

Trade barriers hold back exports to India: Tofail

STAR BUSINESS REPORT

Bangladesh's exports to India have not been growing at expected levels despite duty benefits in place, due to different tariff and non-tariff barriers, Commerce Minister Tofail Ahmed said yesterday.

With the current imbalance in trade between Bangladesh and India, the minister urged the Indian government to hold dialogues between the two countries to remove the barriers to higher exports from Bangladesh to India.

India has awarded duty-free access for all Bangladeshi goods, except 25 alcoholic and beverage items, to the Indian market, but it has imposed a 12.5 percent countervailing duty on apparel and up to \$329 antidumping duty on jute exports, he said.

"I hope those barriers can be removed through discussions. But here, India will have to come forward. We have a lot of expectations from our largest neighbouring country India."

Ahmed was speaking on 'India's Integration with South and Southeast Asia' on the second day of a partnership summit held at Visakhapatnam, the capital city of Andhra Pradesh.

The Indian Chamber of Commerce and the Ministry of Commerce and Industries of India jointly organised

the annual event where businessmen, ministers and business leaders from home and abroad were present.

Bangladesh exported goods worth \$689.78 million in fiscal 2015-16 and at the same time, India exported goods worth \$5.70 billion to Bangladesh.

Moreover, it is believed that goods worth more than \$6 billion come to Bangladesh through informal channels through the border areas.

Ahmed invited Indian entrepreneurs to invest in any of 100 special economic zones that the Bangladesh government is developing.

On the first day of the event, the minister brought forward the issue that Bangladeshi exporters are facing hurdles in the export of jute and jute goods to India for the antidumping duty imposed by India.

The issue of antidumping surfaced after the Directorate General of Anti-Dumping and Allied Duties or DGAD under India's commerce ministry concluded its probe into the matter in October last year.

Bangladesh's jute and jute goods used to enjoy zero-duty benefits on exports to the Indian market under the South Asian Free Trade Area agreement.

Three years ago, the Indian Jute Mills Association had accused Bangladeshi exporters -- for the first time in 40 years -- of selling jute prod-

ucts at prices lower than those in India's domestic market.

In October 2015, the Indian antidumping authority started its investigation into the matter.

Usually, the antidumping duty on a product is the same amount by which it undercuts the domestically manufactured product. The prices of jute yarn in the Indian market tend to be comparatively low.

Bangladesh exports more than 110,000 tonnes of jute yarn to India a year, according to data from Bangladesh Jute Spinners Association. Besides the jute yarn, Bangladesh also exports raw jute and other jute goods.

Jute yarn and twine account for 65 percent of the sector's annual export receipts of over \$850 million, according to data from the Export Promotion Bureau and Bangladesh Jute Spinners Association.

The number of trucks carrying jute and jute goods into India through the Benapole land port sharply declined after New Delhi imposed a high antidumping duty on the imports of the goods from Bangladesh.

India on January 5 slapped the antidumping duty on imports of jute and jute goods from Bangladesh and Nepal to "protect the domestic industry". For Bangladesh, the duty ranges between \$19 and \$352 per tonne.



Ian Ball, chairman of the Chartered Institute of Public Finance and Accountancy (CIPFA) International, and Adeeb Hossain Khan, president of the Institute of Chartered Accountants of Bangladesh, attend a deal-signing ceremony at Sonargaon Hotel in Dhaka on January 28. CIPFA UK signed the deal with ICAB to help strengthen public financial management in Bangladesh.

Bangladesh Bank stays alert amid emerging risks

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The BB also forecasted that inflation will remain in the range of 5.3 percent to 5.6 percent, whereas the budgetary target is 5.8 percent.

However, the average core inflation (non-food, non-fuel), a traditional measure of underlying long-term inflation remains elevated at about 7.6 percent, the MPS said.

"This indicates inflation can pick up if buffeted by adverse shocks," it added.

Besides, global inflation is on an upward trajectory, according to the latest projections of the International Monetary Fund and the World Bank.

Commodity prices are expected to rise in 2017 and the oil prices more than 20 percent. Non-energy prices are also projected to go up.

"Looking ahead, the global commodity outlook suggests some upward price pressures may emerge from higher import prices," the MPS said.

The upward trends of banks' default loans and the stockmarket have been

identified as possible risks to the economy as well.

Given the pickup in credit growth, BB's supervisory vigilance on lending efficiency and risk management in the financial sector will continue to be strengthened, with particular emphasis on transparent, accountable corporate governance and substantial reduction in loan defaults, according to the MPS.

