

# Political turmoil to affect growth: ICCB

STAR BUSINESS DESK

Performance of the economy in 2012-13 will critically hinge on how the political challenges are addressed, analysts said in Dhaka yesterday.

Any prolonged uncertainty in this context will have serious implications for the performance of the economy, they said in the council meeting of the International Chamber of Commerce Bangladesh (ICCB).

Higher level of investment is a binding constraint for higher economic growth, the chamber said in a statement yesterday.

To achieve the Sixth Five Year Plan target, share of total investment to GDP needs to be 29.6 percent of the gross domestic product in 2012-13, according to the analysts.

In other words, an additional Tk 75,460 crore investment is needed, of which more than 81 percent should come from the private sector.

"Certainly this will be a challenging target to chase when the private sector investment is stuck at around 19 percent of GDP over the past few years," the chamber's council observed.

Some analysts consider



ICCB

**ICC Bangladesh President Mahbubur Rahman, fourth from left, presents the report of the executive board of the chamber at its annual council 2012, in Dhaka yesterday. From left, Mahbub Jamil, chairman of Singer Bangladesh; Syed Ershad Ahmed, FICCI president; Latifur Rahman and Rokia Afzal Rahman, ICCB vice presidents; Mahbubul Alam, CCCI president; Sheikh Kabir Hossain, BIA president; and Tapan Chowdhury, managing director of Square Group, are also seen.**

although Bangladesh's growth is likely to remain healthy, it is yet below potential. However, the political situation will be the main factor to set the course of the economy, ICCB said.

Bangladesh has maintained a reasonable macroeconomic stability and a good growth momentum despite significant

odds, the chamber said.

Fiscal discipline has improved and a robust growth in remittances despite slow export growth has ensured a comfortable foreign exchange reserves, it said.

The current economic trends thus bring both opportunities and challenges for the Bangladesh economy for the remaining period of 2012-13,

according to the council.

Bangladesh has attracted global attention due to its economic potential, competitive strength and its big domestic market, analysts said.

The overall economic management will be challenging in 2013, as there will be a number of tensions in economic management, the chamber said.

"One of those will be to stimulate agricultural production and to find a balance in protecting the interests of crop producers and consumers."

Global economists forecast that trend shows that the economy of Bangladesh might overtake western countries by 2050 and the forecast came at a report published by 'The Guardian' on December 18, analysts said.

"According to the report of The Economist published in its November 1 issue, between 1990 and 2010 Bangladesh has made extraordinary improvements in almost every indicator of human welfare."

Bangladesh has done better than most countries at improving the basic standard of living of its people, according to the report. Thus the puzzle is that Bangladesh combines economic disappointment with social progress, analysts said.

Mahbubur Rahman, ICCB president; Latifur Rahman and Rokia Afzal Rahman, ICCB vice presidents; Md Nurul Amin, president of the Association of Bankers Bangladesh; Tapan Chowdhury, managing director of Square Group; and M Ghaziul Haque, chairman of Transmarine Logistics, were also present.



DCCI

**GM Quader, commerce minister, attends a seminar on bilateral free trade agreements for the country, organised by the Dhaka Chamber of Commerce and Industry (DCCI), in the capital yesterday. Sabur Khan, president of DCCI, was also present.**



NATIONAL BANK

**Md Abdul Hamid, general manager of Bangladesh Bank (Mymensingh office), attends a daylong workshop on prevention of money laundering and combating financing of terrorism, organised by National Bank at a local hotel on Friday. AKM Shafiqur Rahman, deputy managing director of National Bank, was also present.**

## Unrest brings business to a near-halt

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Muhith said the budget for fiscal 2013-14 might be placed in parliament on June 6.

Muhith sat with civil society members including economist Prof Rehman Sobhan, former finance minister M Syeduzzaman, former finance secretary Siddiqur Rahman and Executive Director of Centre for Policy Dialogue Prof Mustafizur Rahman.

The issues that were discussed include the Padma bridge, the garment sector, public private partnership, foreign aid, governance, efficiency of bureaucracy and state-owned enterprises.

Interest rate, investment trends and the capital market also got prominence at the meeting.

Prof Mustafizur Rahman said the GDP growth projection should be realistic for the sake of maintaining discipline.

He also advised the finance minister to be careful in the issue of Padma bridge financing so that the funding does not affect spending on education, health and safety net programmes.

Rahman also raised the issue of higher bank interest rate, which he said is squeezing the private sector

growth. He also hoped that the coming budget would focus on the apparel sector.

M Syeduzzaman said there should be some projections in the budget for the physical and social infrastructure programmes. He said little has been done so far for the PPP projects.

"Nothing has been done about the special economic zones and private export processing zones. The government needs to look into these issues to attract investment," the former finance minister said.

Prof Rehman Sobhan found inefficiency in budget implementation is still a big problem, which he said is reflected in the development programmes.

"Go back to your (Muhith's) first budget (in 2009) and see where the problem lies," he said.

