

Higher growth hinges on better infrastructure

Analysts say at DCCI discussion

STAR BUSINESS REPORT

Poor investment and infrastructure are the key barriers to turning Bangladesh into a middle-income nation by 2021, speakers said at a discussion yesterday.

The bottlenecks are setting back the most prospective sectors, including garment, leather, shipbuilding and IT, they added.

They spoke at a discussion on "Bangladesh 2030: next billion dollar opportunities", organised by Dhaka Chamber of Commerce and Industry (DCCI) at Army Golf Club in Dhaka.

Commerce Minister Tofail Ahmed, however, said he is confident of achieving the growth targets set in the Vision 2021.

"We are confident that Bangladesh will achieve this growth due to its policy, dynamic private sector, strong economic foundation and fundamentals, strategic location and, moreover because of our resilient people,"

he said.

Bangladesh's infrastructure is one of the most underdeveloped in the world, a factor which has stopped economic growth from accelerating further, Abul Kasem Khan, a former president of DCCI, said while presenting a paper on infrastructure.

The country's ranking in the World Economic Forum's Global Competitiveness Report slightly improved, but it is still the lowest compared to South Asian neighbours: India, Sri Lanka and Pakistan.

Taiwan, Hong Kong, China and Vietnam invested over 8 percent of their GDP for infrastructure development and have been able to build modern and essential infrastructure facilities, he said.

"We are confident that Bangladesh can achieve the high growth rate of 8 to 10 percent on average in the coming years, but the preconditions of such growth

targets need to be addressed, which are mainly related to our infrastructure development."

Shafiqul Islam Mohiuddin, first vice-president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), presented a paper on the prospects and challenges of the textile and clothing sector in Bangladesh.

He said it is possible to reach the target of exporting \$52 billion by 2020, if Bangladesh can increase its share to 8 percent in the world export market of around \$650 billion.

"Embargo on new gas connection and transfer of address of existing gas connections are barriers to new investment and ongoing factory safety efforts," said Mohiuddin, also the managing director of Onus Group.

The implementation of Dhaka-Chittagong four-lane highway, Dhaka-Mymensingh highway, Dhaka-Tangail highway and

Dhaka-Chittagong dual gauge rail track, activating New Mooring Container Terminal, Mongla port and Pangaon port and improving the capacity of Chittagong port and its automation are the key issues to boost investment, he said.

In his welcome speech, DCCI President Hossain Khaled said the investment-to-GDP ratio needs to be 38 percent, instead of 28 percent now, to achieve the status of a middle-income country by 2021.

"We are confident that Vision 2021 will set the foundation for Bangladesh to become a major economy in the globe."

Bangladesh's economic performance is underestimated, and many feel that the economy may outperform expectations due to the sound economic foundation that has been achieved over the last 20 years, he said.

"We believe that the high growth rate of 8 percent to 10 percent on average is achievable

in the coming years," Khaled said.

KM Mahmood ur Rahman, president of Bangladesh Ship Builders Association, presented a paper on "Bangladesh 2030: next billion dollar opportunities sector: shipbuilding".

He said the sector is facing some obstacles such as inadequate bank financing, high financial cost, inadequate power and energy, weak shipbuilding yard infrastructure and poor quality control, design and standardisation.

The global shipbuilding market is worth around \$400 billion and with adequate investment Bangladesh can gain 10 percent share of it, he said.

Shamim Ahsan, president of Bangladesh Association of Software and Information Services, said his association targets earning \$1 billion from IT export and creating one million IT professionals in the next five years.

Huawei targets selling 100m handsets in 2015

China's tech giant launches three new smartphones

STAR BUSINESS REPORT

Huawei aims to sell 100 million handsets globally this year, marking a year-on-year rise of 30 percent.

He Gang, handset product line president of Huawei, China's largest telecom equipment maker, unveiled the target at the launch of the company's three flagship smartphones—Ascend P8, P8 Max and P8 Lite—in Bangkok on Thursday.

The mobile phones with a premium all-aluminum unibody design will become available in the Southeast Asian market in June.

Huawei sold 75 million handsets globally last year, Gang said.

