

Star BUSINESS

Bangladesh, Japan agree to sign FTA

REFAYET ULLAH MIRDHA

Bangladesh and Japan have primarily agreed on signing a free trade agreement (FTA) to increase trade and investment, said Commerce Minister Tipu Munshi yesterday.

"Bangladesh and Japan are positive on signing an FTA," he told The Daily Star over the phone. The minister is scheduled to declare a joint statement on the signing at a meeting at the ministry today.

This is the first formal meeting for signing the FTA as both sides think it is possible to sign a win-win deal, said the minister, adding that no specific date has been set for the signing.

"We are still in a primary stage until now for signing the FTA...Our team has been working with the Japanese team for advancing the negotiation," Munshi said.

Bangladesh has been negotiating with several trade partners to sign FTAs, preferential trade agreements (PTAs), comprehensive economic partnership agreements (CEPAs) and Comprehensive economic trade partnership agreements (CETAs).

These are mainly aimed at retaining Bangladesh's preferential trade benefits once it makes the United Nations status graduation from a least developed to a developing nation in 2026.

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KEY FACTS: ESSENTIAL COMMODITIES

	Annual demand	Local production
Edible oil	20	2
Sugar	20	0.3
Lentil	5	1.86
Onion	25	27.3
Wheat	75	12

In lakh tonnes; SOURCE: COMMERCE MINISTRY

POSSIBLE IMPORT REQUIREMENT AHEAD OF RAMADAN

	Requirements (In lakh tonnes)	Possible cost (In million \$)
Gram	2.1	134.49
Lentil	1.57	140.64
Dates	0.59	52.67
Crude soybean	3.12	430.92
RBD Palm oil*	4.11	543.25
Sugar	8	385.4
Wheat	22.19	811.86

*Refined, bleached, and deodorised palm oil; SOURCE: COMMERCE MINISTRY



BB relaxes LC requirements for Ramadan commodities

STAR BUSINESS REPORT

The central bank has asked banks to take a minimum cash advance from importers while opening letters of credit (LCs) for essential commodities as it looks to keep their prices at a tolerable level during Ramadan and ensure smooth supply.

The advance payment, also known as the cash LC margin, should be kept at the minimum level depending on the bank-client relationship, said the Bangladesh Bank in a notice yesterday.

The directive comes a week after the commerce ministry suggested the central bank form

a crisis management cell to facilitate the opening of LCs for essential commodities imported in the run-up to Ramadan when the demand for a number of basic items surges.

Importers of eight items – edible oil, gram, lentil, onion,

sugar, peas, spices and dates – will be extended the import facility with a minimum LC margin.

The demand for essential products usually goes up during the fasting month, driving up their prices on most occasions.

The prices of edible oil and

sugar have already surged in Bangladesh because of the higher import costs of the raw materials needed to produce them, the escalated transport and fuel costs, and the energy shortage, driven mostly by the Russia-Ukraine war.

Businesses, including commodity importers and processors, have complained that they can't open LCs to buy essential commodities from the external market since banks are largely reluctant to facilitate their purchase amid the US dollar shortage.

Bangladesh will require nearly \$2.5 billion worth of grams, dates,

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BB to return to biannual monetary policy

REJAUL KARIM BYRON and MD FAZLUR RAHMAN

The central bank is set to return to its semiannual monetary policy stance after three years as per a suggestion of the International Monetary Fund (IMF) but local economists say the move would not bring about any change amid the lending rate cap and multiple exchange rates.

In the fiscal year of 2019-2020, the central bank moved away from a twice-a-year policy statement to an annual statement that was practised for the previous two decades. Thus, it began coming up with the policy in July alone.

In November, a delegation from the IMF, during its talks with the government over the latter's \$4.5 billion loan plan, called for unveiling the monetary policy on a quarterly basis since the economic situation is changing frequently, at home and abroad.

Economists say the move would not bring about any change amid the lending rate cap and multiple exchange rates

Accordingly, the Bangladesh Bank has begun its preparation and is holding discussions with stakeholders, including economic think tanks.

But economists say the return to the twice-a-year monetary policy would not yield any benefit amid the 9 per cent interest rate cap on loans and the multiple exchange rates.

The monetary policy statement would come at a time when foreign currency reserves are falling, inflation is running at a higher level, and the liquidity situation is tightening.

The inability of the government to arrest the deterioration of reserves, despite the taka depreciation and implementation of unorthodox policy measures, highlights the severity of the situation, according to Moody's Investors Service.

The widening current account deficit due to unfavourable terms of trade, as well as the BB's attempt to defend the taka, have eroded the reserves by around \$8 billion since June.

Although it eased to some extent in November, inflation stood at 8.85 per cent last month amid higher prices of imported items and transport and energy costs.

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