



# Star BUSINESS

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## US praises Dhaka's deals with Delhi

Ambassador Bernicat says the agreements will help enhance regional connectivity

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US Ambassador Marcia Bernicat yesterday said the agreements signed by the premiers of Bangladesh and India underscored a positive trajectory for economic development across borders in South Asia through enhanced regional connectivity.

"They have laid the groundwork for cheaper and more reliable energy, better roads and bridges, an increased flow of people and trade, and better use of precious resources," she said at a luncheon meeting with business and representatives of foreign companies engaged in business here.

Foreign Investors' Chamber of Commerce and Industry (FICCI) organised the meeting at The Westin Dhaka.

Bernicat also termed the recent visit of Indian Prime Minister Narendra Modi "positive and historic."

"Our excitement at these prospects is reflected in America's own policies."

US President Barack Obama has backed a strategy to increase the United States' engagement with Asia and to support efforts to better connect South and Southeast Asia

through the Indo-Pacific Economic Corridor (IPEC), she said.

The countries comprising these two regions collectively generate more than \$4.3 trillion in annual GDP and have almost 1.9 billion people, she added.

"Our support for IPEC is aimed at boosting energy production, reducing trade barriers, enhancing connectivity, and supporting stronger people-to-people ties."

She said the US is working with host country governments, multilateral institutions, think-tanks, the private sector, and others throughout the region to address ongoing challenges, such as inadequate infrastructure and regulatory barriers.

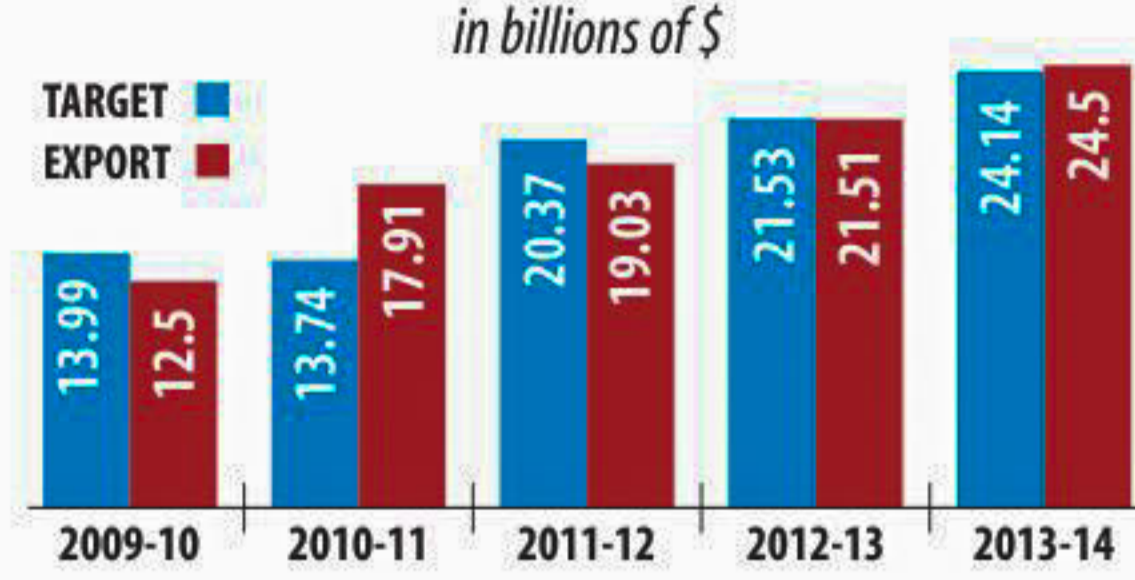
Bangladesh positions itself well to facilitate economic connectivity between South and Southeast Asia, the US ambassador said.

The US sees strong potential in various areas that include developing a South Asian regional energy market for clean and renewable sources of electricity, such as the enormous hydropower resources available in Nepal and Bhutan, she added.

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## Garment sector to miss export target

APPAREL PERFORMANCE



REFAYET ULLAH MIRDHA

The garment sector is set to miss its export target this fiscal year after the three-month political turmoil hampered shipments.

Between July last year and May this year, garment exports raked in \$22.92 billion, which is up 5.51 percent year-on-year but below the periodic target of \$24.26 billion, according to data from the Export Promotion Bureau.

Now, to meet the yearly target of \$26.9 billion, some \$3.98 billion has to be earned this month, the closing month of fiscal 2014-15.

Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, placed the blame on the political crisis.

The garment exporters could hardly send their shipments for three months from January to March, he said.

The strong performance by some competing countries such as India, Vietnam and Pakistan is another major reason for the fall, he added.

The average export growth of the three countries is nearly 10 percent.

Islam also identified some short-term challenges, including lower productivity by workers, higher cost of production and a steep fall of two major currencies -- the dollar and the euro -- against the taka.

