New economic zones to quicken industrialisation

STAR BUSINESS REPORT

The government aims to open three economic zones in the next one year to gear up the industrialisation of the country, as it has no plan to allow anymore export processing zones.

"Initially, three economic zones will be set up at Chittagong, Sylhet and Sirajganj," said Mosharraf Hossain Bhuiyan, cabinet secretary and also the executive chairman of Bangladesh Economic Zones Authority (BEZA).

Bhuiyan spoke after an inter-ministerial and consultation meeting at Ruposhi Bangla Hotel in the capital yesterday. BEZA in association with International Finance Corporation organised the meeting to finalise the draft economic zones regulation.

In the meeting, BEZA decided to finalise the draft regulation in the next one month, said Bhuiyan.

He said the government plans to establish at least one economic zone (EZ) in each division immediately to scale up industrialisation and employment generation, and will establish 20 such zones by 2021 across the country.

He said the initiative aims at minimising discrimination between factory operators inside the export processing zones (EPZs) and outside of such special industrial areas.

The factory operators inside the EPZs enjoy different incentives that the zones' outside operators do not enjoy. Some of the benefits are: tax holiday, uninterrupted gas and power supply, logistics supports, bonded warehouse facility and also duty benefits on import of raw materials.

The government will decide in future about the running eight EPZs after setting up the economic zones. "But, for the time being, Bangladesh Export Processing Zones Authority (Bepza) will continue its regulator activities," said Bhuiyan.

The secretary said the economic zones will be run under the concept of public-private partnership where the government will provide the required land, infrastructures and utilities.

"Under the new regulation, the government will allow the private sector to own, develop and manage economic zones as well as establish infrastructure and provide commercial services to factories operated in the zones."

Besides export, the manufacturers inside the EZs will be allowed to sell their produce in the local market which is not allowed in case of EPZs.

For the country's industrialisation, the then government enacted the Bepza Act in 1980 to generate more employment and attract more foreign direct investment (FDI).

At present, the country's eight EPZs employ around 295,000 people, and total export from such specialised zones was counted at $2.8 billion and total FDI at $222 million in 2010-11 fiscal year, he said.

"New economic zones could be a major driver of economic growth and job creation, and these zones could be a major factor to lift Bangladesh to a middle-income country status by 2021."

All the 20 EZs will generate 1.5 million new jobs while in operation, said Bhuiyan. The zones will generate around 85 percent of the country's exports by 2021 and will attract new investments worth up to $2.5 billion, he added.

Currently, the government is implementing the new economic zone regime with support from the World Bank and UK Department for International Development, and enacted the Economic Zones Act in August 2010.

CITY BANK LTD

Sukamal Sinha Choudhury, general manager for SME and special programs department of Bangladesh Bank, attends the launch of a loan product for the light engineering sector by the City Bank in Bogra recently. Badrudduza Choudhury, head of SME banking of City Bank, was also present

AMCHAM

GM Quader, commerce minister, speaks at a monthly luncheon meeting of the American Chamber of Commerce in Bangladesh (AmCham), at Ruposhi Bangla Hotel in Dhaka yesterday. Aftab ul Islam, AmCham president, and Dan W Mozena, US ambassador to Bangladesh, were also present.

EBL gets $20m loan from German financier

STAR BUSINESS DESK

The German Investment and Development Company (DEG) has recently extended a long term loan of $20 million to Eastern Bank (EBL) through its offshore banking unit.

The liquidity created out of this USD loan will be utilised to finance small and medium enterprises (SMEs) and industries in export processing zones, EBL said in a statement yesterday.

Philipp Kreutz, member of the management board of DEG; Herbert Baumgartner, director of DEG representative office in Bangkok; and Ali Reza Ifthekhar, managing director of EBL, inked an agreement in this regard at a ceremony at the Westin Dhaka on Monday.

Supporting SME growth in the developing countries is one of DEG's strategic goals, and this facility to EBL will be a milestone to achieve the goal in Bangladesh, said Kreutz.

DEG finances investments of private companies in developing and

CSE to launch new index

Calculation will be based on free-float method

STAR BUSINESS REPORT

The port city bourse will launch a free-float market cap-based index after issuing a gazette on the Securities and Exchange Commission's definition of such index, said its president Al Maruf Khan yesterday.

He spoke at a press conference on CSE indices and demutualisation process at CSE building at Eunoos Centre in the capital.

Khan said the Chittagong Stock Exchange calculates the index based on market cap and listed stocks.

Now CSE plans to shift all its existing indices to free-float base index in line with the market movement, he added.

The Chittagong bourse considered December 30, 1999 as a base for the CSE's index -- CASPI -- and January 1, 2000 for other indices. CSE includes new initial public offerings to its indices from the second day of its trading.

The CSE president said the bourse now follows an international standard system for index calculation, and the system is updated as per requirement to implement free-float based index.

The index value will remain the same on the day when it will be shifted to free float methodology from the traditional one, according to a statement of the CSE.

However, the securities regulator on Sunday adopted an international definition of the free-float methodology in market capitalisation to introduce a new stock index for a more accurate reflection of market movements.

Under the free-float system, market capitalisation is calculated by taking the equity's price and multiplying it by the number of shares readily available for trading on a particular day in the market.

Fakhor Uddin Ali Ahmed, former president of CSE, said the South Asian Federation of Exchanges will help to complete the demutualisation process.

He said demutualisation of CSE will help give the best prices to the investors.

With the process of demutualisation, CSE will run for profit organisation and the chief executive officer will be mostly responsible for profit maximisation through effective business development and expansion plan.

Red tape, graft block FDI: GM Quader

STAR BUSINESS REPORT

Bangladesh needs to rid itself of bureaucratic red tape and corruption to attract foreign investors, the commerce minister said yesterday.

