

Bangladesh eyes duty benefits from eastern Europe

STAR BUSINESS REPORT

Bangladesh is going to sign a trade agreement with the Czech Republic mainly to enjoy duty benefits on exports of goods to countries of the Commonwealth of Independent States (CIS).

With the signing, Bangladesh will enter a customs union of all the CIS countries, said Commerce Minister Tipu Munshi at a press conference at his secretariat office in Dhaka yesterday.

A customs union is generally defined as a type of trade bloc which is composed of a free trade area with a common external tariff.

As a result, Bangladesh will enjoy the facility of paying lesser duties in some major countries, especially on garment item shipments, Munshi said.

If the trade deal is implemented, the Czech Republic, the central European country, can be used as a hub for exporting goods to other countries under the customs union.

Munshi also said he highlighted at the

World Trade Organization's headquarters in Geneva this week the different government steps that would come into effect once Bangladesh graduates to a developing country from the league of least developed ones.

Bangladesh is working to diversify both its export basket and destinations in attempts to promote sustainable business after the graduation by 2024, the final implementation of which would come by 2027.

While speaking on Bangladesh's Trade Policy Review in Geneva, Munshi discussed the progress of the government measures taken on some important avenues between 2012 and 2018.

The issues involved the government's monetary policy and industrial policies alongside those on trade, investment climate and protection of intellectual property rights.

He also discussed progresses in sectors like agriculture, fishery, energy, industries and services.

US must prepare for 'hard Brexit': Mnuchin

AFP, Washington

The United States must prepare for the very real possibility Britain will leave the European Union without an exit agreement, Treasury Secretary Steven Mnuchin told lawmakers on Tuesday.

"I think at this point we need to be prepared for a hard Brexit as a very realistic outcome," Mnuchin said during testimony to the House Committee on Financial Services.

He added that the US Treasury had coordinated with the Federal Reserve and other US banking regulators to be ready for such a scenario, as London and Brussels scramble to avoid a potentially chaotic "no deal."

Britain is currently due to exit the EU on Friday and as yet has no agreement in place to govern economic ties with the bloc afterwards.

Economists say crashing out without a deal would be a seismic event.



Sk Firdous Karim, head of sales at Transcom Consumer Products, poses with the company's top wholesalers for 2018 after handing over gifts at the Ocean Paradise hotel in Cox's Bazar recently. A new trade wholesale engagement programme for 2019, "Bandhan -3", was also launched at the event.

China pledges open economy at EU summit

AFP, Brussels

China on Tuesday said it would push further to open its economy and deepen ties with the EU, which has grown increasingly wary of Beijing's influence in Europe.

EU Council president Donald Tusk hailed Beijing's new commitments at an EU-China summit in Brussels as a "breakthrough" with both sides committed to globalisation and pursuing international rules.

The annual meeting brings together China's number two leader and the

EU's top officials and serves as a litmus test of the state of ties between Europe and the Asian giant.

This year's meeting comes at a sensitive time, a month after the European Commission, the EU's executive arm, branded Beijing "a systemic rival" in a special 10-point report that stressed China's unwillingness to play fair on trade.

It also lands amid big questions over Huawei, the Chinese high-tech giant that Washington wants the European Union to ban due to the firm's alleged ties to Chinese state

security.

"On the basis of mutual respect and equality, we had intense discussions and reached a substantive joint statement," China's Prime Minister Li Keqiang said after the talks.

"It sets in clear terms both the direction and concrete goals for both sides."

The joint declaration was only agreed after frantic last-minute haggling, but it narrowly avoids the diplomatic dust-up seen two years ago when China refused to sign on to a statement due to a spat over trade.



Rupali Chowdhury, managing director of Berger Paints Bangladesh, and Sara Zaker, vice chairperson of Asiatic 360, inaugurate a logo of "Berger Alponay Baishakh 1426", a street painting festival marking the upcoming Bangla new year, in front of the parliament in Dhaka yesterday. Berger Paints joins hands with Asiatic EXP to run the festival in Dhaka, Chattogram, Bogura, Sylhet and Khulna.

