Govt scraps plan to phase out reconditioned cars

The government previously intended to phase out reconditioned car imports in a bid to encourage investments in local assembly and manufacture of motor vehicles.

PHOTO: STAR/FILE

JAGARAN CHAKMA

The government has withdrawn its plans to phase out reconditioned car imports over the next five years considering the growing demand for private transport, according to the draft Automobile Industry Development Policy 2021.

The government previously intended to phase out reconditioned car imports in a bid to encourage investments in the local assembly and manufacture of motor vehicles.

But it seems the authorities have since backtracked on this decision as there were no such provisions in the draft policy approved by the cabinet on Monday.

The policy's main objective is to develop the domestic automobile industry by ensuring competence in engineering and the necessary facilities to produce all the required components.

It also emphasises on manufacturing environmentally friendly electric vehicles.

Currently, state-run Pragati Industries assembles cars of Japanese automaker Mitsubishi Motors while PHP Motors, a concern of the PHP Family based in Chattogram, cars made by Malaysia's Proton Holdings Berhad.

Besides, Indian automotive giants Tata Motors and Mahindra & Mahindra seem to be interested in setting up similar partnerships with local manufacturers to grab a bigger share of Bangladesh's growing automobile market.

Meanwhile, Japanese automotive giant Mitsubishi has shown interest in establishing a manufacturing plant in Chattogram.

As per the draft policy, the country's automobile industry has been considered potentially a major industrial sector for the last two decades as it has registered impressive annual compound growth and has contributed greatly to the national economy.

The sector is nearing critical mass thanks to its ability to adopt new technologies and increased efficiency in human resource management.

Bangladesh's automobile industry could even become part of the global supply chain in the future, the draft policy said.

The policy aims to provide a clear roadmap on how to take the country's evolving automotive ecosystem further by implementing specific changes to regulations that govern the design, technology, testing, manufacture, import and export, sale, use, repair and recycling of motor vehicles, their components and services.

Manufacturing units will have to use at least 10 per cent local components in the first year of operation and gradually up to 40 per cent within five years, it added.

Investors will enjoy duty exemptions to import capital machinery and other equipment.

However, they will have to pay 25 per cent duty to import finished components while it will be only 10 per cent duty for locally made components.

If the manufacturers export vehicles or spare parts, the government will provide a 15 per cent cash incentive, the policy said.

Mohammad Shahidul Islam, secretary general of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), welcomed the policy as it would help establish a real automobile industry instead of just assembly units.

He suggested testing facilities be set up to ensure use of safe and environmentally friendly technology.

"Purchasing a car is a capital investment for middle-income people and so, consumers expect longevity. So, quality should be ensured," Islam said.

The government should not give investors the scope to take advantage by setting up substandard manufacturing plants as this would lead to a loss of revenue and deprive the consumers of quality products, he added.

Emergence of central bank digital currency and Digital Bangladesh

OPINION

ARIJIT CHAKRABORTI

Four years ago, there was a lot of buzz around cryptocurrencies, primarily due to the enormous success of bitcoin. The peak value of bitcoin was staggeringly high at that time—several times the per capita economic output of Bangladesh.

An obvious topic of discussion in those days was the relevance of that cryptocurrency in the context of the everyday lives of common people of Bangladesh.

In my article published in The Daily Star on January 30, 2018, I discussed how with advancements in technology, cryptocurrencies were likely to become the mainstream currency for transactions in the coming years and how central banks might decide to circulate their own cryptocurrencies with their proprietary algorithms and controls.

Since then, central bankers of many countries have worked towards deepening their understanding of cryptocurrencies – both the underlying technology and the risks and opportunities associated with these currencies.

Many central bankers have prohibited the use of cryptocurrencies within their respective regulatory jurisdictions. At the same time, others have initiated their strategy for developing a sovereign-backed digital currency. Indeed, the term central bank digital currency (CBDC) is gaining a lot of attention.

Today, many central banks are deeply involved in planning for their own digital currencies.

According to a recent article in the Economist, more than 50 regulatory bodies are exploring digital currencies.

In May 2020, China's central bank announced that it would start piloting projects with eYuan, a digital currency it will be issuing. In April 2021, the Bank of England and the HM Treasury of the UK announced the set-up of a task force to explore the potential of a UK CBDC.

On April 21, 2021, the chairman of the US Federal Reserve announced that it would seek public consultation on the prospect and potential of a digital currency.

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GLOBAL BUSINESS

UK sees record jump in employee numbers in May

REUTERS, *London*

The number of employees on British company payrolls surged by a record amount in May as Covid restrictions eased and pubs and restaurants resumed indoor service, though it still remains more than half a million below its pre-pandemic peak.

Tax data released on Tuesday showed that British companies increased their number of employees by 197,000 in May, the biggest single-month increase since records began in July 2014, taking the total to 28.5 million.

Tuesday's figures also showed the fastest headline wage growth since 2007 in the year to April, although statisticians warned that this was distorted by comparisons with depressed wages a year ago and greater job losses among low-paid staff.