"Infrastructure bottleneck is not the biggest challenge. We have problems in the areas of bureaucracy and corruption," said GM Quader.

"There would be no compromise on corruption on the part of my ministry. No such cases will go unchallenged. I can say that no file will get stuck in the bureaucratic process," he said.

The minister was speaking at the monthly meeting of the American Chamber of Commerce in Bangladesh (AmCham) on "Doing Business in Bangladesh: Opportunities and Challenges" at Ruposhi Bangla Hotel in the city.

Bangladesh attracted $913.32 million in foreign direct investment in 2010, up by 30 percent compared to 2009, according to a recent World Investment Report of the United Nations.

But the FDI inflow has been stagnant below $1 billion for a long time due largely to inadequate supply of gas and electricity, a lack of bargaining capacity and scarcity of land.

The minister said the government is open to FDI and offers various incentives to the investors.

AmCham President Aftab ul Islam said Bangladesh needs substantial amount of investment, both local and foreign, to promote economic development to create employment and cut poverty.

"For various reasons, necessary investment has not taken place. The projected 7 percent GDP growth has become uncertain with the current macroeconomic challenges and sluggish investment."

Islam said Bangladesh currently faces a double-digit inflation although it had enjoyed macroeconomic stability for a sustained period.

"Today, our fiscal management is also facing challenges amid inadequate revenue resources, decline in aid absorption and accelerated bank borrowing by the government."

Islam said: "Some innovative attempts are needed to coordinate efficiently among monetary, fiscal and exchange rate policies."

He said the country has enormous potential and opportunities to take off. "But the real challenge lies in having appropriate leadership at every level to chart the course of the nation's voyage towards prosperity."

US Ambassador to Bangladesh Dan W Mozena and AmCham Executive Director A Gafur also spoke.

BRAC BANK LTD

Syed Mahbubur Rahman, managing director of BRAC Bank, speaks at the Managers' Meet 2012 of SME banking division of the bank in Dhaka recently.

Bangladesh to showcase knitwear in Tokyo

STAR BUSINESS REPORT

Knitexpo-2012, an annual event of knitwear manufacturers and exporters organised for the sixth time, will start in Tokyo on January 25 to exhibit the locally made garment products, organisers said yesterday.

The Bangladeshi version of the Knitexpo will be held along with the International Fashion Fair (IFF) in the Japanese capital, as holding a separate fair is difficult and expensive in other countries, the organisers said.

"This is the first exhibition of knitwear to be held in another country," said AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), at a press conference at the association's office.

Commerce Minister GM Quader is scheduled to inaugurate Bangladesh's three-day exhibition as the chief guest.

A total of 32 stalls have been allocated for the Bangladeshi exhibitors at the venue, he said.

The rationale for holding the fair in Tokyo is, Japan is expected to be a big export destination for Bangladeshi garments, thanks to changes in the Asian giant's trade policies.

In 2008, the Japanese government adopted a China-plus 1 policy to cut dependence on China. As a result, Japanese buyers are coming to Bangladesh to source products from here, he said.

Knitwear exports to Japan from Bangladesh are increasing at a faster rate, he added.

In January-November of the current fiscal year, Bangladesh exported knitwear products worth $138 million registering a market share growth of 115.28 percent compared with the same period last year.

According to statistics from the BKMEA, the position of Bangladesh in knitwear export to Japan was seventh in 2010, followed by China, Vietnam, Italy, Thailand, South Korea and Indonesia.

In a statement, Monsoor Ahmed, vice-president of BKMEA, said besides the traditional EU and US markets, Japan, Australia, Brazil, Russia, South Africa, South Korea and Latin American countries are opening up as emerging markets for Bangladeshi garment items.

Japan is the third largest knitwear importing country, while every year the country imports $15 billion worth of knitwear, which is 5.14 percent of global knitwear consumption, he said.

KS Tabrez, managing director of Dutch Bangla

Year of devaluation: StanChart

STAR BUSINESS DESK

For Indian rupees, 45 seemed to be a key level for much of the year, as it stayed around the 44-45 level for much of the year in the first half, Standard Chartered Bank said in a global market update.

However, starting from September, there was a major devaluation trend leading to the peak over 54 around middle of December.

Somewhat less steep but still significant devaluation of the PKR was also true for the year, as the currency finish the year around 90 against the USD with significant devaluation observed during November.

The global market in 2011 was focused on the challenges faced by the eurozone and on any signs of recovery of the developed markets, while Bangladesh forex market saw new levels in USD/BDT volatility and liquidity flows.

Overall, the USD gained almost 15 percent against the taka during the course of 2011.

The year 2011 started as 2010 had ended, with USD/BDT FX liquidity tightness that continued until March of 2011. The taka slowly gave ground against the USD, starting the year at 70.93 per USD and by March had reached 72.77 per USD.

Another spell of liquidity tightness during May/June saw the USD/BDT rate move to 74.75 by 2011 July-end.

EBL

Philipp Kreutz, member of the management board of German Investment and Development Company (DEG); Herbert Baumgartner, director of DEG representative office in Bangkok; and Ali Reza Ifthekhar, managing director of Eastern Bank Ltd (EBL), ink a deal under which EBL will get a loan of $20 million, at the Westin Dhaka on Monday.

SIBL

Md Anisul Hoque, chairman of Social Islami Bank, unveils the bank's new logo at a function in Cox's Bazar recently. Muhammad Ali, managing director, was also present.

NCC BANK

Md Nurun Newaz Salim, chairman of NCC Bank, inaugurates an ATM booth of the bank on Maniknagar Biswa Road in Dhaka recently. Mohammed Nurul Amin, managing director, was also present.