UN road transport conventions vital to implement BBIN deal

ICC-B Vice President AK Azad says

STAR BUSINESS REPORT

The UN Road Transport Conventions such as "Transports Internationaux Routiers" (TIR) could help the effective implementation of this BBIN agreement to improve the trade and connectivity among the signatory countries in South Asia.

Although the much talked about Bangladesh Bhutan India and Nepal (BBIN) Motor Vehicle Agreement was signed in 2015 to ensure seamless movement of transport but it is yet to be implemented as Bhutanese parliament did not ratify it until now.

AK Azad, vice-president of International Chamber of Commerce-Bangladesh (ICC-B), made the comments at a virtual discussion on "UN TIR" system and its benefits of expansion to Bangladesh and other BBIN countries.

The ICC-B, the Federation of Indian Chambers of Commerce and Industry (FICCI) and International Road Transport Union (IRU) organised the event.

The ICC-B president also said the TIR system can be implemented for more connectivity and for more trade among the BBIN nations under some understanding on customs.

Further, the intermodal aspect of TIR system, that encompasses rail, sea and air would also play an important role in connecting this region to the world, Azad also said.

Under the TIR, since there will be minimum checks by the customs at the land customs stations while posing no risk to the revenue in the light of well-defined and robust monitoring implemented under the guidance of the IRU.

The TIR system adopted by IRU is time tested and is being successfully followed by nearly 70 countries. Bangladesh, India, Bhutan, Nepal maintain their international trade relations with each other and indulge on bilateral trade and hence the trade is asymmetric.

Like, Bhutan and Nepal have string trade relations with India and hence some of their trade is with India whereas Bangladesh's bilateral trade Bhutan and Nepal remains at less than one-tenth of total trade despite their close geographic locations.

A seamless transport connectivity between India and Bangladesh has the potential to increase national income by as much as 17 per cent in Bangladesh and 8 per cent in India, the World Bank said in its latest report.

Kazem Asayesh, senior adviser of the IRU, said currently 77 countries are signatories of the TIR system and in 64 countries the system is operational in transportation of goods with involving 34,000 transport and logistics.

PS Pruthi, senior consultant of the FICCI, hopes Bangladesh will implement the TIR system to ease the trade between Bangladesh and India.

India has already implemented the TIR system, he said.

Shankar Shinde, chairman-elect of the Federation of Freight Forwarders' Associations in India, said there is no problem in using the TIR system in trade between Bangladesh and India although the BBIN has not been made functional yet.

Kabir Ahmed, president of Bangladesh Freight Forwarders' Association, said TIR system can be a tool for wider connectivity among the BBIN nations. Satish Kumar Reddy, consultant of the Asian Development Bank, said since Bhutan did not ratify the BBIN yet so it is now a three nations' issue.

So a political willingness is needed of the respective countries for implementing the TIR system. However, TIR can be an alternative way for wider connectivity and trade among the participating countries, he said.

Md Khairul Kabir Mia, first secretary for customs, international trade and agreement of the National Board of Revenue, and Satyajit Mohanty, joint secretary and commissioner of customs the government of India, also spoke.

How much to save regularly?

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On the other hand, Hussain Ahmed Enamul Huda, assistant professor of the Department of Finance at the University of Dhaka, said there was no standard formula regarding how much one should save.

"It depends on an individual's marginal propensity to save (MPS), risk aversion level, initial endowments, financial status and value of assets inherited," he said.

The MPS is the proportion of a pay raise that a person saves rather than spending on immediate consumption.

People should save money for precautionary reasons and generally long-term investments are funded through a planned long-term savings.

"It is widely believed that people should at least have an emergency balance equivalent to six months of their living expenses. This emergency balance can be used to pay off medical bills or meet expenses for unavoidable circumstances," Huda said.

Saving is key if someone wants to buy an apartment or a car, build a house or fund their children's education.

"These are long-term investment goals and in order to fulfill them, one should prudentially set aside some money every month," he added.