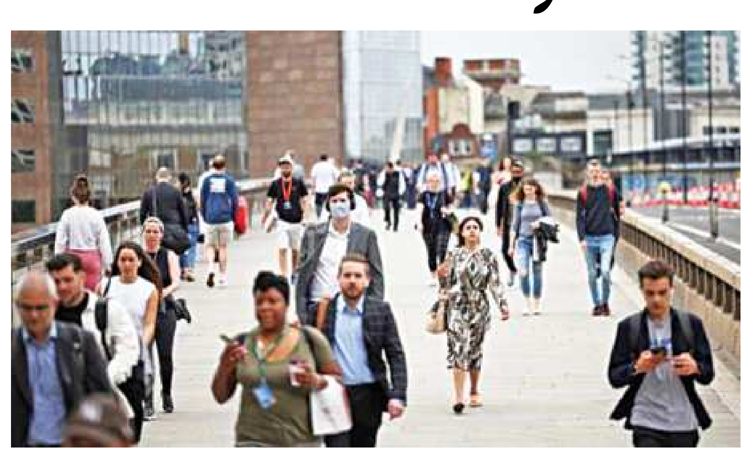
"The level of employment is still well below its pre-crisis level, suggesting there is still plenty of slack in the labour market," said Thomas Pugh, UK economist at Capital Economics.

The headline unemployment rate fell for a fourth month in a row to 4.7 per cent for the three months to April, in line with forecasts in a Reuters poll of economists. "The latest forecasts for unemployment are around half of what was previously feared and the number of employees on payroll is at its highest level since April last year," finance minister Rishi Sunak said.

The jobless rate has been kept down by the government's furlough programme. This paid wages on 8.9 million jobs at its peak in May 2020, during the first Covid lockdown, and supported 3.4 million jobs in April 2021.

More recent ONS survey data pointed to a further fall to just over 2 million jobs by mid-May, and Tuesday's data showed the most job vacancies since the pandemic began.

The biggest rise in vacancies was in the accommodation and food service sector. The sector was hit hard hit by the pandemic, and will face an extra challenge in coming weeks as the full lifting of Covid capacity constraints has been delayed until July 19 due to the spread of a new, more infectious, Covid variant.



People walk across London Bridge during morning rush hour, in London, Britain on June 11.

REUTERS/FILE

The Bank of England predicted last month that unemployment would only rise modestly when the furlough scheme stops at the end of September 2020, and is keeping a close eye on inflation pressures - though it still sees substantial slack. The proportion of working-age men classed as inactive rose to a record-high 17.8 per cent. This category includes students and people caring for family, as well as those who have given up looking for work.

Average weekly earnings in the three months to the end of April rose by 5.6 per cent compared with a year earlier, its biggest rise since March 2007 and above forecasts. The ONS said that although there were some signs of employers offering sign-on bonuses to attract staff, most of the rise reflected base effects and other distortions. It estimated underlying wage growth was around 3 per cent.

Britain and Australia announce free trade deal

REUTERS

British Prime Minister Boris Johnson gestures as he meets with his Australian counterpart Scott Morrison at Downing Street in London, Britain yesterday.

REUTERS, *Canberra*

Britain and Australia announced a trade deal on Tuesday that will eliminate tariffs and red tape, hailed by British Prime Minister Boris Johnson as "a new dawn" in the two countries' relations.

The British government sees the deal as an important piece of its post-Brexit trade and diplomatic strategy to shift the country's economic centre away from Europe and seek out new opportunities in higher-growth Indo-Pacific nations.

Australian Prime Minister Scott Morrison and Johnson overcame sticking points during talks after the Group of Seven meeting in Britain over the weekend, which Morrison attended as a guest.

"Today marks a new dawn in the UK's relationship with Australia, underpinned by our shared history and common values," Johnson said in a statement.

Britain is Australia's eighth-largest trading partner and Australia is Britain 20th largest, with two-way trade worth A$26.9 billion ($20.7 billion).

Prior to Britain joining the then European common market in 1973, Britain was Australia's most lucrative trading market.

Though details have yet to emerge, some official estimates say the agreement could add 500 million pounds ($705.7 million) to British economic output over the long term - a small fraction for an economy worth around 2 trillion pounds. Nevertheless, it was hailed as an important stepping stone as Britain develops its own trade policy for the first time in decades following its departure from the European Union.

German industry group criticises China over new sanctions law

REUTERS, *Berlin*

Germany's powerful BDI industry association criticised China on Tuesday for passing a law to counter foreign sanctions, which it said sent a worrying signal to investors and companies abroad.

China is one of the most important export markets for German companies outside the European Union's single market, but concerns over human rights abuses and a crackdown in Hong Kong are putting a strain on political as well as economic ties.

Beijing passed a wide-ranging law last week to counter foreign sanctions, in an apparent move to legalise its tit-for-tat retaliation.

"Instead of relying on a de-escalation, the Chinese government is creating new uncertainties. This is damaging China's reputation as an investment location and trading partner," BDI board member Wolfgang Niedermark said.

The law was very different from similar laws in the EU as it undermined legal clarity and created a grey area which hung over any company doing business in China, he said.

Senior German government officials and business leaders are openly calling for a diversification of trade relations in Asia to become less dependent on China in the coming years.

The Chinese sanctions against members of the European Parliament and think tanks have already frozen the ratification of the EU-Chinese investment agreement, Niedermark said.

"Instead of reacting with threatening gestures, the Chinese government would be well advised to introduce more constructive elements into the dialogue with its trading partners," he said.

The new law, effective immediately, builds upon previous administrative counter-measures against foreign sanctions issued by the Chinese foreign and commerce ministries. It also lays out the scope of China's counter-sanctions.

REUTERS/FILE

A student holds flags of China and Germany before a welcome ceremony hosted by China's President Xi Jinping for German President Frank-Walter Steinmeier at the Great Hall of the People in Beijing, China.