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CSCX	▲ 0.26%	4,897.42

## Asian Markets

MUMBAI	▲ 1.99%	9,901.99
TOKYO	▲ 2.99%	8,351.91
SINGAPORE	▲ 0.13%	1,702.26
SHANGHAI	▲ 1.47%	2,408.02

## Currencies

	Buy Tk	Sell Tk
USD	68.50	69.50
EUR	88.75	93.47
GBP	96.16	101.21
JPY	0.69	0.73

SOURCE: STANDARD CHARTERED BANK

## Commodities

Gold	▲	\$920.45	(per ounce)
Oil	▼	\$48.22	(per barrel)

SOURCE: AFP (Midday Trade)

## More News

PPP as a catalyst for growth



The first meeting of the recently established Bangladesh Financial Crisis Taskforce took place on March 24. Essentially, the taskforce is likely to split prospective policies between countering the immediate effects of the crisis in depressing demand conditions in the economy, primarily via the export sector or reduced remittances, and more structural measures.

B-4

## International

Indian exports slide for fifth straight month

India's exports fell by nearly 22 percent in February from a year earlier, the fifth monthly contraction in a row, as overseas demand is battered by the global downturn, data showed Wednesday. Analysts forecast more bad news ahead for Asia's third-largest economy.

Eurozone unemployment rises to 8.5pc

Unemployment in the 16 countries using the euro rose in February to 8.5 percent to hit the highest level in close to three years, according to official EU data on Wednesday. The unemployment rate hit the highest level since May 2006 in February as an estimated 319,000 jobs were shed across the single currency bloc.

B-4

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# Ride out threat of protectionism

## Say trade analysts as G20 summit begins

SAJJADUR RAHMAN

Top trade analysts in Bangladesh have expressed mixed feelings about the outcome of the G20 summit that begins in London today.

They hope global leaders will be able to avoid increasingly adopted protectionist measures, saving the rest of the world from a looming threat.

Fears about protectionism run deep as global exports may collapse in newfound trade barriers.

"I hope they (G20) would not go for protectionism because of its high cost," said Ahsan H Mansur, a former senior official of the International Monetary Fund.

Prof MA Taslim, chief executive officer of Bangladesh Foreign Trade Institute, fears that any move to adopt protectionist policies would add woes to the already sliding global economy.

"If they adopt restrictive policies, the same will be followed by other countries to protect their own industries," said Taslim.

"The loss will be cumulative."

Zaid Bakht, research director at the Bangladesh Institute of Development Studies, echoed the views. He said protectionism would push the costs of production up for the developed world.

However, the experts are nearly unanimous that differences among the members of G20 are wide -- a fact that hurts optimism over the London summit.

World leaders who gathered in London are struggling to reach a consensus on how to tackle the downturn in the global economy, which is likely to fall by 3 percent to 5 percent this year.

Nineteen developed and developing countries, including China and India, and the European Union constitute the G20, the most powerful group in the world.

"Bangladesh's exports will be badly affected if they (G20 countries) adopt protectionist policies," said Taslim.

Other trade analysts play down the fear as they say Bangladeshi exports do not compete with products from the US or EU.

Mansur attributed the threat of protectionism to significant differences between

the EU and the US. "I hope they will strike a balance and reiterate their commitment to the global economy," he said.

Like analysts, Bakht hoped the western nations would continue to follow open-door policies rather than protectionism.

Bakht said the developed world should provide support packages to the developing and poor countries where income has fallen significantly due to the economic slowdown.

"At the least, we expect suggestions from them on how countries like Bangladesh can deal with the situation," he said.

The conditions placed for official development assistance should not be stringent as earlier, he added.

International and national organisations have already expressed concerns over the growing threat of protectionism.

The organisations want an outcome and help the poor economies to salvage their economies.

Leaders of the G20 countries must coordinate their national policies to end the global recession, support a monitoring system to honour previous promises to reject protectionism, and restore trade financing to more normal levels, the International Chamber of Commerce (ICC), based in Paris, said in a statement yesterday.

"Trade is the livelihood of the global economy and the world needs more of it at this critical moment, not less," said ICC Chairman Victor K Fung.

SUPRO, a nongovernmental organisation that campaigns for good governance, has demanded a waiver of loans that Bangladesh took from the international community.

