

Recession impact to be less: UN official

UNB, Dhaka

Visiting UN Assistant Secretary General Ajay Chhibber said yesterday Bangladesh would be much less affected by the global recession than any other countries in South Asia, as the country is not much integrated with the global financial system.

"We hope the impact will be much less," he told reporters, after a meeting with Finance Minister AMA Muhith at the finance ministry.

The impact on the country's exports and remittance has so far been less but would deepen further, the UN official added.

"The government is quite aware about the possible impact," said Chhibber, now on a tour of the Asia-Pacific region to assess the impact of global recession.

"We should be cautious about the impact of the recession," Muhith said. "The impact is still less but we must remain alert."

Hong Kong's unemployment rate rises to 4.6pc

AFP, Hong Kong

Hong Kong's unemployment rate jumped to 4.6 percent in the three months to the end of January, as economic gloom meant more than 14,000 people lost their jobs, official data showed Tuesday.

The figure was up sharply from 4.1 percent in the October to December period, the Census and Statistics Department said in a statement.

In the three months to the end of January, employment decreased by around 14,300 to 3,530,000.

Job losses were felt in almost every sector, the statement said. The under-employment rate also increased, from 1.9 percent to 2.1 percent, during the period.

A government spokesman said the job losses were a sign of how the global downturn was hitting the city.

"Looking ahead, the employment market will remain weak as the effect of the global financial tsunami is spreading to various economic sectors," the spokesman said, adding demand for labour had dropped after the Lunar New Year holiday in January.

Bangladesh holds out hope for FDI in 11 sectors

Says AT Capital

STAR BUSINESS REPORT

Eleven sectors in Bangladesh deserve to receive foreign direct investment (FDI), said Asian Tiger Capital Partners (AT Capital) yesterday.

The sectors are energy, infrastructure, pharmaceutical, textiles, agriculture, healthcare, telecom, climate change, education, shipbuilding and light engineering, according to the financial institution focusing on private equity and venture capital.

"AT Capital has developed a wide range of detailed sector reports to give potential investors information to help take investment decisions more effectively," said Ifty Islam, managing partner of AT Capital, in a presentation in Dhaka.

Islam presented a keynote paper on "Achieving \$5 billion foreign investment by 2015: Sectoral Opportunities for FDI in Bangladesh" at a discussion

organised by AT Capital.

Federation of Bangladesh Chambers of Commerce and Industry President Annisul Haq, Bangladesh Enterprise Institute President Farooq Sobhan, former ambassador Muhammad Zamir and Apex Adelchi Footwear Managing Director Syed Nasim Manzur joined as discussants.

To attract foreign investment, Ifty Islam recommended four types of investment activities, such as national image building, investment generation, investor servicing and policy advocacy.

"Image building activities aims to build the perception of a country, as an attractive location for FDI. Investment generation involves identifying potential investors, who may be interested in establishing a presence in the country, developing strategies to contact them and starting a dialogue to make them commit to an investment project," he

said.

"Investor servicing involves assisting committed investors to analyse business opportunities, establishing a business and maintaining it. Policy advocacy encompasses initiatives aiming to improve the quality of the investment climate and identifying the views of the private sector in this area," Islam said.

The purpose of investment promotion is to reduce the costs of FDI by providing information regarding the host country, helping foreign investors get through red tape, and offering fiscal or other incentives to international investors, Islam said.

The discussants said the new government should undertake proper plans to attract greater FDI to Bangladesh.

They said the government should spell out a clear message that Bangladesh is ready to do business and to facilitate business.



Masud Rahman, second from right, president of the Canada Bangladesh Chamber of Commerce and Industry, speaks at a luncheon meeting organised by the chamber at Dhaka Club yesterday to welcome a Canadian trade delegation. The delegates met senior government officials and business leaders during their visit to Bangladesh.

