



**A general view of the Adani Port Special Economic Zone (APSEZ) at Mundra in the Gulf Of Kutch region of Gujarat state in India. The APSEZ has 10 strategically located ports and terminals representing 24 per cent of the country's cargo capacity. If Bangladesh uses Indian ports to increase trade with Asean countries, both nations would benefit, says an expert.**

PHOTO: AFP/FILE

# Bangladesh needs Asean cooperation for more trade

Experts say at a discussion

## STAR BUSINESS REPORT

Bangladesh should establish warm relationships with members of the Association of Southeast Asian Nations (Asean) to boost trade and investment with them, which would also benefit the north-eastern region of India, according to an expert.

If Bangladesh uses Indian ports to increase trade with Asean countries, both nations would benefit, said Prabir De, a professor of the Research and Information System for Developing Countries, a New Delhi-based autonomous policy research institute.

De also said Bangladesh should follow India's Look East Policy for boosting relations with Asean countries.

He went on to say there is a disparity between central India and its north-eastern states that should be removed.

De was speaking at a dialogue on "Bangladesh-India Relations: Outlook 2023 and Beyond Building on Connectivity and Capacity Building for

Prosperous BIMSTEC Region".

The South Asian Network on Economic Modeling (Sanem), Asian Confluence and South Asian Institute of Policy and Governance jointly organised the dialogue at North South University in Dhaka yesterday.

Various businessmen, academicians, experts and former diplomats participated in the event, which was moderated by Selim Raihan, executive director of Sanem.

Farooq Sobhan, a distinguished fellow and board member of the Bangladesh Enterprise Institute, said a new platform comprising Bangladesh, India and Asean members needs to be established for increasing more connectivity.

Also, there is a lot of scope for more investment and trade through this platform, he added.

Sobhan went on to say that increasing connectivity among nations in the region depends on how China behaves as the regional trade bloc among Bangladesh, China, India and Myanmar is dead now.

He then raised the question on how the connectivity will realistically take place among nations of the region without solving the repatriation of 1.1 million Rohingya in Myanmar.

The former ambassador also said economic cooperation and bilateral relations cannot be confined only among government officials as it is needs to include other people, such as university students.

Bangladesh should open a cultural centre in the north-eastern region of India to promote its achievements in the area, he added.

Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry, said much more activities were conducted under the South Asian Association Regional Cooperation in the past.

In the river transit route between Bangladesh and India, some 98 per cent of Indian vessels are taking the opportunity of transit.

"We have to complement each other

for a healthy relationship between Bangladesh and India," Islam added.

He then said the balance of trade between Bangladesh and India is heavily tilted towards the latter and last year, the gap stood at \$14 billion with Bangladesh's export to India reaching \$2 billion.

Bangladesh has a chance to export \$4 billion worth of goods to India soon if the non-tariff barriers are effectively removed.

For instance, when the shipment of jute goods to India from Bangladesh started growing, the Indian government imposed an anti-dumping duty despite requests by Bangladesh's government, he added.

Imtiaz Ahmed, a professor of the department of international relations at the University of Dhaka, suggested establishing a new connectivity between Dhaka and Delhi by setting up high-speed rail connectivity.

Amena Mohsin, a professor of the same department, said if the visa regime is not relaxed by India, then people-to-people connectivity between the two countries will be difficult.

## Brac University gets Tk 450cr loan from Idcol

### STAR BUSINESS DESK

Brac University signed an agreement with Infrastructure Development Company Limited (Idcol) yesterday for a term loan facility.

Alamgir Morshed, executive director of Idcol, and Tamara Hasan Abed, chairperson of the Board of Trustees of Brac University, inked the deal, said a press release.

Under the facility, the university will avail Tk 450 crore for the construction of its new campus in the capital's Badda.

Nazmul Haque, chief investment officer of Idcol, Mohammed Zahidul Haque, senior vice-president, and Ariful Islam, chief financial officer of the university, and Prof Mahboob Rahman, treasurer, were present.

## Taiwan records biggest contraction since 2009

### AFP, Taipei

Taiwan's economy shrank in the final quarter of 2022, the government said Wednesday, in the island's worst quarterly contraction since it was hammed by the global financial crisis in late 2009.

Gross domestic product in the last quarter fell 0.86 percent year-on-year, according to preliminary figures released by the Directorate-General of Budget, Accounting and Statistics.

That is the first decline since the first quarter of 2016 and far worse than the 1.52 percent increase the government had forecast in November.