While the recent capital market buoyancy may reflect a recovery from its prior depressed state since 2011, caution is warranted in ensuring that exuberance remains rational, Kabir said.

"Otherwise there will be a risk of profit-seeking small investors getting hit badly like last time."

The buoyancy in activities across the economy is somewhat softened by the decline in remittance, according to the MPS.

Remittance slumped 17.63 percent year-on-year to \$6.17 billion in the first half of the fiscal year.

The central bank has taken a number of measures -- from immediate to short-term -- to assess and identify the

reasons for the falling inward remittances through the banking channel, Kabir said.

In the short-term, the BB has taken up a research to find out the reasons behind the slide in remittance. The findings will be available in a month's time.

The research team will visit Saudi Arabia, UAE and some other Southeast Asian nations where Bangladeshi expatriates live, Kabir said.

On immediate measures, the governor said Bangladeshi embassies and high commissions in remittance-prone countries have been alerted so that unscrupulous quarters cannot remit money through illegal channel like hundi.

"We are also assessing whether banks are charging higher commission for channeling inward remittance."

BB Deputy Governors SK Sur Chowdhury and SM Moniruzzaman, Senior Economic Adviser Faisal Ahmed and Economic Adviser Md Akhtarruzzaman replied to reporters' queries at the session.



Syed Waseque Md Ali, managing director of First Security Islami Bank, hands over a dummy cheque for Tk 25 lakh as donation to General Abu Belal Muhammad Shafiq Huq, chief of army staff of Bangladesh Army, for Proyash-Institute of Special Education of Bangladesh Army for children, at a programme at Dhaka Cantonment on January 26.

FSIBL

No compensation for Tampaco victims yet

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Shipra said no international retailer or brand came forward to help the victims of Tampaco, as was the case with the Tazreen Fashions fire and Rana Plaza building collapse. As a result, some victims received Tk 40 lakh while some received as low as Tk 10 lakh.

In connection to compensation payment and formation of a fund for the Tampaco victims, the ILO's Dhaka office said the primary responsibility lies with the employer and overall monitoring by the Bangladesh government.

"The incident clearly highlights the need to establish a national Employment

Injury Protection and Rehabilitation scheme that would provide compensation to all workers in the event of a workplace accident in line with ILO Convention 121 on workplace injury," Srinivas Reddy, ILO country director, told The Daily Star in a mail last week.

ILO is currently working closely with the government of Bangladesh in collaboration with government of Germany to establish such a scheme and incidents such as Tampaco not only highlight the urgency of these efforts but also the need to create a stronger culture of preventative safety in all industrial sectors."

Recovery of another \$29m likely

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Later, Bangladesh moved to the Supreme Court, which has stayed the appeals court's order, according to Kabir.

"It takes time to recover the money as it is under judicial process." Unknown hackers stole \$101 million from the BB's account with the Federal Reserve Bank of New York in February last year.

Of the amount, \$81 million was transferred to the Philippines and another \$20 million to Sri Lanka.

But the transfer of \$20 million to Sri Lanka failed because of a spelling mistake by the hackers. So far, the BB has managed

to recover \$15.25 million from the Philippines in addition to the \$20 million from Sri Lanka.

Kabir also briefed how the government and the BB have been trying to recover the stolen funds.

A high level delegation led by Law Minister Anisul Huq called in to the Philippines to discuss and expedite the recovery through legal assistance, he said, adding that BB officials visited the Philippines several times as well.

The governor also said the Department of Justice and Anti-Money Laundering Council of Philippines are dealing with the issue.

Cautionary monetary policy

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This is adequate to accommodate the government's 7.2 percent GDP growth target without risking macroeconomic instability.

Private sector credit growth target is unchanged at 16.5 percent, with ample room for further adjustment during the rest of the year because of the ambitious target of 16.1 percent growth in credit to the public sector. However, this may be challenged somewhat if the 10.1 percent growth target for Net Foreign Assets is overshot.

The cautionary stance on the policy rates is a step in the right direction. Policy rates have been kept unchanged considering "the fact that core inflation and inflation expectations remain elevated and inflation risks from higher commodity prices are on the upside". At the same time, flexibility is maintained by committing to review the policy rates on a continuous basis.

The MPS notes adequately the potential risks in playing the capital market. The guardian of the financial system has urged to keep the recent exuberance rational and quite rightly advised the banks to upgrade their surveillance of loan usages. It also commended the Bangladesh Securities and Exchange Commission for their cautionary messages and financial literacy promotion. At the same time, Bangladesh Bank has committed to tighten monitoring to ensure banks abide by statutory limits on their capital market exposures.