Banks plagued by liquidity crunch

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As per the rules, loans overdue for three, six and nine months are now classified as sub-standard, doubtful and bad respectively.

But now, the timeline has been pushed by three months for each category, meaning non-payment for six months would lead to the loan being classified sub-standard. The loan would turn doubtful after non-payment for nine months and bad after 12 months.

The central bank's move has also encouraged a section of borrowers but it has widened the woes of lenders, Rahman said.

Banks are also providing funds for implementation of the government's

mega infrastructure projects on a priority basis, which has also hit the liquidity base of banks, according to the Dhaka Bank MD.

To exacerbate matters, the government's borrowing from banking sources is on the rise, he said.

Between July 2018 and January 2019, the government's bank borrowing stood at Tk 4,451 crore. In contrast, a year earlier it did not borrowed any fund but repaid Tk 15,030 crore to adjust its previous lending.

The higher interest rate on government savings tools than banks' deposit products is another reason for the liquidity crisis, Rahman said.

"Many banks have even stopped lending to fresh clients to mitigate the

liquidity crisis," he added.

MA Halim Chowdhury, managing director of Pubali Bank, echoed the same. "A number of banks are in liquidity crisis," he added.

The ongoing liquidity crisis might become worse in the months ahead if immediate measures are not taken, said Ahsan H Mansur, executive director of the Policy Research Institute.

The government will have to increase its revenue to avoid borrowing from both the central banks and savings certificates.

"And the latest central bank move to relax the loan classification rules has created a moral hazard as it has encouraged many borrowers to not repay their loans on time."

60pc looms shut for illegally imported yarn

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For instance, 86 containers of illegally imported yarn and fabrics worth nearly Tk 300 crore were seized over the last three months, he said.

A section of unscrupulous traders have taken to storing goods eyeing the upcoming Eid festival when sales grow a lot in domestic markets, he said.

Khokon said currently the size of the domestic clothing market was around Tk 75,000 crore and the investment in this segment is Tk 120,000 crore. "We are losing such a big domestic market because of duty-free illegal import of goods," he said.

Moreover, production in nearly 300 spinning mills has been closed over the last one year and capacity has been lowered to 80 lakh spindles from 1.10

crore, he said.

The spinners and weavers have been selling the yarn and fabrics at 10-30 cents lower than what it cost to produce those because of lower demand from the garment factory owners.

If the proposed gas and power prices are implemented in such a situation, the prices of those vital utilities will be doubled, he said.

It will take 0.38 cents to produce a kilogramme of yarn rather than the existing rate of 0.19 cents while the production cost of a kilogramme of fabrics will reach 0.44 cents from 0.22 cents, he said.

Khokon demanded that the government intensify patrols by the customs department in Narayanganj, Arahazar, Madhabdi, Baburhaat, Narsingdi, Taanbazar, Sirajganj, Pabna and in places where the illegally imported yarn and fabrics are sold.

Stocks continue to bleed

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Mostaque Ahmed Sadeque, former president of the DSE Brokers' Association, said the market was observing a free fall but none was taking any step.

"Some sponsors and institutional investors are selling shares instead of buying," he said. General investors have lost confidence so the stockmarket regulator should take up initiatives for investors' confidence to bounce back, he added.

Saifur Rahman, spokesperson of the Bangladesh Securities and Exchange Commission (BSEC), is abroad and the regulator is yet to convey the name of the acting spokesperson.

The Daily Star tried to talk to two other BSEC officials but they declined to comment on the matter.

In protest of the recent fall, general investors staged demonstrations in front of the DSE building on the last three days.

Investors say low performance of listed companies and lapse monitoring on the part of the stockmarket regulator has

intensified the recent fall. They urged the chairman of the BSEC to resign.

According to DSE data, Grameenphone dominated the turnover chart with 4.90 lakh shares worth Tk 17.57 crore changing hands, followed by Monno Ceramics, Fortune Shoes, Reckitt Benckiser, and United Power Generation.

Rupali Life Insurance was the day's best performer with a 9.96 percent gain, while Heidelberg Cement was the worst loser, shedding 16.45 percent.

Of the traded issues, 64 advanced, 231 declined and 53 securities closed unchanged on the premier bourse.