"We are planning differently and expecting huge growth compared to the previous year, especially in this region."

Huawei expects total shipments of smartphones in Southeast Asia to rise 160 percent to eight million units in 2015 from the last year, boosted by strong demand in Myanmar, the company said.

In the first quarter this year, the company posted a 120 percent increase in smartphone shipments in the region, one of the most promising markets in the world, said Thomas Liu, president for Huawei's Southeast Asian consumer business group.

Huawei has not provided any pricing details for the newly launched smartphones.



M Nazeem A Choudhury, head of consumer banking at Eastern Bank, and Md Munir Uddin, chief operating officer of Rangs Industries, sign a deal at a programme in Dhaka recently. EBL credit cardholders can now purchase electronic products from Rangs showrooms in up to 12 monthly instalments on zero percent interest.



M Irfan Syed, a director of Bank Asia, presents scholarship money to one of the recipients of Bank Asia Higher Studies Scholarship-2014 under Tarail upazila of Kishoreganj district yesterday. Aminul Islam, additional managing director, was also present.

India's economy grows 7.3pc in 2014-15

AFP, Mumbai

India posted annual growth of 7.3 percent on Friday, overtaking China in the first three months of 2015, but analysts warned further measures were needed to boost the economy.

The growth rate for the financial year that ended March 31, 2015 came in slightly lower than the 7.4 percent that the statistics ministry had predicted back in February.

But the news that Asia's third-largest economy grew by 7.5 percent in the fourth quarter, overtaking China, is a major boost for Prime Minister Narendra Modi a year after he was elected.

Road transport hit by turmoil

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The political turmoil did not affect agriculture much, but the sector registered less growth than last year.

In the outgoing fiscal year, the agriculture sector grew 2.07 percent in contrast to 3.81 percent last year.

The slowdown in agriculture was due to the base effect. Last year saw bumper boro production, which was not possible to surpass this year.

The GDP growth this year will be 6.51 percent against the government target of 7.3 percent.

In the last six fiscal years, the government fixed GDP growth upwards of 7 percent and every time it failed to achieve break the 7 percent barrier.

For fiscal 2015-16 too, the government will target 7 percent GDP growth.

If the government can expedite the mega projects, it may be possible to attain the 7 percent target, according to Bakht.

Economists propose alternative budget

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The alternative budget proposal would help establish a society free from discrimination, it said.

In the proposal, the association favoured allocating 65 percent of the resources for development expenditure.

Typically, development plans take up about a third of the total allocation.

The platform gave priority to health, education, infrastructure, agriculture, women and children, freedom fighters, subsidy, human development and social safety net.

To finance the alternative budget proposal, BEA set a revenue target of Tk 487,500 crore.

It proposed making up the deficit of Tk 145,000 crore through local bank borrowings, savings instruments, public-private partnership ventures and diaspora bonds.

The National Board of Revenue would contribute with Tk 280,500 crore to the target. Income and profit tax would make up 41 percent of NBR's contributions.

BEA said the rich do not pay taxes properly and subsequently recommended collecting more revenue from them through direct taxes instead of indirect ones.

It said there are about 50,000 people in the country who have the ability to pay Tk 1 crore in taxes a year.

BEA suggested conducting a nationwide taxpayer census to detect people with taxable income, revaluation of property every three years and imposition of taxes on re-valued prices.

Some Tk 500,000 crore to Tk 700,000 crore of black money is circulating in the economy, according to the economists' platform.

Subsequently, it urged the government to recover the money, by publishing a white paper and forming a commission if needed.

BEA also looked into areas from which revenue usually does not come but has the potential.

It suggested increasing the collection from dividends and profits, interest, penalty and seizure, service delivery and toll and levy.

The earnings of regulatory agencies must also be tapped to finance budget.

The association said there is no need for foreign borrowing to finance the budget.

Toshiba to open office in Bangladesh

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Toshiba Corporation is set to open its maiden branch office in Bangladesh tomorrow in an effort to strengthen its presence in the country.

The office, which has already been set up, will be operated as the Bangladesh liaison office of Toshiba Asia Pacific, the Japanese tech giant said in a statement.

