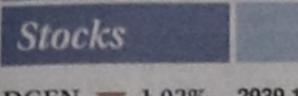
DHAKA WEDNESDAY JULY 16, 2008



CSCX W 0.91% 5,798.12

4.91% MUMBAI 12,676.19

1.96% TOKYO 12,754.56 2.53% SINGAPORE

SHANGHAI 2,779.45

2,830.75

#### Currencies

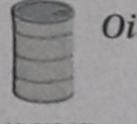
Sell TK. 69.15 107.13 111.77 139.88 0.67

SOURCE: STANDARD CHARTERED

#### Commodities



\$981.35 (per ounce)



\$146.39 (per barrel

(Midday London Trade)

### More News

#### Fresh move to deal with anti-dumping measures

The government last week reshuffled a committee to deal with anti-dumping measures in the wake of growing concerns expressed by local manufacturers over possible dumping from competing countries, sources said.

#### Rupali Bank share trade resumes Sunday

Share trading of the Rupali Bank, which has remained suspended since November last year, will resume on Sunday. The date for resumption of the state-run bank's shares was fixed at a board meeting of the Dhaka Stock Exchange (DSE) yesterday.

B-2

B-3

#### International

It's not a wonderful life for worried IndyMac investors



Bewildered and anxious investors queued up to withdraw savings from failed California-based bank IndyMac ignoring assurances that their money would be safe. The mortgage lender, which re-opened Monday as IndyMac Federal Bank, marked the largest bank failure in a year of mortgage and foreclosure crises.

#### Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

# IMF suggests tight monetary policy

## Existing policy too expansionary to deal with soaring inflation

STAR BUSINESS REPORT

The International Monetary Fund (IMF) yesterday suggested a tight monetary policy for Bangladesh, saying the existing policy is 'too expansionary' to deal with soaring inflation.

"The monetary policy should be less expansionary to contain the already high inflationary pressures," Thomas R Rumbaugh, adviser to the Asia and Pacific Department of IMF, told reporters at a press conference in Dhaka.

Escalating food and fuel prices in international market caused inflation in the country to go up, which averaged 10 percent in 2007-08 fiscal.

"It will be more difficult to check inflation if oil and food prices rise further in the international market," Rumbaugh said.

The IMF organised the briefing after wrapping up a twoweek-long visit of its team to Bangladesh to conduct the annual Article IV consultations for reviewing the country's economy.

IMF Country Representative Jonathan C Dunn and other team members accompanied Rumbaugh, the team leader, at the briefing.

The IMF said Bangladesh's economy rebounded quite well in the second half of the last fiscal (2007-08). A strong revival in domestic economic activity and rapid growth in hovering around 20 percent. garment manufacturing and remittances enabled the coun-



Thomas R Rumbaugh (right), adviser to the Asia and Pacific Department of IMF, and Jonathan C Dunn, IMF country representative, smile at a press briefing in Dhaka yesterday.

try to grow in 2007-08 fiscal in monetary policy to curb credit excess of 6 percent.

Rumbaugh said sure, Rumbaugh said. Bangladesh's monetary policy has been very expansionary in the last six months, adding that the budget for the current fiscal is also expansionary with the credit growth is shrinking. government making a signifiprices recently.

official said, adding that the broad money circulation also

make an adjustment in the ever.

growth and inflationary pres-

don't see any shortage of

"We look at the statistics and

credit," he said, defying the business sector's claim that The IMF adviser said monecant upward adjustment in fuel tary policy should be reactive

to inflation as further increases "Credit growth is a bit high in international oil and food and has reached 23-24 percent prices would place stress on in recent times," the IMF senior the balance of payments and fiscal position.

payment is in a comfortable with climate change is a huge The government needs to position now, he noted, how-long-term challenge for

"We don't see any justification to appreciate taka against the greenback at the moment. May be it can be considered in the future," Rumbaugh said, adding that

rising food and fuel prices are the two biggest challenges for the economy.

Bangladesh's medium term outlook is positive, Rumbaugh said, but inflationary pressure is a major challenge. Political uncertainty surrounding local and national elections is a Bangladesh's balance of short-term risk while dealing Bangladesh, he added.

## Thailand unveils \$1.46b package to cut poverty

AFP, Bangkok

Thai Prime Minister Samak Sundaravej on Tuesday announced a 49 billion baht (1.46 billion dollar) raft of benefits to counter poverty caused by soaring living costs.

