

## Stocks

DGEN ▼ 1.02% 2939.18

CSCX ▼ 0.91% 5,798.12

## Asian Markets

MUMBAI ▼ 4.91%  
12,676.19

TOKYO ▼ 1.96%  
12,754.56

SINGAPORE ▼ 2.53%  
2,830.75

SHANGHAI ▼ 3.43%  
2,779.45

## Currencies

	Buy TK.	Sell TK.
USD	68.15	69.15
EUR	107.13	111.77
GBP	134.56	139.88
JPY	0.64	0.67

SOURCE: STANDARD CHARTERED

## Commodities

Gold ▲ \$981.35 (per ounce)

Oil ▲ \$146.39 (per barrel)

SOURCE: AFP

(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.

B-3

### 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.

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## 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.

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# 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 two-week-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 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 excess of 6 percent.

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 government making a significant upward adjustment in fuel prices recently.

"Credit growth is a bit high and has reached 23-24 percent in recent times," the IMF senior official said, adding that the broad money circulation also hovering around 20 percent.

The government needs to make an adjustment in the

monetary policy to curb credit growth and inflationary pressure, Rumbaugh said.

"We look at the statistics and don't see any shortage of credit," he said, defying the business sector's claim that credit growth is shrinking.

The IMF adviser said monetary policy should be reactive to inflation as further increases in international oil and food prices would place stress on the balance of payments and fiscal position.

Bangladesh's balance of payment is in a comfortable position now, he noted, however.

"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 short-term risk while dealing with climate change is a huge long-term challenge for Bangladesh, he added.



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 growth.

# Finance adviser denies rise in poverty

### STAR BUSINESS REPORT

Finance Adviser Mirza Azizul Islam yesterday turned down the claim of increase in number of poor people and said the country has achieved progress in reducing poverty.

Bangladesh has achieved progress in reducing poverty, although the overall economy has faced various downside risks such as food price hike in the global market and natural disasters," he said.

The adviser made the remark referring to a World Bank report while addressing

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

Azizul said many say the number of people living below the poverty line has increased. "But I think, it is not objective," he said, citing the WB report where it was said the country has achieved progress in poverty reduction.

SME Foundation Chairman Abdul Mueeed Chowdhury chaired the programme, which was

attended, among others, by Bangladesh Bank Governor Dr Salehuddin Ahmed.

"We have widened the coverage of social safety net programmes in the current fiscal year," Azizul said.

Salehuddin Ahmed said the size of small enterprise refinancing fund has been increased from Tk 300 crore to Tk 500 crore in the current fiscal to boost the SME sector.

He also said the banks have been advised to allocate about 40 percent of their total loans to the SMEs at an interest of 10 percent.

# Foreign investment in EPZs grows 100pc in FY08

### JASIM UDDIN KHAN

Foreign investment grew almost hundred percent to \$302 million in the previous 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 (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

prompted investors from countries like Taiwan, Malaysia, Singapore and Korea, who face high labour and other manufacturing costs in their countries, to invest in the EPZs.

Bepza also attained 17.73 percent growth in export earnings during 2007-08 fiscal. Bepza earned \$2.43 billion in 2007-08 fiscal against the export earning of \$2.06 in 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 2.18 lakh.

The surge is in marked contrast to foreign investment levels outside the EPZs.

Rashid said Bepza received much larger scale investment proposals, many of which came from non-garment manufacturers.

"Bepza never received investment worth over \$100 million at a time, but during

2007-08 fiscal we received several investment projects that are worth more than \$100 million," he said.

Negotiations are on with Taiwanese furniture manufacturing company Tri Max Global Company Ltd, South Korean company Paka Textile, and 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 country's close proximity to the fast growing South and 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 are foreign, while 39 and 70 units are joint venture and Bangladeshi owned, respectively.

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# 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.

The Taipei government provided Bangladesh with the duty-free access in 2006 under Least Developed Country (LDC) status for 125 products including leather, footwear, jute yarn, door and window frames, woven fabrics, wool yarn, handbags, table, kitchen and household articles, sacks 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 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.

Recently, this issue has 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, attempting to clarify the government's

position 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 facility with the EPB officials.

Besides the government representatives of both the countries, representatives of different business organizations including Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Bangladesh Tanners Association, Bangladesh Leather Goods Manufacturing Association, among others, 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 of Taiwan.

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 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 duty-free regime, we can also do it

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

Talking on the issue, Professor Amina Mohsin of the Department of International Relations at Dhaka University said, "It is not necessary for 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 Taiwan.

"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.

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# Star Business

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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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