The new office will help Toshiba collect market information and boost its efforts to improve infrastructure in Bangladesh, according to the statement.

The opening of the office in Gulshan-1 of Dhaka fortifies Toshiba regional presence extending from India through the Asean countries, the company said.

High tax rates hurting revenue income: minister

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Planning Minister AHM Mustafa Kamal yesterday criticised Bangladesh's high tax rates, saying it prevents government from earning more revenue for the country.

"Lower tax rates can generate more revenue than higher tax rates," Kamal told economic reporters at a training programme at the Metropolitan Chamber of Commerce and Industry (MCCI).

The minister also talked on the budget preparation and institutional capacity to implement the annual budget of the country.

The Economic Reporters' Forum (ERF) organised the programme for its member reporters to understand the budget reporting. Kamal was speaking as the chief guest at the certificate giving session, which was also attended by MCCI President Syed Nasim Manzur.

The minister said the tax-GDP ratio in Bangladesh is only 11 percent, which needs to be raised to 14 percent. "But this is not happening because of high tax rates," he said.

In Thailand, the highest tax rate is 24 percent, Hong Kong 15 percent, Singapore 17.5 percent and Malaysia 24 percent. But it is 30 percent in Bangladesh for the taxpayers who earn Tk 30 lakh (\$38,542) or more a year.

"There are examples of many countries

that reduce the rate, earn more," said Kamal, also a certified accountant. He asked the government to reduce the tax rates in different phases, if not possible at a time.

The minister said tax offices should be set up at all upazilas to bring potential taxpayers into the net. Electronic machine has to be installed at all shops to avert tax dodging by the traders, he said and suggested the government to extend easy loans, so the traders can buy the machine.

On the budget preparation, he said it is a top-down approach and the size is determined on the GDP figure. He said a right budget must analyse all components—from micro to macro, revenue income and expenditure before fixing the budget size.

He also stressed the need for effective implementation of the budget; otherwise the benefits will not be passed on to the people.

MCCI President Manzur believes few people pay taxes in Bangladesh and there is ample scope to widen the net.

Earlier, Arastoo Khan, member of the Planning Commission; three senior officials of the National Board of Revenue—Ranjan Kumar Bhowmik, Dr Abdur Rouf and Ehteshamul Hoque—and Showkat Hossain Masum, head of reporting of Bangla daily Prothom Alo, conducted various training sessions on their respective areas.

HSBC bullish on Bangladesh

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Each is predicted to increase merchandise exports by an average of 8 percent or more per year between 2015 and 2030.

Bangladesh has a strong foothold in the global market for garments, and HSBC expects this to continue, with around 80 percent of export growth from 2015-30 coming from clothing and apparel.

Although the importance of agriculture will gradually decline as more of the population moves into urban areas, agriculture will continue to be Bangladesh's second largest export sector out to 2030, contributing around 7 percent of the forecast increase in exports.

In recent years, Bangladesh has made good progress towards macroeconomic stability under the guidance of the International Monetary Fund, but major infrastructure investment remains essential, the report said.

The report said positive progress towards liberalising trade flows with neighbours in recent years is expected to help maintain competitive advantages in clothing and apparel sector. But rising incomes will encourage a gradual move towards higher value sectors, potentially including the assembly of electronic products, and boosting the sector.

Simon Cooper, chief executive of global commercial banking at HSBC, said: "In the short-term an increasingly robust US economy, aided by cyclical upturns in Europe and Japan, is likely to provide the greatest cross-border opportunities for businesses. Further out, demographic trends in emerging markets will undoubtedly fuel greater South-South trade."

The report said the potential for Bangladesh to attract more foreign direct investment inflows is large.



Saill Sadanandan, managing director of Kohler Kitchen and Bath in South Asia and Sub-Saharan Africa, poses at the launch of the company's first showroom -- Executive Lifestyles Ltd -- in Tejgaon Industrial Area, Dhaka recently. Executive Lifestyles is Kohler's distributor in Bangladesh.



Ebrahim Dawood Mamun, managing director of Steeltech industries, attends the company's annual sales conference, at Hotel Grand Hyatt in Istanbul, Turkey recently. Masum Ahmed, chief executive officer, was also present.