POTENTIAL LOSS IN AGRICULTURAL EXPORTS (INCLUDING FISH) AFTER GRADUATION FROM LDC

in million US$

Destination	Initial exports	Potential loss after graduation
India	196.1	21-43
EU	84.6	0.7-1.4
UK	99.9	1.3-2.7
China	66.7	2.5-5.6
Canada	9	0.1-0.2
Japan	20.25	0.2-0.5
Korea Republic	5.9	0.15-0.31

SOURCE: USDA'S STUDY

"The biggest shock will be seen in the Indian market"

MA Razzaque
chairman of the Research and Policy Integration for Development, a think tank.

POST-LDC ERA

Farm exports likely to fall up to 11% in key markets

STAR BUSINESS REPORT

The agricultural export from Bangladesh could decline as high as 11 per cent in the nations that are the biggest GSP facility providers following the country's LDC graduation, according to a new study.

Bangladesh's agricultural exports, including fish, to the seven largest Generalised System of Preferences (GSP) granting countries and blocs – India, the European Union, China, the UK, Japan, Canada and South Korea – would be subject to a 6 per cent to 11 per cent loss as a result of the imposition of the tariff after graduation from the group of the least-developed countries (LDCs).

"The biggest shock will be seen in the Indian market," said Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development, a think tank. The export loss would be between 11 per cent and 22 per cent, or $21 million to $43 million, he said.

Razzaque shared the information at a seminar while presenting a keynote paper on "Implications of LDC Graduation for Bangladesh's Agricultural Goods and Trade: Issues and Policy Options" in the capital's Agargaon.

The seminar was organised by the Economic Relations Division (ERD) and the US Department of Agriculture.

Exports to South Korea and China could shrink by 5.3 per cent and 8.4 per cent, respectively, according to Razzaque.

The economist said the average tariffs on Bangladesh's agricultural exports might increase in major overseas markets after graduation in the absence of duty-free facilities.

In this context, he put emphasis on proactive engagement with trading partners to negotiate extended preferences, enhancing the capacity of domestic firms, and reducing the cost of doing business to address the LDC graduation challenges.

At the seminar, a number of speakers said Bangladesh should pursue the World Trade Organisation (WTO) so that it is included in the list of net food-importing developing countries after graduation in a bid to continue providing subsidies on agriculture exports.

At the same time, the country should also develop export assistance schemes in compliance with WTO provisions, they said.

Razzaque said as the domestic support provided for agricultural production is much lower than the limit set by the WTO, Bangladesh will not face issues in widening the volume of domestic subsidy.

"However, the country could face significant challenges in continuing targeted export incentives for agricultural products. Boosting the competitiveness and productive capacity of agricultural producers is crucial for expanding exports."

He went on to say that tackling the high costs of doing business and improving connectivity and trade facilitation will be important to boost export competitiveness.

The government should focus on export diversification within the agricultural sector while ensuring product quality and categorising the subsidies prudently, Razzaque recommended.

Agriculture Minister Muhammad Abdur Razzaque said that Bangladesh can mitigate the impact of LDC graduation by enhancing the production and quality of its agricultural products.

State Minister for Planning Shamsul Alam said the withdrawal of LDC-specific facilities after graduation will create the compulsion for enhancing internal capacities. ERD Secretary Sharifa Khan put emphasis on policy continuity for maintaining the growth in the agricultural sector.

She said that the government is pursuing with the WTO to be included in the list of net food-importing developing countries after graduation.

Farid Aziz, additional secretary of the ERD, said the government has taken various measures to ensure a smooth and sustainable transition from LDC status.

Mostafa Abid Khan, a former member of the Bangladesh Trade and Tariff Commission, Md Tofazzel Hossain, additional secretary of the fisheries and livestock ministry, Md Tajul Islam Patwary, director of the Department of Agricultural Extension, Scott Brandon, political and economic counsellor of the US embassy in Dhaka; and Uzma Chowdhury, director of Pran-RFL Group, also spoke.

EBL gives Tk 1 crore startup loan to ShareTrip

STAR BUSINESS REPORT

Eastern Bank Ltd (EBL) has arranged a startup financing programme to disburse Tk 1 crore in favour of ShareTrip, a travel booking site of the country.