SUPRO also asked the developed world to provide their pledged assistance worth 0.7 percent of their economies to the developing countries.

The 19 developed and developing countries and the EU that officially make up the G20 accounts for close to 90 percent of world GDP, 80 percent of global trade and roughly two-thirds of the planet's population.

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Activists of SUPRO, a local NGO, take to the streets in Dhaka yesterday to demand a fair outcome from the G20 summit for poor countries.



# G20 leaders wrangle over ending economic crisis

AFP, London

Leaders wrangled Wednesday on how to fix the global economy, with France and Germany demanding tough action by a 20 nation summit and President Barack Obama warning the United States would stop being a "voracious consumer".

French President Nicolas Sarkozy, who has threatened to walk out of Thursday's London summit, said France and Germany rejected the current summit proposals on reforming the financial system and cracking down on tax havens and corporate bonuses.

Obama and British Prime Minister Gordon Brown, who is struggling to bridge the G20 summit gap, played down the differences but not the scope of the crisis that the summit will have to confront.

"Make no mistake, we are facing the most severe economic crisis since World War II, and the global economy is now so fundamentally interlinked that we can only meet this challenge together," the president said.

But he insisted that while the summit had a duty to produce "the most substantive outcome possible," the "separation between the various parties has been vastly overstated."

Obama has said stimulus and regulation are needed but looking forward to better days he said the United States could not shoulder all the responsibility for creating new growth.

The United States will have to tackle its huge deficits so while the world has long seen the superpower as a "voracious consumer" that will have to change, Obama said.

"Everybody is going to have to pick up the pace and I think that there is a recognition based on the conversations that I've had with leaders around the world that that is important," he said.

With thousands of anti-summit demonstrators gathering in London's financial district, representatives of the Group of 20 leaders negotiated through the night seeking to overcome the rift on the summit communiqué.

But Sarkozy said there had been no agreement. "Neither France nor Germany are satisfied with the proposals as they currently stand," said the French leader who has threatened to walk out of the summit if the measures are not bolstered to his liking.

"I will not associate myself with a false summit, that concludes with a statement of hollow compromises, that does not address the problems that we face," he warned.

German chancellor Angela Merkel voiced her concern before leaving Berlin.

"I am going to London with a mixture of confidence and concern. Concern on one hand on whether we can really react to the serious situation... Confident, however, that we cannot stick our heads in the sand," she said.

Merkel has spoken out against governments like the United States and Britain spending their way out of the crisis.

But her fears were dismissed by Prime Minister Taro Aso of Japan, whose country has spent massively over the past decade seeking to re-ignite the economy.

# WB marks global growth down ahead of G20 summit

STAR BUSINESS DESK

The World Bank has sharply cut its November 2008 forecast of 4.4 percent GDP growth in the developing world in 2009 to 2.1 percent, as heads of governments convene in London for the G-20 summit today.

"There may be a weak recovery in 2010. However, the pace and timing of recovery remain highly uncertain," the WB says in its Global Economic Prospects update.

Rich countries across the world are in simultaneous recession, with their output falling sharply in the last quarter of 2008. Of the 16 developing countries that have quarterly data available, 15 have shown a fourth-quarter GDP decline.

Global GDP growth, after a robust eight-year stretch, is now set to contract by 1.7 percent this year, the World Bank predicts. This is a historic

contraction, with world output set to decline for the first time since World War II.

"Even if global growth turns positive again in 2010, we are not yet out of the woods," said Hans Timmer, manager of Global Trends in the World Bank's Development Prospects Group. "We expect that the level of GDP will remain well below potential, and so economic distress will remain acute for the next two years."

Timmer explained that the global economy was going through "a perfect storm," with the global recession, the credit crunch, and languishing confidence working together in a "very negative dynamic".

The investment banking collapse last year and the ensuing credit crunch were followed by a sharp decline in industrial production across the world, especially in economies specialising in investment goods, such as Taiwan, China and Japan.

The crisis was preceded by eight years of extraordinary economic growth in developing countries, supported by double-digit growth in investments. Investments are especially hard hit now by the tough financial conditions.

The World Bank now expects a 6.1 percent contraction in 2009 in the volume of world trade in goods and services. The value of world trade will collapse much more because of the fall in commodity prices, it says.