The anti-poverty scheme will provide tax cuts and free services for six months to Thailand's worst-off, Samak told a news conference broadcast on national television.

The measures for the poor include cuts in taxes on fuel, delayed increases in the price of cooking gas, as well as free tap water, free electricity, and free transport in nonairconditioned trains and buses, he said.

"All the measures will take effect from August 1, except excise taxes cut that will began earlier on July 25," Samak said.

Inflation in Thailand hit a 10-year high of 8.9 percent in June, driven by soaring food and fuel costs, and central bank officials have warned it could reach double digits this month.

Finance Minister Surapong Suebwonglee warned Monday that the country may not meet its growth target of 6.0 percent if global oil prices keep rising.

Samak blamed sharply rising oil prices for the country's economic difficulties.

"The price of oil is a key indicator for economic measures and it suddenly jumped from 100 dollars to 130 dollars recently -- now it has reached 140 dollars. Oil prices are the cause of the problems," he said.

Surapong said the antipoverty drive would benefit 9.8 million households, saving them 1,000 baht (about 30 dollars) each month.

# Foreign investment in EPZs grows 100pc in FY08

JASIM UDDIN KHAN

Foreign investment grew almost hundred percent to \$302 million in the country's eight export processing zones (EPZs) in 2007-08 fiscal.

The volume of foreign investment in EPZs was only \$152 million in the previous fiscal, Bangladesh Export Processing Zones Authority export earning of \$2.06 in the (Bepza) officials said.

Bepza executives yesterday said weaker dollar, low labour costs and easy access to Asian markets were reasons behind the high growth of investment.

"Bepza for the first time received investment in diversified sectors like furniture, agro products and electrical and electronics goods," Bepza General Manager (Investment Promotion) Abdur Rashid said.

He said an absence of labour unrest, secured investment and utility services for a considerable period of time million at a time, but during jasim@thedailystar.net

high labour and other manufacturing costs in their countries, to invest in the EPZs.

percent growth in export earnings during 2007-08 fiscal. 2007-08 fiscal against the fiscal 2006-07.

The EPZs have been able to employ over 1700 new workers during the fiscal with total employment in EPZs rising to country's close proximity to 2.18 lakh.

trast to foreign investment levels outside the EPZs.

Rashid said Bepza received much larger scale investment proposals, many of which came from non-garment manu- are foreign, while 39 and 70 facturers.

investment worth over \$100 tively.

prompted investors from coun- 2007-08 fiscal we received tries like Taiwan, Malaysia, several investment projects Singapore and Korea, who face that are worth more than \$100 million," he said.

sense and simplicity

LCD HDTV

37PFL7482

47PFL7482/42PFL7482

Negotiations are on with Taiwanese furniture manufac-Bepza also attained 17.73 turing company Tri Max Global Company Ltd, South Korean company Paka Textile, and Bepza earned \$2.43 billion in another Taiwanese company Golden Chang to induce the companies to invest in Bangladesh at larger scale.

Rashid said entrepreneurs are attaching top priority to Bangladesh because of the the fast growing South and The surge is in marked con- South Asian markets and the fact that it is within easy reach of the Middle East.

Currently 283 industrial units are in operation in eight EPZs across the country. 174 of these units are joint venture and "Bepza never received Bangladeshi owned, respec-

# Bangladesh fails to utilise duty-free access to Taiwan

## Govt's policy dilemma blamed

KAWSAR KHAN

Bangladesh is missing out on the opportunity of duty-free access to Taiwanese market as the government fears allowing exporters to exploit the facility would contradict its one China policy.

provided Bangladesh with the duty-free access in 2006 under different business organiza-(LDC) status for 125 products including leather, footwear, jute yarn, door and window frames, woven fabrics, wool Association, Bangladesh yarn, handbags, table, kitchen and household articles, sacks Association, among others, and bags.

In 2004, Taiwan also expressed interest to recruit 3,000 workers from Bangladesh, another opportunity that the government failed to utilise as well. "Though we received the of Taiwan.

proposal as early as in 2006, we have not done much in this regard so that the one China policy of the government is not violated," said an official of Export Promotion Bureau (EPB).