Earlier, the bank launched the startup loan product "EBL Startup Explorer" in association with Startup Bangladesh, keeping the highest ceiling of the loan product set at Tk 1 crore, the bank said in a statement.

Md Ashikur Rahman, director of Bangladesh Bank; Ali Reza Iftekhar, managing director and CEO of EBL, and Sadia Huq, chief executive officer of ShareTrip, attended the programme held at EBL head office in Dhaka recently.

"EBL gives priority to those who pursue the goal of digital transformation of Bangladesh. Digital transformation is always associated with technology and innovation," said the EBL managing director.

"This kind of support will motivate us to rise above, and we are very optimistic about our future," said the ShareTrip CEO.

M Khorshed Anowar, deputy managing director of EBL; Syed Zulkar Nayen, head of business; Mohammad Salekeen Ibrahim, head of asset, retail and SME, and Md Shabu Munshi, head of asset and SME, were also present.

China making headway in large-scale AI models

ANN, *China Daily*

China has developed at least 79 large-scale artificial intelligence models with over 1 billion parameters each, a research institute said in a rare public statement, amid the worldwide buzz created by OpenAI's artificial intelligence chat bot ChatGPT.

Industry experts said the United States and China have led the global development of such models, but China still had to narrow the gap with the US in the field.

More than 14 provincial regions in China have contributed to the research and development of large-scale AI models, the groundbreaking technology behind ChatGPT.

Up to 38 are from Beijing, followed by 20 from Guangdong province, according to the latest report by the Institute of Scientific and Technical Information of China, which is affiliated with the Ministry of Technology.

To support the endeavor, local authorities are offering public computing power to meet the rising computing demand from large-scale AI models. Beijing and Shanghai municipalities, as well as Guangdong and Zhejiang provinces, currently have the largest number of such models, and they are also the regions that have purchased the most AI servers in the past three years, the report showed.

"The development of China's large-scale AI models is booming, with several technical routes making breakthroughs at the same time," said Zhao Zhiyun, head of the research institute, during the just-concluded Zhongguancun Forum.

Economic policies sacrifice poor Americans

REUTERS, *New York*

Dollar General, the ultra-low-cost retailer with 19,000 stores reaching 75 per cent of the US population, has never been a comfortable reflection of the American consumer. It's getting even worse.

The company's share price took a nearly 20 per cent dive on Thursday after it cut back its forecast for the year. Chief Executive Jeffery Owen blamed changes to food stamps, tax refunds, and higher prices. That underscores troubling consequences of current US economic policy: the poor are being sacrificed.

Over the past two decades, dollar stores have upended how the cross section of the United States shops. In smaller towns, Dollar General and competitors including Dollar Tree offer cheap and accessible groceries. Walmart aside, it often is the only place to shop.

These stores differ from the $400 billion superstore competitor in ways that reflect important aspects of the economy. Often people use dollar stores to buy single items– a roll of toilet paper or a bag of chips, say, rather than a bulk stack which is cheaper per unit but requires a larger payment upfront. If a person living paycheck-to-paycheck has even less cash, they'll have to shop at a dollar store and be ever more discerning.

That has happened: carts are getting smaller. People are spending less because of cuts to a $95 supplement to the food stamp program and tax rebates for children, two pandemic-era supports which have been rolled back. Higher food prices, which the company pegs rose around 20 per cent, are crimping wallets rapidly.

Not all retailers are posting the same result. Lululemon Athletica shares surged on Friday morning after it raised its outlook for the year. Nordstrom posted a surprise profit on Thursday, with the company noting that the high-end customer was "resilient."

Shoppers snapped up Ralph Lauren's pricy sweaters, giving it solid results last week. Those stores aren't premium luxury, necessarily. But with pants that run close to $120 a pop, Lulu's yoga-inspired items are certainly discretionary, and appeal to well-off consumers.

In the past week, US Congress has continued to roll back policies that would help Americans with less to go around. On Thursday, the Senate voted down President Joe Biden's proposal for student loan relief. Stipulations in the debt ceiling bill, now passed by both chambers, seek to make access to food stamps even harder. As poorer Americans struggle to find the extra $1, everyone else eats cake.