Dutch economy may shrink 3.5pc

AFP, The Hague, Netherlands

The Dutch economy is set to shrink by 3.5 percent in 2009, the government's budget policy advice body said Tuesday as the prime minister spoke of a "heavy recession" in the country.

"The Netherlands finds itself in a heavy recession," Prime Minister Jan Peter Balkenende told reporters as the Netherlands Bureau for Economic Policy Analysis, CPB, undercut the government's 1.25-percent economic growth projection for 2009.

The bureau also forecast a 3.0-percent budget deficit for 2009 and 5.5 percent for 2010 -- a sharp switch from the government's September projections of a surplus of 1.2 percent of total economic output for 2009 and 0.8 percent for 2010.

"The effects of the financial crisis are much worse than expected," CPB head Coen Teulings told reporters.

"The core of the problem is world trade." Last week, Dutch statistics agency CBS said the economy had entered recession in the fourth quarter of 2008, posting its biggest decline since the beginning of the 1980s.

The economy shrunk 0.9 percent in the fourth quarter and 0.3 percent in the third, it said, blaming a strong drop in exports of Dutch products.

Receiving the latest statistics, Balkenende bemoaned this "new and serious trial."

NBR chief vows to curb import of luxuries

UNB, Dhaka

The new government will press a harsh brake on the brisk import of luxury items in the next budget to give a solid ground for the local producers at a changed time when developed countries are blamed for pursuing a sort of protectionism.

National Board of Revenue (NBR) Chairman Muhammad Abdul Mazid yesterday apprised his business audience of the latest budgeting outlook at a pre-budget meeting with the representatives of financial institutions and small and medium business houses in its conference room.

He said the local producers who supply their products to the domestic market "will be treated as export-oriented industries because they substitute for the imports and thus save huge amounts of foreign exchange".

Mazid said budget for the next year would be "pro-people" in tune with policies of the new government.

He noted that budget is not only the account of government spending -- it is also the description of

incomes.

"But, in normal way, we think the budget is just the description of expenditure of the government," he said.

Narayan Chandra Nath of Bangladesh Institute of Development Studies (BIDS) said protectionism is going on worldwide currently, induced by the economic crunch.

"Each country in the world is protecting their local industries by imposing various types of duties and other barriers to save their local industries," he said.

In the wake of sensational disclosures on siphoning off money, Monjur Ahmed of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) opted to have a strong surveillance team to watch the repatriation of profits of the foreign investors.

"Every country, including India, has such a kind of surveillance team to watch the repatriation of the profit money by the foreign investors. But unfortunately, the central bank of the country does not have any," he told the meet.

Abdul Huq of the FBCCI put emphasis on giving more facilities to the entrepreneurs rather than facilitating individuals.

ASM Ashraf Alam Khan Nabraj of Bangladesh Ghori Baboshayee Samity urged the NBR to reduce the import duty on watch-parts.

He said currently 38 watch-assembling industries are in operation in the country where more than 100,000 people are engaged.

"But the import duties on the spares of watches and the finished watches are same. This obstacle is hindering the flourishing of the watch-assembling industry in the country," he said.

He also demanded waiver of 1.5 percent VAT on wholesale/retailing and 15 percent VAT on sale.

"This sector might be included under the cottage industry as this sector can give the country a strong economic ground like the RMG sector," he added.

Iftekhar Ahmed of Bangladesh Insurance Association (BIA) urged the government to separate them from the line of financial institutions like banks.

Russia set for 2.2pc GDP contraction

AFP, Moscow

The Russian economy will contract by 2.2 percent this year, a minister warned Tuesday, the first time GDP is to shrink in the world's largest country since the 1998 financial crisis.

"The forecast has worsened to a 2.2-percent contraction in GDP (gross domestic product)," Deputy Economic Development Minister Andrei Klepach was quoted as saying by Russian agencies.

His comments marked a sharp downgrading of earlier estimates of negative 0.2-percent growth and the first official admission that Russia faced a recession in 2009.