The economist also shed light on the state-owned banks and found weaknesses in supervision.

"What had happened with these banks was due to oversight problems," he said.

He said the Padma bridge can be constructed with funds from the development programmes, but opportunity cost has to be examined.

## Retailers are pressed on safety at factories

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The United States government has also been pressing Bangladesh and the apparel manufacturers there over safety. In January -- two months after the Tazreen factory fire in Bangladesh killed 112 workers -- the United States trade representative notified Bangladesh that Washington might withdraw, suspend or limit that country's trading privileges. The trade representative was responding in part to a complaint that the AFL-CIO filed, asserting that the Bangladesh government had worked in concert with its apparel manufacturers to suppress labour unions.

"There are serious concerns in Bangladesh related to freedom of association, worker safety and other issues," a senior official in the trade representative's office said on Friday. The trade representative's office says it will decide in June whether to take action against Bangladesh, although under esoteric trade rules, any penalties could not be directed against that country's apparel industry.

The most visible pressures that retailers have faced are street protests, including one in Barcelona, where demonstrators wore shirts with fake blood stains to protest Mango, Benetton and other retailers. In the United States, university chapters of United Students Against Sweatshops have helped organise a series of demonstrations this week against Gap in Boston, Los Angeles, New York and Washington to press it on factory safety.

Alex Wilks, campaign director of Avaaz, which has 21 million mem-

bers worldwide, said its online petition was aimed at the chief executives of Gap and H&M. The petition says, "Your companies and other multinationals profit from cheap labour, and can do much more to reduce the dangers of the places where your products are made." Bangladesh, the world's second-largest apparel exporter after China, has the lowest minimum wage in the world -- \$37 a month -- which has helped it attract billions of dollars in orders from the West.

"We feel that H&M and Gap are well placed to turn what have become death traps into safe factories," Wilks said. "We're targeting these two companies because they've made commitments to ethics, and we feel that this leadership makes them well placed to not only lead their own companies but also to lead the rest of the industry to sign up to these strong and enforceable agreements."

Two weeks ago, the German government sponsored a conference of retailers, apparel brands and antisweatshop groups that sought to push the companies to agree to take strong safety measures in Bangladesh. The antisweatshop groups have set Wednesday, May 15, as a deadline to persuade retailers to join the PVH-Tchibo plan, and they say that any retailers that do not sign will be the target of new protests.

Saying that his company has a strong reputation on social responsibility, Bill Chandler, a Gap spokesman, insisted that the attacks against his company were misplaced. "It's per-

plexing that they're targeting us when we're a leader in taking action on the ground while many others are passively sitting on the sidelines," he said.

Gap has hired a respected fire safety expert to inspect the dozens of factories it uses in Bangladesh. Gap has also said it will spend \$22 million for fire safety improvement there.

H&M, in a statement, said that improving fire and building safety in Bangladesh was one of its priorities. "We are working at full speed to reach the best solution with other stakeholders," the company said.

Liu has been singling out Walmart in particular. "The tragedy in Bangladesh may finally bring home the lesson to Walmart and others that they are responsible for their suppliers," he said.

Walmart, Gap and H&M did not use any of the five factories in the building that collapsed, but customs records show that two American companies -- the Children's Place and Cato Fashions -- bought significant amounts of apparel from factories there over the last year.

Jane Singer, a Children's Place spokeswoman, said the company was evaluating the PVH-Tchibo proposal. "We have not reached any decisions at this point, but are committed to supporting changes to improve safety and working conditions," she said.

Kevin Gardner, a Walmart spokesman, said the retailer was working to develop strong standards from its suppliers to create "a truly innovative, ethical and sustainable supply chain."

## Budget implementation weakest area: Muhith

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"The main function has to be at the district level. And there has to be a division of responsibilities between the government and the district councils. It is important to ensure accountability and local participation and generate ideas."

"The district budget system can be introduced in Bangladesh," he said.

The minister said at least half of the government's responsibilities could be delegated to the district level.

About the budget booklet, Muhith said it is an attempt to make the budgetary process transparent and account-

able and ensure greater participation of people in formulating and implementing the budget.

The budget booklet was published as part of the Deepening Medium Term Budgetary Framework and Strengthening Financial Accountability project being implemented by the Finance Division and financed by the World Bank.

Salman Zaidi, lead economist of the World Bank's Dhaka office, said the booklet would enhance transparency in budgetary process and ensure greater participation of the public in the formulation of the budget.

Ranjit Kumar Chakraborty, additional secretary to the Finance Division, and Zahidul Haque, deputy secretary, also spoke.

## 96 lakh households involved in economic activities: BBS

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Many want the information to be kept secret to avoid harassment from government agencies, said FBCCI President Kazi Akram Uddin Ahmed.

"We will share you the truth, but you have to keep information confidential," he told the BBS officials at the meeting. He also demanded the bureau to conduct census in short intervals instead of holding it once in 10 years.