Chittagong stocks also fell yesterday with the bourse's benchmark index, CSCX, declining 99.49 points, or 1 percent, to finish the day at 9,779.74.

Losers beat gainers as 141 issues declined and 55 advanced while 34 finished unchanged on the Chittagong Stock Exchange. The port city bourse traded 37.21 lakh shares and mutual fund units worth Tk 12.10 crore.

Bahrain's Investcorp keen on Bangladesh

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The rules and regulations are business friendly for the foreign investors, Alardhi said.

"The willingness of political leaders to bring investment in Bangladesh is more encouraging for us," he added.

Investcorp has offices in Bahrain, New York, London, Abu Dhabi, Riyadh, Doha,

Mumbai and Singapore.

As of December last year, Investcorp had \$22.5 billion in total investment.

Since its inception in 1982, Investcorp has made over 185 private equity deals in the US, Europe, the Middle East, North Africa, and Asia, across a range of sectors including retail, consumer products and technology.

It's urgent to focus on poverty: new WB chief

AFP, Washington

Newly-installed World Bank President David Malpass spent his first day at the global lender Tuesday hammering home the message that the most urgent issue facing the bank is addressing global poverty.

President Donald Trump's controversial pick to lead the bank appeared eager to distance himself from his past attacks on the institution and stressed the support he has received from developing nations and from staff.

The "clear mission and focus" of the World Bank is "alleviating and eliminating extreme poverty," as well as boosting "shared prosperity," he told a small group of reporters.

"The mission of the bank is urgent," he said. "There are still 700 million people in extreme poverty and that's 700 million too many."

In another surprise from a Trump administration official, he acknowledged that climate change represents a "key problem" that the World Bank has a role in addressing, especially since it can impact poverty in developing nations.

And he said he is concerned about slowing global growth which



World Bank President David Malpass

is "a key part of meeting goals on poverty, and shared prosperity."

In Trump's Treasury, Malpass has called the international financial institutions' lending practices "corrupt" and complained about financing to China and other relatively well-off countries that he says should have graduated from the institutions.

And his nomination to lead the

bank was roundly criticized by many economists and former officials from the sector, including one Republican who said he would be a "disastrous, toxic choice."

But in the end he was the only choice, as no other World Bank member nominated a candidate.

Malpass, who spoke to many developing country leaders and officials as part of the selection

process, including China, told reporters he was "heartened by breadth of support for my candidacy and the World Bank mission."

He met with World Bank staff early Tuesday and was surrounded by well-wishers.

"I want to listen very much to developing countries in meeting the goals of the bank," he said.

As for China, he noted that the agreement to increase funding for the World Bank, which he was instrumental in negotiating, calls for annual lending to Beijing and to other middle income countries, to decline "substantially."

The country has lifted nearly a billion people out of poverty, which is a welcome example to other countries, Malpass said.

And he stopped short of criticizing China's "belt and road" initiative which has raised concerns about opaque lending to developing nations that sharply increases their debt levels.

He said the focus needs to be on "high quality projects," providing transparency on debt levels and clear procurement rules with guardrails against corruption. "It's all part of getting good development done."

Luxury in the hands of few

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On ensuring the rights of workers, he said workers were divided but owners were united.

The owners are politically strong and many of them are now lawmakers and ministers, he said adding that issues of businesspeople were given importance in the budgets.

Because they are politically and socially powerful, the economist said, adding that a majority of lawmakers were businesspeople now. The difference between politics and business does not exist anymore, said Sobhan.

Democracy will not exist in politics unless there is democracy in the economy, said Sobhan.

He also said the level of poverty may decline but disparity would increase under the existing economic structure.

Prof Mustafizur Rahman, a distinguished fellow of the CPD, also said inequality is rising fast in Bangladesh.

Prof MM Akash presented a keynote paper at the event.



M Khorshed Anowar, head of retail and SME banking at Eastern Bank, and Amlan Mitra, CEO of Gulf Oil Bangladesh, exchange documents after signing a supply chain financing agreement in Dhaka recently. Eastern Bank's online supply chain financing platform will facilitate easy and fast financing to Gulf Lubricants dealers for stocks and instant payments.