"It's time to find out the root cause of our problems for the sustainability of the garment business and to achieve our \$50 billion target by the end of 2021."

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## Capital flight eats up 1.1pc of GDP: report

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Illicit outflows of funds from Bangladesh equal 38.5 percent of the combined official development assistance and foreign investment the country received between 2008 and 2012, according to a study.

The illicit outflows ate away 1.1 percent of the country's gross domestic product, according to the report, "Illicit Financial Flows and Development Indices: 2008-2012", released in the first week of June by the Global Financial Integrity, a Washington-based research organisation.

The per capita loss stood at \$6.84. The loss could fund 58.9 percent of the country's education spending or 30.1 percent of health spending.

The slippage amounts to 12.7 percent of the total tax revenues of the country, said the study, which looked at 82 countries.

On average, \$1.31 billion funnelled out of Bangladesh a year between 2003 and 2012, according to the earlier estimate of the organisation. This report, the latest in a series by GFI, provides a comparison of illicit financial flows from some of the world's poorest nations and compares those values to some traditional indicators of development.

The indicators include GDP, total trade, ODA plus FDI, public expenditures on education and health services and total tax revenue, among others.

"There can be no clearer indication that a nation is suffering from the ill-effects of a severe countervailing economic force."

Similarly, the ratio of illicit financial flows to a country's tax base demonstrates the opportunity cost of this phenomenon, said the report.

Domestic spending on fundamental social needs, such as education and health, are often overwhelmed by the amount of illicit money flowing out of the economy

and with it, domestic resources that could be mobilised to address basic human needs.

Of the 82 countries, 40 percent of them had illicit outflows that exceeded spending on education. A similar percentage had illicit outflows of funds that surpassed health expenditures.

The report said in the area of human development, there is an inverse relationship between illicit outflows of funds and a country's ranking on the UN's annual Human Development Index.

"When illicit flows are high, a country's development score tends to be low."

This negative relationship might be caused by a significant loss of domestic resources as tax that could have been collected by the government, or capital that could have been retained by the economy if trade misinvoicing had not taken place.

There appears to be a strong connection between high levels of illicit financial flows and the poverty gap.

A plotting of illicit outflows against the number of people living on \$1.25 per day and those living on \$2 per day shows that when illicit financial flows are high, poverty rates are high at both poverty levels.

"That illicit financial flows have an adverse impact on developing country economies is no longer a secret," said the report.

The report said in many countries, the factors that are usually associated with budding economies -- such as trade, foreign investment and development assistance, and tax revenue -- are often times undermined by illicit flows.

GFI called for concerted action by the international community to assist not only nations that have high dollar levels of illicit flows but also to help those countries that have such huge percentages of their economic foundation eroded by them.

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## Mega ICT expo starts today

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Bangladesh opens a mega event today to showcase its achievements in the ICT sector.

Bangladesh Computer Samity, the apex trade association of the ICT industry, and the ICT division will jointly organise the three-day event at Bangabandhu International Conference Centre in Dhaka.

President Abdul Hamid will inaugurate the ICT Expo 2015 to promote the country in the global market by enhancing the 'Made in Bangladesh' concept, Zunaed Ahmed Palak, state minister for ICT, said at a press meet yesterday.

Bangladesh imports about six lakh tablets and notepads, 3.5 lakh desktops and 2.5 lakh laptops a year, according to Palak.

"We plan to become a hardware-producing country within a short span of time, and we are inviting leading global companies to come join us."

M Atiqur Rahaman, country manager of DELL, a sponsor of the event, said they have no immediate plans to set up any plant in Bangladesh.

But Palak said the government gave incentives to entrepreneurs in the last two budgets to set up plants here; from now on, the ICT division will pay more attention to it.

The government is set to declare 1,000 ICT products to be manufactured in Bangladesh, he added.

AHM Mahfuzul Arif, president of BCS, said: "We are planning to build an ICT-dominant country and for that, both the government and the private sector need to work together."

"We want to recognise the hidden talents of the young generation and help build their skills."

Both local and international experts will join different discussions on the sidelines of the exposition to share their knowledge about ICT advancement and its challenges.

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## Stocks continue to slide

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Stocks continued to decline, maintaining the trend from the end of last week, with the key index hitting an almost-one-month low, as investors went for a selling spree.

DSEX, the benchmark index of the Dhaka Stock Exchange, fell 61.76 points or 1.36 percent, finishing the first day of the week at 4,453.36 points.

It was a day of impromptu sales with an abrupt fall in the key index and the selling pressure intensified in the bank, fuel and power and pharma stocks, said LankaBangla Securities.

"Investors continued to remain on the sidelines until getting any clear market direction," the stockbroker said.

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