

Japan eyes double-barrelled stimulus to ease yen strains

Japan looks increasingly likely to fire both fiscal and monetary barrels in the coming weeks to help recovery and arrest unwelcome gains in the yen, with direct currency intervention off the table after a cool reception from its U.S. ally.

After the rising yen helped push exports down for a sixth month in March and deadly earthquakes hit southern Japan last week, the Bank of Japan (BOJ) is facing calls from government aides to promptly expand its money-printing stimulus.

Prime Minister Shinzo Abe is already set to announce a fiscal stimulus plan of up to 10 trillion yen (\$91 billion) extra spending around the time he hosts a Group of Seven summit in late May, which could agree on more government expenditure to boost global growth.

And he could top that up with disaster-relief spending after the quakes, say government and ruling party officials involved in the policy-making.

Abe's aides also said the economic impact of the quakes raised the chances

he would delay a sales tax hike scheduled for next year and increased the need for more central bank action.

"If output weakens and consumer sentiment cools as a result of the quakes, the conditions justifying additional monetary easing would all fall into place," said a senior government official with direct knowledge of policymaking.

The BOJ has been printing up to 80 trillion yen a year to buy bonds since 2013 in a bid to end decades of stagnation and deflation, and sources have told Reuters it is likely to debate further monetary easing when it reviews policy on April 27-28.

Though policymakers hope a combination of fiscal and monetary stimulus measures will head off the yen's rise and restart Japan's stalled economic recovery, some doubt that the weapons available to the central bank and government are powerful enough to make such difference.

Hideo Kumano, chief economist at Dai-ichi Life Research Institute, said it was "uncertain whether tax revenues will increase enough to fund a big spending package", and the BOJ's

most recent gambit - negative interest rates - had failed to trigger the desired market response.

Despite such doubts, looser monetary policy might be the only show in town to cool the yen, after Washington last week emphasized G20 commitments to avoid currency devaluations, apparently brushing off Tokyo's view that the yen's rise was "one-sided".

The dollar hit 17-month lows below 108 yen last week, unsettling policymakers, who see any slide in the currency pair below 105 yen as alarming. It has since rallied a little to around 109 yen.

Though there have been signs of growing tension between Abe and central bank governor Haruhiko Kuroda - each expecting the other to do more to address Japan's economic ills - they appear to see eye to eye on addressing an overly strong yen.

Kuroda has also described the yen's rise as excessive and warned that he could use monetary policy if it jeopardizes his target of pushing inflation up to 2 percent, a goal that has already missed one deadline after another.



Hasanul Haq Inu, information minister, and Annisul Haq, chairman of Jadoo Broadband, pose at the launch of Jadoo Digital, a digital cable service company, at the International Convention City in Bashundhara, Dhaka on Saturday.

NRBC Bank re-elects chairman, vice chairman

STAR BUSINESS DESK

Farasath Ali and Toufique Rahman Chowdhury have been re-elected as the chairman and vice chairman of NRB Commercial Bank, the bank said in a statement yesterday.

Ali has earlier worked with Klynton Davis Ltd, a subsidiary of Weft Knitting in England, according to the statement.

He was the senior research and development technologist in United Sweater Mill Inc of Bayonne of New Jersey from 1997 to 1998 and presi-



Farasath Ali

dent and CEO of SNA Knitting Mill Inc in USA from 1998 to 2005.

The NRB Commercial Bank started its operation under his leadership in 2013, according to the statement.

Chowdhury is the founder and chairman of the trustee board of Metropolitan University and president of Sylhet Metropolitan Chamber of Commerce and Industry, the bank said in the statement.

He was also a sponsor director and chairman of Mercantile Bank, the bank said.



EASTERN MOTORS

Rafiqur Rahman, director of Eastern Motors, and Hagiwara Motoshi, general manager for distributor and sales at Bridgestone Asia Pacific; Fuminori Taguchi, general manager at Itochu Middle East, and Amit Chowdhury, general manager of Eastern Motors, attend a seminar on bus-truck TBS and radial tyre, in Bogra.



PAPERRHYME

Four Bangladeshi young entrepreneurs—Syed R Shams, Mohiuddin Chowdhury Shaon, Md Rasheduzzaman and Ratul Dev—pose during a pre-departure orientation programme, along with the officials of the American Centre and Brac University. The four received "Professional Fellows Exchange Programme 2016" fellowship under the Bureau of Educational and Cultural Affairs of the US State Department.

Suppliers' reforms progressing: H&M

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The initiative is aiming to improve the situation of about 1,600 factories, of which 255 make goods for H&M.

As part of the transformation to updated international standards, all of the supplier factories that H&M works with in Bangladesh underwent additional safety inspections by the Accord during 2014-2015.

Apart from the Accord's inspection conditions, H&M has some additional, but mandatory inspection requirements for its suppliers. These are: two emergency exits on each floor, fire alarm installed on a separate power line but connected to its own generator, emergency lights connected to a battery in case of power failure.