Klepach, who has become the government's pointman for gloomy economic predictions, also warned that industrial production would fall by 7.4 percent while investment would be down 14 percent.

Adding to the bad news, he said industrial production could end up being even worse than currently predicted by the ministry.

"This will depend on how the government's anti-crisis measures will work and also how the situation with bank credits for the economy develops," he added.

The cut in the GDP forecast came a day after the statistics office said that industrial production

plunged by 16.0 percent in January compared with activity in January 2008, recording its worst fall for 15 years.

Compared with December, industrial production fell by 19.9 percent.

Analysts warned that such figures meant the GDP contraction in 2009 could be even worse than forecast by the ministry.

"We believe the dramatic January industrial figures make our forecast of a 3 percent decline in GDP for the full year look quite optimistic," commented Alfa Bank senior analyst Natalya Orlova.

"The fact of worse to come is a certainty rather than just likely," said UralSib chief strategist Chris Weafer.

"The industrial production report for January confirms that economic activity is still slowing very rapidly and that we may not see the worst of it until Russia's spring weather arrives in late April," he said.



SME Foundation gets acting MD

STAR BUSINESS DESK

SME Foundation has recently appointed Dr Momtaz Uddin Ahmed as acting managing director of the foundation, according to a press release.

Ahmed is also continuing his previous position as a director of the foundation's board of directors.

Ahmed, who teaches Economics at Dhaka University, is a former member of the Bangladesh Planning Commission and director of Research, Cirdap and acquired vast experience as a professional economist in both national and international levels.

Obama heads west to sign huge stimulus bill

AFP, Washington

President Barack Obama headed west Tuesday to sign his huge stimulus bill with a flourish meant to be a rare bright moment for the ailing US economy, and to confront a punishing wave of foreclosures.

The president will sign the 787-billion-dollar stimulus bill, which passed Congress last week, in Denver, Colorado, where he raised the hopes of millions by accepting the Democratic nomination last year.

He will first tour a solar panel installation project in a bid to show how billions of dollars for alternative energy included in the stimulus package could launch a new generation economy.

The new bill aims to create or preserve 3.5 million jobs, many of them so-called "green jobs," as the country confronts its highest unem-

ployment rate in 16 years standing in January at 7.6 percent.

Roughly one-third of the stimulus funds will be spent on tax cuts, totaling 286 billion dollars, in an effort to boost consumer spending, a key engine of the world's largest economy.

But a further 120 billion dollars is being allocated to "shovel-ready" infrastructure projects, for such things as transportation, road-building, improving the power grid and renewable energy installations.

Obama's senior White House aide David Axelrod told National Public Radio late Monday that "75 percent of what we've appropriated here will spend out in the first 18 months after the bill is signed, but some of these infrastructure projects will extend beyond the two years."

"And I think that's going

to benefit our economy, because I don't think we're going to be out of the woods completely in two years, and this is a good hedge against that."

But there has been Republican anger at the size of the package, and the bill was pushed through Congress only after a bruising battle and largely without the party's support.

A "Buy American" clause contained in the deal has been particularly targeted, with a former aide to ex-president George W. Bush warning it would undermine efforts to revive the ailing global economy.

"We can't get the global economy back on a path to growth if each country pursues its domestic recovery in a manner that disadvantages others or seeks to disrupt global supply chains," Dan Price told AFP by telephone from Brussels.



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BIZ LETTERS

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Flowers, a hit on Valentine's Day

Valentine's Day is observed all over the world, including Bangladesh, with much grandeur and pomp. Many express their love for others by exchanging flowers, bouquets, etc. Love is not a trifle matter and it should be extended to the family, society, country and all human beings.

Giving flowers has become quite popular, and flowers are used on many occasions such as weddings, inaugurations and birthdays.