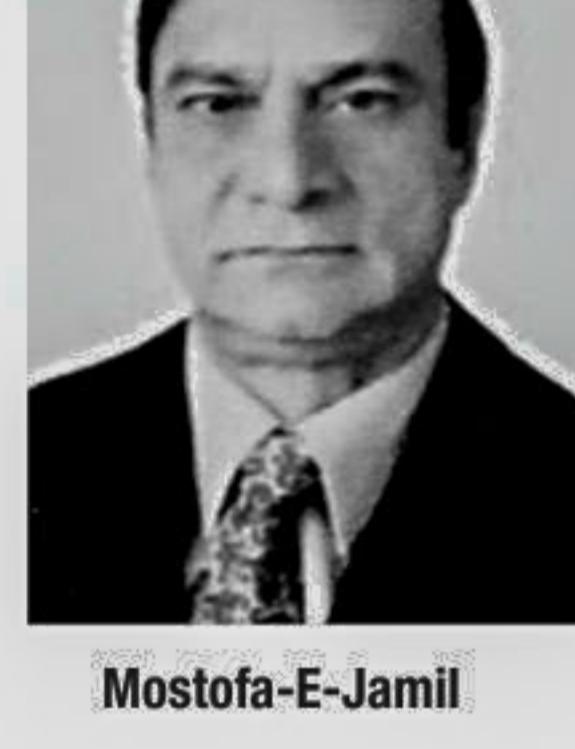
There is some indication of the future direction of monetary policy framework. The MPS rightly recognises that with growing external integration, monetary policy framework will need to move towards interest rate targeting from the current monetary stock targeting. A pre-requisite for interest rate targeting is a well-functioning bond market to enable the policy rates to influence the longer term interest rates. In this regard, reforms to rationalise various risk-free rates and shift the composition of domestic financing of budget deficit toward market-based instruments have been rightly emphasised.

The MPS is a little short on addressing concerns on credit quality and reserve management. On credit quality, the statement falls short of being innovative. There is more of the same by urging banks to improve corporate governance while BB will continue to strengthen its supervisory scrutiny using more the IT-based online supervision tools and placing observers in banks with governance challenges.

Also, the MPS is silent on the current BB stance on reserve management, particularly with regards to the proposals recently floated on the creation of a Sovereign Wealth Fund and BB's own initiative to use reserves for financing garment and footwear exports.

The writer is the lead economist of the World Bank's Dhaka office

New top brass for public relations association



STAR BUSINESS DESK

Mostofa-E-Jamil has recently been elected as the president of the executive committee of Bangladesh Public Relations Association for 2017-18.

The association also elected Moniruzzaman Tipu as secretary general, the association said in a statement.

The election to form the 29-member executive committee took place at an extraordinary general meeting of the association at National Press Club in Dhaka.



Deputy Managing Director of National Bank Shah Syed Abdul Bari opens an ATM booth of the bank at Sreemangal on January 26.

NATIONAL BANK

BB's concern over stocks frightens investors

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"To ensure that the capital market can finance long-term investment while exuberance remains rational, banks need to upgrade their surveillance of loan usages," it said. DSE Director Rakibul Rahman said the central bank's concern had a negative impact on the market as well as panicked the investors.

"The way the central bank expressed its concern seemed like an overreaction and premature, as the market did not reach that stage," he said.

The turnover, another important

indicator of the market, dropped 10.4 percent from the previous day to Tk 1,137.15 crore, with 31.41 crore shares and mutual fund units changing hands on the DSE.

Of the traded issues on the premier bourse, only 47 advanced, 275 declined and 5 remained unchanged.

Beximco dominated the turnover chart with its transaction of 1.77 crore shares worth Tk 57.53 crore, followed by ACI, Islami Bank, RSRM Steel and Acme Laboratories.

Shinepukur Ceramics was the day's

best performer, posting a 7.48 percent gain. Shinepukur Ceramics was the worst loser, plunging 9.44 percent.

Chittagong stocks also went down yesterday with the bourse's benchmark index, CSCX, sliding 247.06 points, or 2.34 percent, to close at 10,301.91.

Losers beat gainers as 219 declined and 38 advanced, while six finished unchanged on the Chittagong Stock Exchange. The port city bourse traded 2.47 crore shares and mutual fund units, generating a turnover of Tk 68.07 crore.

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