The question on whether individual firms have TIN and VAT registration may create worries among businesses, said Md Ali Zaman, president of Small and Medium Enterprises Owners' Association of Bangladesh. "The way taxmen handle tax and VAT payment is a matter of concern for many businessmen," he said.

Businessmen do not want to share information on TIN and VAT fearing harassment, said Mohabbat Ullah, FBCCI director.

"Confidentiality will be maintained. Information on individual businesses will not be made public. If any enumerator or official leak your information, action will be taken," said Md Nojibur Rahman, secretary of the Statistics and Informatics Division.

The two-month data collection mission that began on March 31 will be complete on May 31. The findings of the census are expected to come out by the year-end.

## Jet Airways marks 20 years

STAR BUSINESS DESK

India's Jet Airways yesterday celebrated the completion of two decades of service since it began operations as an air taxi operator in 1993.

Jet Airways has emerged as India's premier international airline and one of the few iconic Indian service brands to make a global mark, the airline said in a statement.

The airline has over 105 aircraft and runs more than 600 flights daily, spanning 20 international destinations across the globe and over 52 destinations pan-India.

"As India's premier airline, we are committed to offering our guests the very best travel experience both in the skies and on the ground. We set our sights firmly on the future with even bigger goals for the years ahead," said Naresh Goyal, chairman of Jet Airways Group.

## Govt to scale up budget by 14pc

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The finance minister said the pressure on the economy from power plant rentals would go down soon as some plants are due for retirement this year.

"By 2016, rental power plants would account for 11-12 percent of total power production. As a result, the power tariff will go down."

About agriculture subsidies, the finance minister said it would be Tk 9,000 crore in the upcoming fiscal year.

Amir Khasru Mahmud Chowdhury, former commerce minister, however, doubts whether the level of GDP growth stated by Muhith is achievable.

"The investment-GDP rate has also gone down since 2009. So, if we cannot raise it we will not be able to achieve the economic growth."

Rokia Afzal Rahman, president of MCCCI, said she hopes the government would not impose any new tax in the upcoming fiscal year.

"The achievement of higher economic growth depends on sound macroeconomic policy and avoidance of confrontational politics."

She said the government plans to start allocating funds for the stalled Padma bridge project from the next budget.

"But if the government cannot cut the allocation for agriculture, social safety net and poverty alleviation."

The MCCCI president opposed the possibility of amnesty for black money and urged the government not to provide any such opportunity.

Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh, said the investment growth has remained stuck at 24 percent of GDP for some years now.

"But if the country cannot raise it to 30 percent then it will not be able to achieve its desired GDP growth."

He said the government would have to rethink on the coal policy and opt for long-term power projects.

"Otherwise, the country will not be able to overcome the pressure from high subsidy."

Mahabub Hossain, executive director of BRAC, the world's biggest non-governmental organisation, urged the government to increase subsidies for small farmers.

M Tamim, an energy adviser, said the government opted for rental power plants as a short-term solution to the power crisis.

"But, no medium to long-term projects have been completed."

Moazzem Hossain, editor of The Financial Express, said the country did not see any improvement in good governance in the outgoing fiscal year.

"Although the cost of business and living costs have gone up due to the higher electricity tariffs imposed by the rental of power plants, everybody should look at the big picture, what the electricity has brought in terms of economic growth," said Kazi Akram Uddin Ahmed, president of the Federation of Bangladesh Chambers of Commerce and Industry.

Sabur Khan, president of Dhaka Chamber of Commerce and Industry, said the high cost of electricity has discouraged new entrepreneurs from setting up businesses.

Nihad Kabir, former vice president of MCCCI, moderated the programme.

## Ticfa with US on way: Quader

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"We are sceptical about bilateral FTAs on a selective basis, as FTAs with countries with similar products will not be beneficial for us."

Ananya Raihan, executive director of D-Net, said instead of focusing on elimination or reduction of duty the country should look to make its exports as competitively priced as possible.

"We should examine whether we are managing competitive pricing in our top 50 exporting markets."

Abul Basher, research fellow of Bangladesh Institute of Development Studies, said the country should only do bilateral FTAs with those countries where high tariff barriers and duties exist.

"On the other hand, we should focus on close economic partnership agreement with countries like India."

Khondaker Golam Moazzem, additional research director of Centre for Policy Dialogue, said the country needs to tailor its stance on FTAs according to the markets.

Citing the current level of trade cooperation between Bangladesh and India, he recommended close economic partnership agreement between the two countries, which will cover trade in goods and services, investment and trade facilitation.

He said the country's export competitiveness is limited to a few products, with most of its industries struggling to become competitive even in the local market.

"A broad-based FTA would have serious repercussions, and that needs to be taken into account," said Moazzem, while suggesting a preferential trade agreement with a "positive list approach".

DCCI President Sabur Khan said India is in the final stages of signing FTAs with the Asean and the EU.

"Bangladesh is concerned about the future of its garment business with the EU after their FTA with India. If India gets similar facilities that Bangladesh is currently enjoying, it will have a negative impact on our garment industry as well as our exports."