Huda went on to say that since there are hardly any structured benefits or defined contribution plans for people about to retire in the private and informal job markets, one should start saving early on in his or her career.

The private sector is the country's main employer now.

About 95 per cent of the population is employed in the private sector while the other 5 per cent are employed in government services and enjoy pension benefits. Only 8 per cent of private sector employees receive gratuity benefits, according to Finance Minister AMA Muhith's budget speech for fiscal 2016-17.

On the question of how to save, Huda said assets can be broadly defined into four categories -- cash, equity, fixed income and alternatives.

"Anyone starting his or her career should have a capital appreciation objective and they should allocate more funds in equity and comparatively less in fixed income and cash," he said.

On the other hand, people in their consolidation phase are generally more focused on maximising their current income or "total return" and likewise allocate more funds in fixed income and cash, Huda added.

Daunting challenges ahead

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"Power is very unreliable. There has been wasteful investment in this area. As a result, the cost of power has increased, but consumers are not getting quality power. This is a major barrier to development."

"If we don't get quality power all the time, we can't build successful business enterprises," Mansur said.

The financial industry is facing major challenges. The same is true for revenue generation, according to the analyst.

"We will not be able to attain Sustainable Development Goals with this low level of tax to GDP ratio."

At less than 10 per cent, Bangladesh has one of the lowest tax-to-GDP ratios in the world.

There is a lot of questions about the quality of education. The education system should be more skill-based.

The employment sector has been facing twin challenges.

The first challenge stems from technologies. As a result, fewer people are needed per unit output. Second, more investment is required per capita in the industrial sector for the same amount of output, Mansur said.

In Bangladesh, more than 20 lakh people join the workforce of the country every year.

He blamed the lack of governance for the weakening of institutions. "Nobody can prevent our collapse if we can't strengthen our institutions."

Bangladesh has made the least improvement when it comes to reforms. In order to grow further, the types of reforms that Bangladesh needs are not low-hanging fruit.

"Reforms require a political will. But we have not been able to link the reforms with the political will. If we don't do that, our aspiration to implement the SDGs and become a higher middle-income country will not become a reality."

AB Mirza Azizul Islam, a former finance adviser of a caretaker government, said Bangladesh needed to diversify exports in terms of products and markets.

Today, 85 per cent of export earnings come from garment shipment. And the income is concentrated in a few markets such as the United States and the European Union.

Diversification is also needed in the case of remittance, which is a key pillar of the economy. The country mainly sends unskilled and semi-skilled workers abroad, so their salaries are low. "If we can develop their skills and send them abroad, our remittance earnings will go up," Islam said.

In the governance indicators of the World Bank, two-thirds of the countries are doing better than Bangladesh.

"We have to improve in this area as corruption increases the cost of business, which erodes competitiveness in the international market."

Bangladesh introduced a guideline on loan classification in the early 1990s, but it has not brought major changes in bringing down non-performing loans. Instead, loan defaulters are being given more facilities such as rescheduling.

"This, along with scams, is weakening the health of the banking industry. We need to undertake fresh initiatives to tackle NPLs," said the former chairman of the Bangladesh Securities and Exchange Commission.

Muhammad Abdul Mazid, a former chairman of the National Board of Revenue, said Bangladesh had clocked higher GDP growth years after years, but the gains were not equally distributed. The gap between the rich and the poor has continued to widen.

Money has been swindled from the banking industry, and this has spooked the confidence of people, he said.

There have been talks about restoring financial stability, but there is little progress because regulatory bodies have not been able to carry out their responsibilities. As a result, it is becoming difficult to ensure accountability and governance.

