as the signing of trade agreements will erode tax collection.

Bangladesh currently earns about $2 billion annually as tax on imported goods worth $17 billion from China, while logging $800 million in taxes from $8 billion worth of imports from India.

And since these are major sources of income for the government, it does not feel the need to encourage the signing of FTAs. Bangladesh also needs to strengthen its laws on intellectual property rights, labour, banking and insurance in order to enjoy the real benefits of the CEPA, the trade analyst and noted economist added.

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Apparel exporters brace for fresh hiccups amid second wave, US polls

REFAYET ULLAH MIRDHA

The wait for a Covid-19 vaccine, a second wave of infections in the western world and the upcoming US election may lead to hiccups in the recovery of Bangladeshi garment shipments, according to local exporters.

The shipments had started rebounding with the reopening of stores by western retailers and brands, restoring the familiar humming of machineries in factories.

Now international retailers and brands are increasingly coming up with work orders for suppliers' factories.

Prospects started brightening up in July when garment export receipts reached $3.24 billion before falling to $2.47 billion in August and totaling $2.41 billion in September, according to data from the Export Promotion Bureau (EPB).

The export of garments reached rock bottom in April to $0.37 billion as a fallout of the pandemic. Garments trade occurs at an international scale and externalities tend to affect shipments.

The local suppliers have been overcoming a lot of difficulties such as elimination of quota system in January 2005 and the steepest financial recession in the years from 2007 up to 2009.

However, every time, they overcame those challenges and took the total export of the country to be the second largest worldwide after China in a journey of four decades. This year too, the local suppliers have been overcoming the challenges of the fallouts of Covid-19.

The manufacturers have been fearing that the rebounding of export of garment items might be affected to some extent because of a possible second wave of Covid-19 and any complication centring the US election.

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Recovery still slow in leather sector

Domestic, international demand yet to pick up, say market players

JAGARAN CHAKMA

A return to normalcy is still a far off reality for Bangladesh's leather sector as the ongoing coronavirus pandemic has led to low domestic demand and a decline in exports, according to industry insiders.

Since leather goods are considered to be semi-luxury products, customers are uninterested in purchasing those during times of crisis such as the ongoing one, they said.

According to the latest export figures, the sector's earnings between July and September totalled $225.15 million, down 11.49 per cent from that in the corresponding period the previous year, when it was $254.3 million.

During the July-September period of the ongoing fiscal, leather shipments declined by 22.45 per cent year-on-year while that of leather goods 17.49 per cent and of leather footwear 6.83 per cent.

"The leather industry is still in a vulnerable position as domestic demand has yet to rebound," said Nasir Khan, chairman and managing director of Jennys Shoes, a local pioneer in the manufacture and export of leather footwear.

"I closed 40 out of 65 outlets across different districts and divisional cities where

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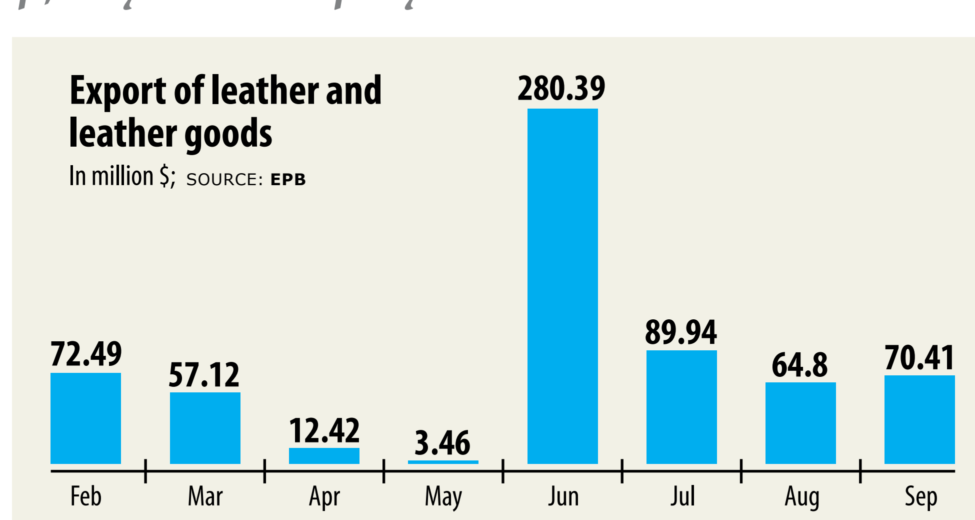
Since leather goods are considered to be semi-luxury products, customers are uninterested in purchasing those during the pandemic.



operational costs exceeded revenue," he added.

Besides, most entrepreneurs related to the industry were unable to avail any financial support from the government's stimulus packages, which has led to a shortage of working capital in the sector.

"I applied for funds from the stimulus package but the banks demanded a lot of documents against my request for a loan. They seemed uninterested to help me," Khan said, adding that lenders often claim to have insufficient funds to make disbursements.

Meanwhile, exporters lost their winter orders as the coronavirus pandemic was at its peak worldwide during the production season earlier this year.

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