This is bad news for government revenues. It is the poorest countries that depend most on trade for their fiscal revenues. For example, in Lesotho, Swaziland and Cote d'Ivoire, between 40 and 50 percent of fiscal revenues come from trade.

World GDP growth is likely to increase to 2.3 percent in 2010, but significant risks could mar this outlook, according to the WB. "If crises in balance of payments are not prevented, much sharper con-

tractions would occur in 2009, possibly continuing into 2010," it says.

Europe and Central Asia have been worst-affected by recent developments. GDP in the region is expected to fall by 2 percent in 2009, compared with a 4.2 percent increase in 2008.

Latin America and the Caribbean will also likely see GDP contract in 2009, although at the country level outcomes may be diverse. Overall, GDP is projected to decline 0.6 percent following gains of 4.3 percent in 2008.

East Asia and the Pacific are likely to be most affected by the falloff in global investment and trade. Already this has cut sharply into industrial production and capital spending. GDP growth is expected to ease to 5.3 percent in 2009, as growth in China slumps to 6.5 percent, and several smaller economies in the region, including Thailand fall into recession, the WB says.

# Minister backs demand for rate cuts

STAR BUSINESS REPORT

Commerce Minister Faruk Khan yesterday assured business leaders that he would suggest the taskforce proposes lowering bank interest rate at 11-12 percent.

The Metropolitan Chamber of Commerce and Industry demanded a rate cut to ensure a continuous credit flow for the private sector, especially for small and medium enterprises, in the face of global recession.

During a meeting at the chamber's office in Dhaka, the MCCI asked for adopting a comprehensive supportive strategy in line with the proposals it placed before the minister.

It sought that the government take measures to ensure easy access to bank loans, raise public spending, lower the cost of doing business, keep the law and order under control and enhance port efficiencies.

The trade body in a recent meeting with Prime Minister Sheikh Hasina also submitted a set of recommendations to tackle the recession.

Fearing a gloomy economy, MCCI President Abdul Hafiz Choudhury pointed to the 2.5 percent decline in Bangladesh's overall exports until February.



Commerce Minister Faruk Khan, 4-R, addresses members of the Metropolitan Chamber of Commerce and Industry in Dhaka yesterday.

Other Asian countries like India, China and Pakistan are facing sharper downturns in their exports, he also pointed out.

"So, in such a critical situation, a continuous credit flow at low interest should be ensured to prevent any shutdowns," Choudhury said.

He also said public spending on infrastructure development, poverty alleviation, human resource development, rural infrastructures and non-farm support activities should be increased through a continuous review of the Annual Development Programme (ADP).

The metropolitan chamber chief put emphasis on the capacity building of the banking sector through reducing non-performing loans, improving services and strengthening prudential regulations.

Choudhury demanded government's zero tolerance to any extortion by the miscreants in the guise of political activists.

Urging a responsible behaviour with regard to any public statement on any militancy in garment factories, the MCCI president said, "We must not create a situation where labour unrest can get a boost."

On Chittagong Port trade unionism, the chamber opined that such activities should be limited to three unions out of 32 organisations for the sake of smooth operation of the port.

The chamber chief also urged the government for immediately execute the administrative initiatives taken by the immediate past caretaker government to make the port more efficient.

Former MCCI president Latifur Rahman pointed to the present state of regional trade and urged the government to start negotiating with India to seal a pact on free trade to raise the bilateral trade volume.

## What MCCI advises

- Easy access to bank loans
- Rise in public spending
- Lowering cost of doing business
- Tackling the law and order situation

## Govt to shift from PRSP

STAR BUSINESS REPORT

In a major policy shift, the government yesterday decided to discontinue the Poverty Reduction Strategy Paper (PRSP) in its development programme and revert to the 5-year plan from 2011.

A high-profile meeting at the planning ministry with Finance Minister AMA Muhith in the chair took the decision. Planning Minister AK Khandker was also present.

Muhith said from 2011 the government would start the five-year plan.

The former four-party alliance government under the donors' pressure introduced the three-year PRSP programme scrapping the five-year plan.

At that time donors said all their assistance would be PRSP-centred. The current second PRSP's tenure will end in 2011.

Muhith said: "A government comes to power for five years. So it's better to make a five-year plan instead of two- or three-year ones."

Khandker said they talked with the donors and they have no objection.