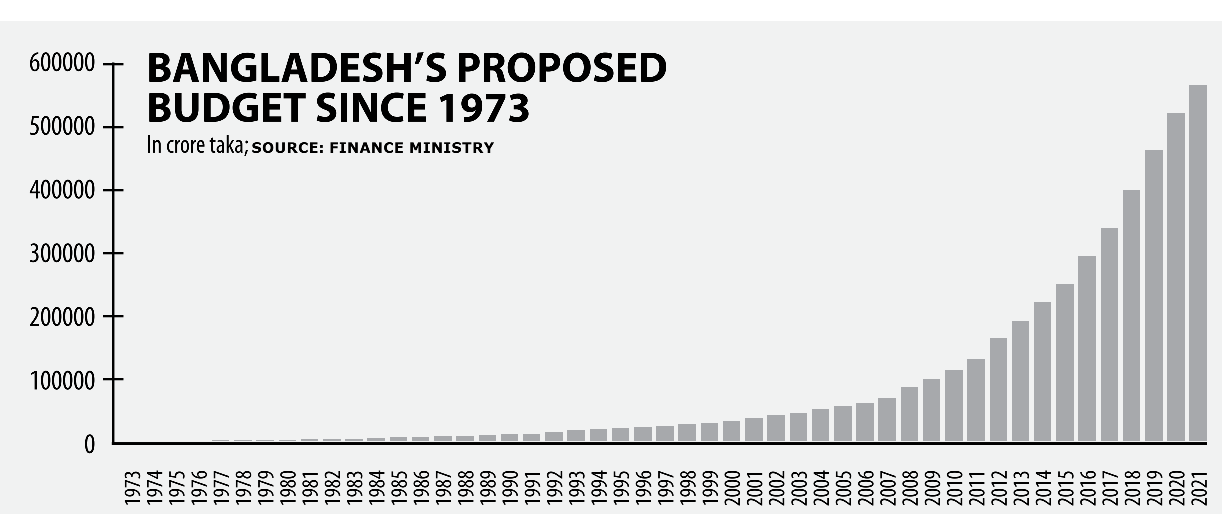
Prof Shamsul Alam, a member of the General Economics Division, said creating a skilled workforce is paramount to making Bangladesh first an upper-middle-income economy and then a developed economy.

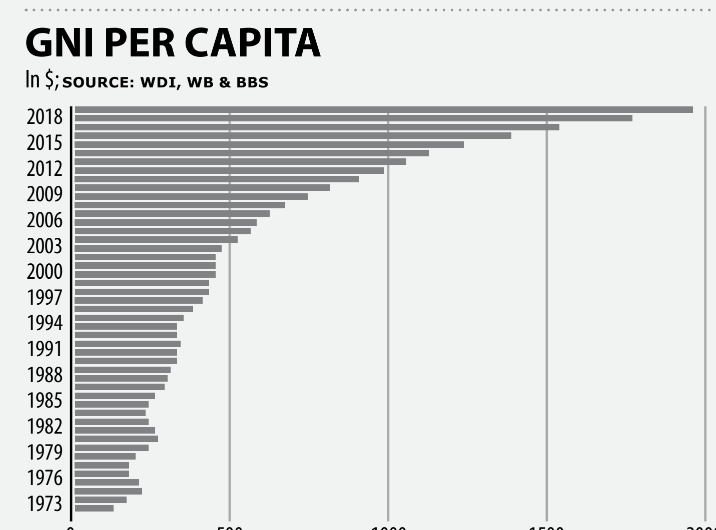
"We need skilled human resources. We need qualitative change to the education system. We are trying, but we are yet to get desired results."

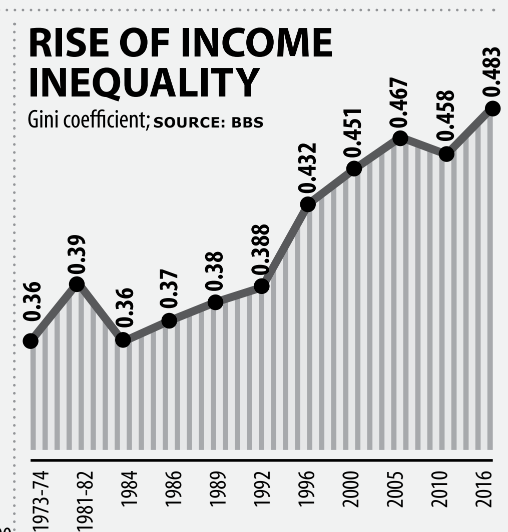
According to Prof Alam, project implementation has accelerated and the pace of acceleration should be taken to the next step.