The other mandatory conditions are fire extinguishers clearly marked and tested, easy to understand evacuation plans posted on the walls, regular fire evacuation drills for all employees and all shifts.

Economists back foreign loans for infrastructure

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He also said the seventh five-year plan envisages an infrastructure spending of \$65 billion. "If we don't invest the money our productivity will go down."

Bangladesh needs to borrow from external sources more aggressively, as interest rates are 1 percent to 1.5 percent in international markets compared with the domestic market's 10-12 percent.

But first, Bangladesh will have to use about \$20 billion of the official development assistance that lie in the pipeline.

He said there is a lot of investment in the power and fuel sectors because they offer profits. "As long as there is honey, there will be bees."

Hussain of the WB said the infrastructure condition is bad and there is a consensus on what it would take to sort it out. "We need a quantum jump in infrastructure financing."

Bangladesh will need \$7-10 billion a year for infrastructure financing, according to an estimate of the WB conducted in 2013.

Hussain said the problem lies in the implementation and projects suffer from time and cost over-runs. As a result, the government does not get the value for money.

Adequate data on prioritisation of projects in Bangladesh is not available.

"Projects are taken on the basis of aspiration. We only get data on expenditure side, not what we get from a project."

Projects also get delayed as the authorities arbitrarily renegotiate contracts even

after the contract is signed. "Korean Export Processing Zone (KEPZ) is one such example. It has to be ensured that such arbitrary renegotiation does not take place."

The WB economist said public investment is rising whereas private investment is not picking up, although the former is supposed to energise the latter. "How will you explain that?"

Hussain also said there is scope for innovation in using finances from multilateral development organisations.

CPD's Rahman said time has come for Bangladesh to become an efficiency-driven economy from a factor-driven one.

"If we can't be competitive, our presence in the export as well as domestic markets will be undermined."

Bangladesh will have to focus on infrastructure in a bigger way if it wants to reap the benefit of the World Trade Organisation, the Bangladesh-Bhutan-India-Nepal's Motor Vehicle Agreement and other regional connectivity initiatives.

While there is leeway for widening the fiscal deficit, there is also scope for resource mobilisation without touching the deficit, as Bangladesh's tax-GDP ratio is low.

The CPD economist also called for value for money for projects in Bangladesh.

He said it costs \$3-9 million in Bangladesh to construct a kilometre of road whereas the cost is \$1 million in India and \$2-4 million in the European Union.

Referring to a government analysis of

over 200 projects under ADP in 2014, Rahman said the projects were supposed to take 2.9 years on average whereas in reality it took 5 years. Only 14 percent of the projects were completed on time, while the costs escalated by 51 percent.

"If we can't use the money properly we will have to spend more. Still, we may not be able get the expected result."

He gave example of the Padma bridge whose cost went up to Tk 28,000 crore from Tk 10,000 crore originally. "We have to see how cost-effectively we can invest."

Rahman said when contract is signed due diligence is practiced to a level.

But when a project is over-run and corrective measures are taken in between, there is little due diligence.

He said there is huge pipeline for foreign loans but there is little effort to use them.

All attention goes toward implementing projects with domestic resources, for which the requirement to maintain due diligence is not too strict. Rahman said many countries have used pension funds to finance infrastructure projects. "We have to see whether we can do the same."

Abdul Matlub Ahmad, president of the Federation of Bangladesh Chambers of Commerce and Industry, said because of infrastructure constraints Bangladesh is not able to bring in industrial development and high levels of economic growth.

The business leader also said he felt ashamed of the tussle over KEPZ.

"This gives a message to international investors that Bangladesh does not keep its promises. When we meet businesspeople abroad they also talk about it."

The FBCCI will take an initiative to get the two sides to sit and find an amicable solution. "I will definitely talk to the government about the issue."

Ahmad also said Bangladesh will have to be serious about fighting corruption and taking the help of information technology to curb the menace.

During her presentation, BIDS Senior Research Fellow Nazneen Ahmed said the country is lagging behind other countries in all sorts of infrastructures such as electricity, roads and highways, ports and rail network.

She said insurance companies are holding huge amounts of money but they keep them in banks. "We have to see whether we can tap their capital."

Sovereign bonds can be another option, she said, adding that it might not be easy to raise funds for infrastructure from the capital market.

Faisal Ahmed, senior economic adviser of Bangladesh Bank, called for creating a pool of expert project directors and empowering them.

"Nothing will change unless we have efficient resource allocation and their efficient use," said Monzur Hossain, senior research fellow of BIDS.

Khan Ahmed Sayeed Murshid, director general of BIDS, also spoke.

Aman rice output hits a new high

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He said harvesting of the rice has begun in the haor areas in the northeast, with many farmers encountering flash floods in their paddy fields.

"Half the crop in the haor areas has been harvested. There is a risk of crop damage for submergence," said the official.

Early this month, the US Department of Agriculture said total boro output in Bangladesh may be 1.86 crore tonnes in the current season.