"Pressure from inflation and interest rate hikes continued to suppress global demand, and the industrial chain continued to adjust inventories," the government's budget department said in a statement announcing the results.

The worsening pandemic situation in China, which is Taiwan's largest trade partner, has also "disrupted consumption and manufacturing activities," it added.

Despite its size Taiwan is one of the world's most important economies thanks to its outsized role in producing high-tech equipment, particularly state-of-the-art semiconductors, an industry that it dominates.

The island weathered the initial coronavirus pandemic well, becoming one of the few economies to record growth in 2020.

In 2021 it saw an explosion of orders as the world began reopening after months of pandemic shutdowns. Demand for semiconductors was enormous and Taiwan's foundries could barely keep up.

The following year saw strong growth initially but demand cratered in the last quarter.

The island's exports fell 8.63 percent in the last three months of 2022 from the same period last year, the figures released on Wednesday showed.

Exports to China and Hong Kong dropped even further by 15.6 percent, the government said.

Full-year GDP growth for 2022 was estimated at 2.43 percent for 2022, lower than the previous projection of 3.06 percent, it added.

## Gas price hike

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banks will have to deal with some investors being unable to pay loan instalments, he said.

Inflation will increase and with the possibility of a recession looming globally and general elections due to be held early next year, the situation is not favourable for businesses, he said.

"Such a jump in prices will double our production cost," said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association.

"The government has increased gas prices but it has not made it clear whether we will get uninterrupted gas supply," he said, adding that textile millers would now suffer more.

"The sudden increase would raise production cost that would reduce the business margin of exporters," said M Shahadat Hossain Sohel, chairman of the Bangladesh Terry Towel & Linen Manufacturers and Exporters Association.

"We cannot increase the price of export products as it will prompt buyers to search elsewhere for cheaper products," he noted.

He said the government needs to address corruption and irregularities in the energy sector instead of increasing gas prices in the name of subsidy withdrawal.

The hike rate should have been reasonable, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

Uninterrupted supply should be ensured while illegal connections severed and system losses reduced, he said.

There will be multiple impacts on the market which would trickle down onto consumers, said Mohammed Amirul Haque, managing director of Premier Cement Mills.

Basically, the subsidy burden has prevailed for so long that the government had no alternative, he

said, adding "The government should increase the price in phases which would be tolerable for all."

The hike is intolerable as it will push up production costs in agro processing and of consumer products by 10 per cent, said Eleash Mridha, managing director of Pran Group.

The ceramic sector is dependent on both gas and import of raw materials and production cost will rise by a huge margin, said Irfan Uddin, general secretary of the Bangladesh Ceramic Manufacturers and Exporters Association.

The rise in production cost will be higher for small steel mills rather than the large ones, said Tapan Sengupta, deputy managing director of BSRM.

With steel being a basic product of construction and development work, expenses in these areas will increase, he said.

This only added to the sufferings stemming from the pandemic and the Russia-Ukraine war, said Md Kamal Mia, owner of Kamal Machine Tools in Bogura.

Production will decrease and prices will go up, falling on the shoulders of consumers, he said.

This might have alleviated some of the pressure but there is no way for the government to completely stop providing subsidies, said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue.

Use of domestic gas has to be strengthened by increasing production of old gas fields and reducing import dependence of liquefied natural gas, he said.

However, there is no scope to guarantee uninterrupted gas supply to industries, said Moazzem.

The challenges that the industries are currently facing with gas are likely to increase a bit more in the summer, he said.

## Bangladesh

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EU increased by 11.59 per cent to \$17.11 per kg in the January-October period last year compared to \$15.34 per kg in 2021.

The average price per kilogramme of garments imported by the EU rose 2.29 per cent year-on-year to \$22.33 at the same time.

In the case of China, the price per kg of garments increased 4.35 per cent to \$23.02 in the January-October period of 2022 from \$22.06 per kg previously.

The EU is the largest export destination for Bangladesh as most goods produced in the country are shipped there.

The data indicates that the Russia-Ukraine war that began on February 24 last year has had little impact on garment shipments to the EU.

Bangladesh registered the highest export growth to the EU even amid the war mainly due to the production of basic and semi-high value-added garment items, for which the demand does not fall even in the face of high inflation.

On the other hand, China is losing its garment business in the EU as it produces high-end value-added garment items that have less demand during times of crises, exporters said.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said exports to the EU increased because of an increase in unit prices for garment items.