Zaid Bakht, a former research director of the Bangladesh Institute of Development Studies, said all the investments in the private sector came from the financial industry.

"There is corruption in the financial sector, but the credit flow worked as a blood flow for the economy."







Asian markets mostly rise but inflation, virus fears cast shadow

AFP, *Hong Kong*

Asian markets rose Thursday but optimism over the pace of economic recovery continued to be offset by worries about rising infections across Europe and the continent's vaccine struggles, with inflation concerns casting an ever-present shadow.

After a year-long surge, global equities have run out of steam with expectations of a strong growth rebound stoking fear that prices will soar, forcing central banks to wind in the ultra-low monetary policies that have supported the rally. And while the stock gains have been boosted by the rollout of inoculations -- particularly in Britain and the United States -- Europe's stuttering launch has been compounded by a jump in new cases that has led to lockdowns and containment measures being reimposed.

That has many observers questioning whether its economy can recover as quickly as previously hoped.US markets sank again Wednesday, led by a two percent drop in the Nasdaq as technology firms took a further hit from expectations the Federal Reserve will have to lift interest rates earlier than forecast, despite repeated pledges by policymakers that they will not budge.

Adding to the selling in New York were fears Joe Biden will look to hike corporate taxes to pay for his huge economic rescue packages, while a fractious meeting between US and Chinese officials last week indicated relations will not likely improve any time soon.

"When the short term wobbles, investors naturally start to fret about those lingering longer-term concerns," said Axi strategist Stephen Innes.

"They are also hurting sentiment with renewed worries about US tax policy and a realisation that any lingering hope of a reset in US-China trade relations is unwarranted. "The latter is quite a worrying proposition as the two economic behemoths draw battlegrounds, setting the stage for a real dust-up as the superpowers shift from vying for supply-chain domination to battling it out for global internet technology supremacy.

Still, Asian investors pushed tentative gains in early trade Thursday following recent losses. Tokyo rose more than one percent to snap a four-day losing streak, while Sydney, Seoul, Singapore, Taipei, Manila, Bangkok and Wellington also climbed.

But Shanghai dipped while Mumbai was more than one percent off. Hong Kong dipped as investors kept a worried eye on the city's already slow vaccine programme after Pfizer/BioNTech shots were halted Wednesday following the discovery of flawed packaging.

Tech firms in the city followed their US peers lower, with selling also coming after reports said China is considering setting up a joint venture with local firms that could keep track of the personal data they collect on consumers as officials look to tighten their grip on the sector.

The Hang Seng Index remains in correction territory having fallen 10 percent from its recent high seen in February. "The reflation trade will have further legs to run," Lale Akoner, at BNY Mellon Investment Management, told Bloomberg TV. But she added: "We do see higher inflationary pressures building, higher interest rates and softer dollar to continue.

"Oil prices sank more than one percent a day after soaring seven percent in reaction to a giant container ship getting stuck in the Suez Canal, one of the world's busiest shipping routes.

Crude, which tipped a 14-month high earlier this month, has suffered heavy selling in the past couple of weeks on fears about the impact on demand caused by new European lockdowns.

Innes added the Suez blockage "means increased oil on the water -- either queuing for the canal or diverting around Africa. The extra voyage time is akin to 'filling a pipeline' and should support the very jittery market that has seen the rush for the door over the past five sessions".London, Paris and Frankfurt all fell at the open.

Stocks drop despite higher dividends given by four firms

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Aman Cotton Fibrous also declared 10 per cent cash dividend for the year ending on June 30, 2020.

Actually stocks investors are in panic for the pandemic because they fear that the situation may deteriorate, said the stock broker.

If the pandemic spreads again, there will be an impact on the performance of almost all the companies, he said.