This has brought immense opportunities for flower growers and sellers. Flowers, especially rose, bakul and marigold, are high in demand among consumers. Growers and sellers are able to earn hefty amounts by flower trade because of high demand. The Valentine's Day engulfed the minds of the lovers across the country and a large number of flowers and bouquets were sold. All the five star hotels in the country earned more than Tk 20 cores on the occasion. I hope the cultivation of flowers will increase and flowers will become an export item in future.

MZ Haider Narsingdi

Investment in Sylhet

It is said that Sylhet, the northeastern metropolitan city, is the 'London' of Bangladesh. We know a huge amount of remittance flows in from non-resident Bangladeshis (NRB), whose origin is the greater Sylhet region. From most families, at least one person lives in Europe or America. It is natural that their relatives enjoy a better life.

They usually deposit the money in any bank and pass daily life without doing anything. A major portion of the total money goes for consumption and purchase of luxury goods.

Over the last two to three years, a few investment efforts were observed. However, remitters highly prefer investment in the real estate sector.

Construction of attractive shopping malls has also been witnessed. Normally outsiders do not visit Sylhet much except occasionally, to Jaflong or Madhobkunda. Thus, the question is, who will go to these luxury malls built with the remitters' money?

There is not even much demand for the products sold in the malls and the population of the city is also limited.

Hundreds of millions of taka are being invested. This is not a city like Bangkok or Singapore. Foreigners hardly come here to shop except for some sporadic Sylheti NRB tourists.

As a result of recession in Europe and America, the income of NRBs has declined. This can be treated as a very awful year for the economy of Sylhet. The remitters are sending very low amounts, compared to previous years. Their visits to home have reduced. Earlier, many would come home to get married in this season. But even that is not so satisfactory now.

What will be the fate of these non-productive investments in this region, if this trend continues? The former caretaker government declared the region as a Special Economic Zone (SEZ). Fortunately, Sylheti people have been able to hold on to the Ministry of Finance this session also. Economic analysts strongly feel that productive investment in this region is a must. Government initiatives to strengthen the SEZ can

help in this case. If that is ensured, more people will get employment. Now the government should expedite the project of SEZ, educate people for useful business, and cooperate in their ventures. And finally, the government should use the resources (natural and capital) of this region for the balanced development of the whole nation.

Md Abdul Hamid Sylhet

Special incentives to jute sectors

Recently a jute fair was held at Bangladesh-China Friendship Conference Centre in Dhaka. The main objective of the fair was to promote the jute products of Bangladesh to buyers from different parts of the globe. The fair was well organized, but it failed to attract buyers or clients from abroad.

Of course, the "so-called" Export Promotion Bureau (EPB) has to be blamed for this because it was its duty to introduce the fair in Bangladesh to the rest of the world. EPB can easily develop websites where itineraries of fairs throughout the year will be given. This is what countries like Thailand and Malaysia do and why they are far ahead of us. Jute should have been our main export commodity but our previous governments have failed miserably to make jute a main export item.

Our unemployment rate could be reduced if this sector prospered. We require visionary plan to keep the jute sector alive. For this, if possible, the government should give special incentives to the jute factories that are on the verge of closure. Therefore, our government may take some strategic steps that I want to suggest.

The government should create 'Bangladesh Jute Chamber of Commerce and Industry', which will subsume, merge and integrate the functions of the various institutions currently operating in the jute sector.

It should explore the possibilities of establishing an export department within this chamber to harmo-

nise all development and promotional activities worldwide.

The government should establish a national jute and jute textile museum in Bangladesh to preserve and highlight the heritage of jute. It should develop the next generation of jute machinery through a comprehensive technology benchmarking five-year plan for machinery development, and establish research and development via public-private partnership.

The government should take a new commodity development strategy to focus on positioning jute as a superior and environmental friendly product, enhance the productivity of raw jute, increase exports through innovative marketing, and better the working conditions of the workers engaged in jute industry.

The basic objective of these strategic steps is to increase the export of jute and jute products. We wish we could become the leader of jute products worldwide again.

Minhaj Ahmed Dhaka