International clothing retailers and brands started paying slightly more for Bangladeshi apparel items considering three important factors, including the high price of raw materials, production of high-end value-added items and improvements in compliance and workplace safety, he added.

Hassan went on to say that export growth will remain upbeat till November, but the growth will start falling from December and January as local manufacturers booked less work orders during this time.

## Balance of payments

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cent in FY23, down from 13 per cent stated earlier. Bangladesh posted a 33.4 per cent and a 14.9 per cent growth in FY22 and FY21, respectively.

Between July and December last year, exports fetched \$27.31 billion, up 10.58 per cent year-on-year.

The remittance flow is projected to display a paltry growth of 4 per cent in the ongoing financial year, way down from the 15 per cent the BB had anticipated in June.

The central bank, however, called the projected BoP deficit to be moderate, well supported by a befitting performance of the financial account.

The financial accounts would be \$28 billion in surplus at the end of FY23, way higher than the \$16.02 billion projected at the start of the financial year.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said: "The economic outlook of Bangladesh has changed for the worse."

In June, there were expectations that the dollar crisis would be over by September and then the outlook was changed and it was said that it would disappear by January.

"Now, the government is not saying anything. I think the dollar crisis would not be over by the current fiscal year. It may not even go away by 2023," said Mansur.

Under the current circumstances, the outlook of an overall BoP deficit of \$5 billion is optimistic, he said.

Pointing to the financial account part of the BoP, the former economist of the International Monetary Fund said it turned negative in the first five months of the current fiscal year.

"It has never turned negative in recent times."

The financial account was a surplus of \$13.77 billion in FY22 and \$14.07 billion in FY21, BB data showed.

"This is the portion where the problem lies. This means funds are not flowing to Bangladesh now," Mansur said.

The BB has projected that it would \$2.8 billion at the end of the fiscal year in June.

"Whatever the BoP situation of Bangladesh, the payments situation is worsening," said Mansur.

Importers are already struggling to settle LCs owing to the dollar shortage. There are media reports that large groups are not being able to offload goods from the port owing since they have not been able to make the payments against the LCs.

"If large groups face such a grim situation, it can be easily understood what others are going through," said Mansur.

"The situation is serious. Foreigners know this so they are not willing to lend money to us because Bangladesh is facing higher risks and difficulty to make repayments."

According to Mansur, the third factor is the repayment of the short-term credits, which have been taken in the previous years, has become overdue or are becoming overdue.

"We are not being able to repay the debts and they are being rolled over."

"So, the overall BoP deficit of \$5.5 billion would be a suboptimal outcome because it will be the results of suppressed imports, a hike in debts and accumulation of forced debts."

Higher export and remittance receipts can emerge as saviours for the economy, according to the economist.

"The remittance will make a comeback if we can curb money laundering. But it would be next to impossible to curb money laundering in an election year."

Mansur said that the exchange rate may depreciate sharply amid the current build-up of pressures in the foreign exchange rate regime.

"That risk is very much there because the current exchange rate can't be maintained at some point. This is because we are not allowing a market-based exchange rate."

"Bangladesh faces very difficult choices and they are not something that are pleasant and easily doable."

## No visible step

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30 per cent to 21,980 tonnes for dates.

Citing the decline in LC opening, the commerce ministry, in its letter to the BB, said it is important to increase the opening of LCs for the six commodities for proper market management and suggested taking steps so that banks set aside foreign currencies to allow their imports.

However, managing directors of two private banks yesterday said that the central bank had not given any instruction to them to set aside US dollars to clear the import bills.

"Managing dollars from the central bank is difficult. The BB sometimes does not supply the greenbacks even to settle LCs for petroleum products," said one of them.

A senior official of the central bank said the central bank has not given any verbal or written instruction to banks to this end.

"However, the governor has recently asked the managing directors of four state-run banks to give priorities to opening LCs for Ramadan-related essentials."

One managing director of a private bank said the BB gave instructions to them on the issue on December 4 at a bankers' meeting. Since then, no directive has come from the BB.

Md Mezbaul Haque, the spokesperson of the central bank, says that the BB has been selling US dollars to banks based on their requirement.

"The central bank has given instructions to banks from time to time to resolve the issue of the dollar shortage."

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, questioned whether costs are being cut on the part of the government the way it is being talked about or whether the amount of dollars that are said to be there was actually there.

A high-powered committee should be formed to monitor the foreign exchange-related issues closely, he said.