There are some other reasons for the market falls, said a merchant banker.

He alleged that some big players were spreading rumours that the market might fall. This was an attempt to fool general investors into selling off their shares, which would lower prices for the players to then make purchases, he said.

So general investors should not pay any heed to rumours and hold onto their shares, especially if those are of companies with good performance records, he added.

Meanwhile, Bangladesh Merchant Bankers Association has urged the Bangladesh Securities and Exchange Commission (BSEC) to allow more time before implementing a January directive.

On January 13, the BSEC ordered that the spread, meaning the difference between the cost of fund for margin loans and interest rate on lending, would have to be kept within 3 percentage points and that this had to come into effect from February 1.

Later, in another circular the BSEC extended the activation date to July 1.

Now, the BMBA is urging for the BSEC to allow the directive to be implemented from June 30, 2022.

At the DSE, 129 stocks rose, 81 declined and 132 remained unchanged.

Turnover, an important indicator of the market, dropped more than 15 per cent to Tk 488 crore.

NRB Commercial Bank topped the gainers' list, followed by GBB Power, Bangladesh National Insurance Company, eGeneration and Imam Button Industries.

Beximco topped the turnover list with trade worth Tk 61 crore followed by Beximco Pharmaceuticals, Robi Axiata, LafargeHolcim Bangladesh and Square Pharmaceuticals.

First Finance shed the most, falling 7.24 per cent followed by Aman Cotton Fibrous, LafargeHolcim Bangladesh, Republic Insurance Company and C&A Textiles.

The port city bourse also fell yesterday. The CASPI, the general index of the Chittagong Stock Exchange, dropped 1 point to 9,424.

Among 208 stocks to witness trade, 80 advanced, 63 dropped and 65 remained unchanged.

NBR works to cut country's import dependence, says its chairman

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Besides, the government should decide on how to speed up tax reforms that reduce the complexity of taxation to attract investment.

It should also form public-private tax committees and hold review meetings on budget implementation every three months, the ERF said in its proposal.

In addition, the existing policy on investing untaxed income is discouraging for regular taxpayers and encouraging for those generating illegal income, it added.

Senior members of the ERF, including those of its executive committee, took part in the discussion.

Suez Canal blockage may disrupt trade

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Roughly 30 per cent of the world's shipping container volume and about 12 per cent of global trade of all goods transit through the canal daily.

Shipping executives fear the fallout from the incident will last for days.

Around 80 per cent of the country's monthly export-load containers bound for ports in the EU, US and North American East coast cross through the canal, according to shipping executives as well as the exporters. A portion of the country's imported cargoes, including fruits from Egypt, also crosses the channel.

On average, 60,000 TEUs (twenty feet equivalent units) of loaded containers are exported from the country each month through Chattogram port.

Captain Giasuddin Chowdhury, country head of Orient Overseas Container Line (OOCL), says that an average of over 1,200 TEUs of Bangladeshi export containers bound for Europe, the US and Canada cross the canal every day.

If the traffic cannot be resumed by tomorrow, there may be four to five days delay in reaching these export cargoes to their destinations, he said.

Moreover, there would be a serious disruption in the berthing schedules for these vessels at regional hub ports once they start arriving here.

Cargoes would start piling up at the hub ports like that of Colombo, Singapore and Port Klang in a few days, said Khairul Alam Sujan, director of Bangladesh Freight Forwarders Association.

Nasir Uddin Chowdhury, chairman of the standing committee on port and shipping of the Bangladesh Garment Manufacturers and Exporters Association, said lead time of the export cargo would definitely be affected if the situation is prolonged.

The delay would further add to the supply chain disruption, slowing the delivery of cargoes to business across Europe and the US, bringing more loss to the trade, he feared.

SK Bashir Uddin, vice chairman of Bangladesh Oceangoing Ship Owners Association, said the jam was likely to affect both imports and exports.

A large portion of wheat comes through the canal, he said.

"The global freight market is already on fire. It is going to flare up," he added.