Bangladesh requires more than 3.50 crore tonnes of rice a year for consumption, according to the USDA.

New entity to pay Tk 500cr for using Airtel's spectrum

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The telecom division also allowed for the continued use of the numbers beginning with '016', currently allocated to Airtel, for the next two years, though no new number of the series shall be sold during the time.

However, those numbers must all be converted to the '018' series after two years, according to the recommendations.

Robi and Airtel opened talks on a possible merger at the end of August last year, and on January 28 the operators' parent companies signed a deal to that effect. If merged, the entity will be the second largest operator in Bangladesh.

As of March, Robi has 2.75 crore active SIMs, while Airtel has 1.02 crore.

Market leader Grameenphone has 5.62 crore active users and Banglalink 3.19 crore.

Probe anti-union activities: EU

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"A number of labour rights are better protected in Bangladesh today than they were two years ago. Building and workplace safety has also improved," the statement said.

The Bangladesh Sustainability Compact opened a dialogue and supported exchanges with stakeholders, including trade unions, employers, buyers and NGOs in the EU, as well as in Bangladesh.

As a partner in the Bangladesh Sustainability Compact, the EU—together with the government of Bangladesh, the International Labour Organisation (ILO), and the governments of the US and Canada—regularly assesses progress and contributes to setting priorities for future work.

The EU does that to foster respect for fundamental labour rights and ensure worker safety and health in Bangladesh's garment sector.

In the coming weeks, the EU will publish a third report on the imple-

mentation of the compact, which will provide a detailed overview of achievements and of work that remains to be done.

Improving the responsible management of the supply chain in the garment sector is an important issue not just in Bangladesh, but equally in other countries, they said.

In order to discuss what action is needed, which initiatives are already ongoing and whether there would be added value of complementary action at the EU, the commission will host a high-level conference next week.

Meanwhile, the United States has reaffirmed its commitment to work together with Bangladesh to prevent recurrence of Rana Plaza-like tragedy.

"We recommit ourselves to the future, to working together with Bangladesh, its workers, employers, and government to prevent such a tragedy from happening again, to building a better and more vibrant

readymade garment sector," US Ambassador Marcia Bernicat said in a statement yesterday to mark the third anniversary of the tragedy.

"Rana Plaza's tragic collapse bequeathed to all of us a responsibility, a shared responsibility as government officials, workers, factory owners, and consumers to create safe working conditions and to ensure workers have a voice."

Over the last three years, more than 3,600 factories have been inspected for safety, and 39 dangerous factories have been closed.

The labour and employment ministry has hired and trained more than 200 inspectors, and launched a toll-free help line.

Thousands of factories have taken steps to improve workplace safety, and 31 factories have been fully remediated.

"These are all tremendous accomplishments that may have saved lives," said the US ambassador.

Editors express concern over banking scams

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Government banks need urgent reforms and the government is aware of that, Mannan said.

The banking sector lacks good governance, said AK Azad, publisher of Dainik Samakal.

Finance Minister AMA Muhith asked how the former chairman of scam-hit BASIC Bank Abdul Hye Bacchu roams around freely, he added.

If people found involved in corruption do not get punished, honest taxpayers will not feel encouraged to pay taxes, he said.

Many big projects are being undertaken, but implementation is not being accelerated, said AHM Moazzem Hossain, editor of The Financial Express.

Moazzem said the government earned a good sum of money as international fuel prices dropped this year, but it also has to pay a hefty amount to the state banks for recapitalisation.

"Inconsistencies should be removed."

Projects are revised again and again, which is a waste of money, said Nayeem Nizam, editor of Bangladesh Protidin.

Preparatory work on the projects causes some delay, according to Mohammad Mejbahuddin, secretary of Economic Relations Division. The government is thinking about completing the preparatory work with funds from a separate budget, before implementing the project. "If this is done, the speed of project implementation will accelerate," he added.

Md Nojibur Rahman, chairman of National Board of Revenue, said they will prepare a list of the highest taxpayers in every profession next week, which will include 101 women taxpayers and 101 young taxpayers.

Finance Secretary Mahbab Ahmed said a budget of Tk 340,000 crore will be placed for the next fiscal year; it will not be an overly ambitious one, it will be reasonable.

DEMAND FOR TAX CUTS ON NEWSPRINT

Several editors of print media said the rate of tax on newsprint imports is too high; this should be lowered for survival of the newspaper industry.

Abdul Quayyum, associate editor of Prothom Alo, recommended cutting the rate of VAT on imported newsprint.

Azad of Samakal said local newsprint cannot be used in newspapers as the quality is poor. They have to pay about 21 percent tax in importing newsprint, which is very high, according to Azad.

Nayeemul Islam Khan, editor of Amader Orthoneeti, urged the government to distribute advertisements on the basis of circulation of the newspaper. The government is going to introduce e-GP in December.

The government should support the newspaper industry, as government ads will come down drastically, he added.