

# Slow exports, remittance new challenges for Bangladesh

IMF's deputy managing director talks to The Daily Star

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**S**LOWDOWN in exports and weak remittance growth are the new challenges for Bangladesh's economy, said Mitsuhiro Furusawa, deputy managing director of International Monetary Fund.

Furusawa, who came to Dhaka on Sunday on a two-day visit, talked to The Daily Star in an exclusive interview at the IMF office in the capital. Bangladesh should implement the VAT law and boost investment to attain sustainable growth as well as to become a middle income country, said Furusawa, who started to work with the IMF as deputy managing director in 2015.

Here is the interview:

**How do you see Bangladesh's current macro-economic situation?**

The Bangladeshi economy has undergone a major transformation over the past two decades, spearheaded by the rapid expansion of the garment industry, which has helped reduce poverty and acted as a catalyst for women empowerment. This resulted in a significant and sustained increase in per capita income, with Bangladesh now reaching lower middle-income status.

Bangladesh stands out in many development indicators such as poverty, inequality, life expectancy, infant mortality and access to water and sanitation. The authorities have also made good progress in financial inclusion.

However, Bangladesh needs to boost private investment to sustain high growth. A significant increase in

public investment is necessary to maintain competitiveness and generate further productivity growth. This much needed increase in investment is conceivable from a boost to revenues and FDI. It is, therefore, important that the already delayed VAT law is implemented. In addition, structural reforms, strengthening institutions and capacity development remain priorities to unleash the full potential of the economy.

Going forward, many of Bangladesh's economic institutions and governing practices will need to be upgraded to support its transition toward middle-income status and as the country becomes more integrated globally.

The IMF will remain engaged, and stands ready to support, wherever possible, the government's reform efforts.

**What are the new challenges in the global economy that may adversely affect low income countries (LICs) like Bangladesh? Does the IMF have any new instruments alternative to the ECF program to help these countries?**

In LICs, generally commodity and oil exporters continue to face a weak outlook, while prospects in diversified exporters remain solid overall. Risks from both external and domestic sources have risen in light of higher public debt, recent and prospective further tightening of financial market conditions, and increased financial market volatility. Security and/or climatic events add to challenges in some LICs.

In Bangladesh's case, new challenges on the external front include a protracted slowdown in key export markets (particularly the EU), and a



Mitsuhiro Furusawa

further weakening of remittances. The EU and the US account for over 70 percent of exports, and weaker growth, together with retreat from trade liberalisation, could adversely affect export growth, mainly the garment industry, with a negative impact on the balance of payments. A sustained appreciation of the US dollar could erode Bangladesh's cost advantage and harm export competitiveness.

To make its financial support more flexible and tailored to the diversity of LICs, the IMF revised its lending tool kit in 2010. The IMF – through its poverty reduction and growth trust (PRGT), has three concessional lending windows: the extended credit facility (ECF) provides financial assistance to countries with protracted

balance of payments problems. In addition, there are the standby credit facility (SCF) and the rapid credit facility (RCF). The SCF provides concessional financial assistance to LICs with short-term balance of payments needs. The rapid credit facility (RCF) provides rapid concessional financial assistance with limited conditionality to LICs facing an urgent balance of payments need. The RCF can provide support in a wide variety of circumstances, including shocks, natural disasters, and emergencies resulting from fragility.

**How will the policies of the Trump administration in the USA impact the rest of the world, especially LICs? What is the IMF policy**

**advice for the countries to prepare for shocks stemming from the uncertainty?**

As we noted in our latest World Economic Outlook update, US growth is projected to pick up in 2017 and 2018, which is positive for the global economy. At the same time, there is considerable uncertainty on specific policies. We will need to see details of the various proposals to better understand their implications.

That being said, for LICs, near-term policy challenges have become pressing, owing to commodity prices well below the highs seen since mid-2014, continued sluggish global growth, high global financial and political uncertainty, and exchange

rate pressures and volatility.

While fiscal adjustment is unavoidable in many LICs, room should be preserved for priority and social sector spending. Other policies should seek to foster resilience, diversify the economy, and promote inclusive growth, including by addressing infrastructure and capacity gaps, while preserving debt sustainability. Low energy prices provide scope for scaling back energy subsidies.

**What is the IMF's view on the global outlook going forward? What are your biggest concerns?**

As discussed in our latest World Economic Outlook update published in January, global growth will rise to a rate of 3.4 percent in 2017 and 3.6 percent in 2018, from a 2016 rate of 3.1 percent. Compared to our view in October, much of the better growth performance will come from better prospects in the US, China, Europe and Japan.

More specifically, growth in LICs is estimated at under 4 percent in 2016, due to weak conditions in commodity exporters despite stronger growth in diversified LICs. Growth is projected to recover to around 5 percent in 2017. Risks and vulnerabilities remain prominent, and poverty levels are still too high.

At the global level, vulnerabilities include the growing debate on the benefits of trade and multilateral engagement, particularly in the US and Europe; widespread high levels of public and private debt; ongoing climate change—which especially affects low-income countries; and, in a number of advanced countries, continuing slow growth and deflationary pressures.

## Alibaba says poor laws, enforcement behind spread of fakes

REUTERS

**C**HINA'S Alibaba Group Holding Ltd on Monday blamed ambiguous laws and lax penalties at the root of its difficulties in enforcing laws against counterfeiting, as the firm lobbies to be taken off a U.S. blacklist of marketplaces notorious for fakes.

In a statement, the e-commerce giant said it reported almost 4,500

leads on counterfeiting operations to authorities in 2016, but they resulted in just 33 convictions, a vast majority of which secured probation.