A Certificate of Origin (CO) from the EPB is required to utilise the duty-free facility. EPB has not provided any such certificate to date.

come on to the surface when a leather and leather goods exporter asked for a CO at the EPB office to exploit the facility.

EPB authority has not provided him with any certificate; it sent a letter to the Ministry of Commerce instead, attemptposition over the issue.

Meanwhile, on June 1 a team of representatives from the Taiwanese mission in Dhaka, headed by Frank W Y Chen, head of the mission, discussed the issue of duty-free access Taiwan. facility with the EPB officials.

Besides the government The Taipei government representatives of both the countries, representatives of Bangladesh Chambers of Commerce and Industry (FBCCI), Bangladesh Tanners Leather Goods Manufacturing took part at the meeting.

EPB statistics shows that in 2003-04 Bangladesh's export to Taiwan surpassed its import from the country while in the last few years the bilateral trade has turned absolutely in favour

In 2003-04 Bangladesh exported goods worth \$15.85 million to Taiwan while its import from the country stood at \$15.53 million during the period. In 2006-07 export was \$21.06 million and import \$472.91 million.

Abu Alam Chowdhury, vice president of FBCCI who participated in the meeting, said, "In Recently, this issue has the free market economy diplomatic issues should not be an obstacle to business. When Chinese people are doing business with Taiwan why should not Bangladesh do the same," he said.

"If we do export and import with Taiwan outside the dutying to clarify the government's free regime, we can also do it kawsar@thedailystar.net

under the duty-free facility," he said, adding that Bangladesh should also consider sending manpower to Taiwan sinceeven an unskilled worker could earn over Tk 30,000 a month in

Talking on the issue, Professor Amina Mohsin of the Department of International Relations at Dhaka University said, " It is not necessary for Least Developed Country tions including Federation of two countries to have diplomatic relation to engage in business with another. China does not recognise Taiwan as a separate country, but is doing business with the later and has launched a direct air route recently."

> The Representative Office of Taiwan in Dhaka informed that Dhaka will require setting up an office in Taipei for overseeing the Bangladeshi expatriates, but Dhaka is yet to do so.

Many countries in the world including India, Malaysia and India follow the one China policy but established country office in Taiwan, said an official of Representative Office of

"China is a very big trading partner of Bangladesh and we should not do something which can affect our warm relation that the country has with China. But it is possible to maintain a very vibrant trade relation with Taiwan, as well, without annoying China," said economist Atiur Rahman.

Commerce secretary Feroz Ahmed did not comment on the issue.

# Finance adviser denies rise

STAR BUSINESS REPORT

growth.

Finance Adviser Mirza Azizul the claim of increase in number of poor people and said progress in reducing poverty.

although the overall economy has faced various downside in the global market and natu-tion. ral disasters," he said.

Bank report while addressing programme, which was percent.

a programme on 'Sustainable Strategies for SME Financing' organised by Small and Islam yesterday turned down Medium Enterprise (SME) Foundation in Dhaka.

Thai Prime Minister Samak Sundaravej (L) speaks as Finance Minister Surapong Suebwonglee listens

during a press conference in Bangkok yesterday. Samak announced a new package of tax breaks and

stimulus programmes worth as much as \$1.2 billion as the government seeks to boost economic

the country has achieved number of people living below the poverty line has Bangladesh has achieved increased. "But I think, it is the size of small enterprise progress in reducing poverty, not objective," he said, citing refinancing fund has been the WB report where it was increased from Tk 300 crore said the country has achieved to Tk 500 crore in the current risks such as food price hike progress in poverty reduc-

attended, among others, by Bangladesh Bank Governor Dr Salehuddin Ahmed. "We have widened the

coverage of social safety net Azizul said many say the programmes in the current fiscal year," Azizul said. Salehuddin Ahmed said

fiscal to boost the SME sector. He also said the banks have SME Foundation been advised to allocate about The adviser made the Chairman Abdul Muyeed 40 percent of their total loans to remark referring to a World Chowdhury chaired the the SMEs at an interest of 10

#### JOIN THE DEBATE

Do you have views on what you read in Star Business? What do you think of the state of the economy? Should we be using more hybrid rice? Why do RMG workers riot? What are the new growth sectors? How do we encourage more foreign investment? Can we re-brand Bangladesh? Free trade or protectionism? Potatoes or rice?

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