"Ambiguities in the law have meant that enforcement officers have found it difficult to classify and quantify cases of counterfeiting, let alone commence legal proceedings," the firm said.

The minimum value limit for reporting an illegal counterfeiting

operation is 50,000 yuan (\$7,280), it added.

Alibaba ramped up its anti-counterfeit campaign after its top e-commerce platform, Taobao, was returned to an annual US Trade Representative blacklist of "notorious marketplaces" in December, following a four-year absence.

The firm sued two vendors in January who allegedly sold fake Swarovski watches on Taobao, marking its first legal action against counterfeiters, in which it claimed 1.4 million yuan in contract and goodwill violations.

Monday's appeal was not aimed directly at Chinese lawmakers, an Alibaba spokeswoman said. "It's an appeal to the public at large, since counterfeiting is a society-wide issue," she added.

Alibaba, which has an active user base of around 500 million, has said it wants to tap China's entire \$4.8-trillion retail economy by developing data-driven management tools for retailers and brands.

China's e-commerce market is expected to average around 18 percent annually until 2020, according to consultancy Bain & Company, compared with an average rate of 35 percent during the preceding four years.



REUTERS/FILE

An employee is seen behind a glass wall with the logo of Alibaba at the company's headquarters on the outskirts of Hangzhou, Zhejiang province, China.

## Asia trade talks resume after US exit dashes hopes for TPP deal

AFP, Tokyo

**N**EGOTIATORS from 16 Asia-Pacific countries on Monday held their first round of free-trade talks since hopes faded of reaching a separate regional deal after the US pulled out.

The five-day Regional Comprehensive Economic Partnership (RCEP) talks in the western Japanese city of Kobe are being attended by senior officials from the 16 countries involved, a Ministry of Economy, Trade and Industry (METI) official said.

The United States is not part of RCEP, which has been pushed by

China. Apart from Beijing, the planned pact would group the 10 members of the Association of Southeast Asian Nations plus India, Japan, South Korea, Australia and New Zealand.

Within days of taking office, President Donald Trump pulled out of the separate Trans-Pacific Partnership (TPP), an ambitious free-trade agreement championed by his predecessor Barack Obama but which Trump claimed was harmful to the US.

The move fulfilled a key campaign promise but left allies in Asia on the back foot. The TPP had been seen as an economic guarantee of US

commitment to the region in the face of the growing influence of China, which was not a member.

RCEP is seen as a more modest deal that calls for lower and more limited regulatory standards.

During the meeting -- the 17th round -- participants are aiming to "push negotiations forward broadly in the fields of goods, services, investment, intellectual property, rules of origin, competition and electronic commerce," the METI official said.

"It is important to strike a quality deal in RCEP at a time when protectionism is emerging around the world."

## Dumbphones survive rise of the smartphone

AFP, Barcelona

**D**UMBPHONES -- handsets that just make calls and send texts -- were set to disappear as technology moved on, but they have survived in emerging markets and among nostalgics of simpler devices in the West.

55 percent of all mobiles sold the third quarter of 2016 in the world's second most populous country, according to the International Data Corporation, a market research firm.

And dumbphone sales are continuing to rise in this major market by about four percent per year. Even in developed nations where the

moment," the 35-year-old said of his decision to go back to a less sophisticated phone. Within any age group, it's not hard to find people who refuse to join the smartphone revolution.

"I have no interest in a smartphone -- it's expensive, fragile and I don't see the use for it," said Sandrine, 39, a Paris-based illustrator.



REUTERS

Arto Nummela, CEO of Nokia-HMD, holds up a Nokia 3310 device during a presentation ceremony at Mobile World Congress in Barcelona, Spain, on Sunday.

Their continued appeal was underscored on Sunday in Barcelona on the sidelines of the Mobile World Congress, the world's biggest mobile expo, as Nokia unveiled a revamped version of its iconic 3310 model, more than a decade after it was phased out.

Dumbphones remain useful to telecoms operators to "relaunch or accelerate" mobile phone use as they are relatively inexpensive, said Julien Miniconi, a telecoms expert at consulting firm Wavestone.

"It makes sense especially in countries where the network is not great," he added. Last year 1.5 billion smartphones were sold around the world, according to research firm Gartner.

But the dumbphone market is still significant, with nearly 400 million sold in 2016. In certain emerging markets such as India, their sales still outstrip smartphones.

Basic phones accounted for over

telecoms market is mature, the phones continue to sell.

"Today they are niche markets, either for those looking for vintage or for those who are anti mobile internet or old people," said Thomas Husson, a mobile analyst at Forrester, a research group.

Young kids also use them as a first phone. Some people use them as secondary phone to lend to visiting friends and family from another country and avoid roaming charges.

British actor Eddie Redmayne, who won an Oscar in 2015 for his role as scientist Stephen Hawking in "The Theory of Everything", made headlines as he became the latest in a growing band of smartphone refuseniks.

"It was a reaction against being glued permanently to my iPhone during waking hours. The deluge of emails was constant and I found myself trying to keep up in real time, at the expense of living in the

"There is also the whole commercial aspect as well, with the need to update phones all the time, without mentioning the opacity of work conditions in China" where many smartphones are made, she added.

Germany's Deutsche Telekom includes several basic phones in its catalogue to meet the needs of clients "who just want to be reachable", said a spokeswoman for the operator.

Nokia's original 3310 sold nearly 120 million units worldwide, making it one of the world's best-selling mobiles, but it is unlikely the revamped version unveiled Sunday, which includes internet access, will post similar sales.

HMD Global, the Finnish start-up which bought the rights to the Nokia brand last year and is making the phones, is seeking publicity for the three other smartphones which it unveiled alongside the new 3310, said Forrester analyst Thomas Husson.