On June 1, Dollar General cut its sales and profit forecast for the year, sending shares down as much as 20 per cent in after-hours trading. The company expects fiscal 2023 same-store sales to rise between 1 per cent and 2 per cent, compared with its prior outlook of 3 per cent to 3.5 per cent.

Manna Food Center volunteers sort perishable and non-perishable food into more than 150 70-pound packages to be distributed to needy families at the center in Gaithersburg, Maryland.

PHOTO: AFP/FILE

Extended contractionary monetary policy might

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the US dollar and high production and transportation costs kept domestic inflation elevated.

These unfavourable developments hindered the growth momentum and led to persistently high inflation in FY23.

While the fiscal year has not yet concluded, the Bangladesh Bureau of Statistics provisionally estimated a lower real GDP growth rate of 6.03 per cent for FY23.

"The economy's future trajectory will depend on improving Bangladesh's balance of payments position," the BB said.

Between July and March of FY23, the current account deficit narrowed to $3.64 billion compared to $14.3 billion during the same period a year ago.

This improvement was driven mainly by a contraction in the trade deficit due to exchange rate depreciation and various policy initiatives aimed at reducing imports and increasing remittance inflows.

However, the financial account shifted from a large surplus of $11.9 billion to an unusual deficit of $2.2 billion compared to the same period in FY22.

A financial account is a component of a country's balance of payments that covers claims or liabilities to non-residents concerning financial assets.

Its components include foreign direct investment, medium and long-term loans, trade credit, net aid flows, portfolio investment and reserve assets.

To address the demand-supply gap in the foreign exchange market, Bangladesh Bank sold foreign currencies and allowed depreciation, which resulted in a rapid decline in foreign exchange reserves from $41.83 billion in June 2022 to $31.14 billion in March 2023.

The central bank, however, hopes for the growth momentum of the Bangladesh economy to accelerate in the days ahead. The government has set a GDP growth target of 7.5 per cent for FY24.

Export rebound in May

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"But there is no improvement in the flow of orders," he said.

Exporters have been blaming a slowdown in orders from importers in Europe and the US because of high inflation and economic slowdown in these two major markets.

Factories are running at 65 per cent to 70 per cent of their capacity for a lack of work orders and power cuts, said Azim.

While the apparel sector suffers from a slowdown in export growth, the leather industry, the second-biggest sector in terms of export earnings, registered very little growth in shipments. Leather and leather product exports edged up only 0.42 per cent year-on-year to $1.12 billion in July-May.

Shipments of leather footwear, the main product of export earnings, declined 4 per cent to $644 million.

Europe is the biggest market for the leather sector of Bangladesh but orders have reduced due to the economic slowdown there, said Abul Islam, general manager of SAF Leather, a concern of Akij Group.

"For this reason, the export of shoes and leather products from Bangladesh has reduced a lot."

According to him, the sector has fallen into difficulties in sustaining business because the prices of the products and the cost of labour increased but the prices of the export product have remained the same.

Japan is the second-biggest market for the leather industry. But Japanese buyers did not increase prices in the last decade despite a rise in production costs, Islam added.

Islam does not see any immediate possibility of a rise in exports of the leather sector.

Apart from garment and leather, export earnings from frozen and live fish, agricultural products, jute and jute goods and home textiles dropped, according to the EPB.

The garment industry remains strong but the worrying part is that exports of other sectors are falling, said Mohammad A Razzaque, chairman of the Research and Policy Integration for Development.

"The growth in overall exports provides some relief against the backdrop of falling foreign exchange reserves."

"But it is not certain what the future is going to look like. There is a lot of uncertainty. Work orders are likely to be low in the coming months. Business prospects are still gloomy as the global economic prospect remains bleak."

Budget inconsistent

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corporate tax exemption from 2024 to at least 2030 was not taken into consideration, Sharif added.

"As a result, the price of business process outsourcing services will increase in the future, customer attraction will decrease, new investment will be hindered, and the overall progress of the BPO industry will be hampered."

Services of internet service providers have not been listed under the ITES in the proposed budget in spite of the prime minster agreeing to it previously, said Md Emdadul Hoque, president of the Internet Service Providers Association of Bangladesh.

"We are very disappointed with the NBR decision."

"We strongly request the finance minister and the NBR (National Board of Revenue) chairman to take the ISP sector forward through the inclusion of all the services of the ISPs in the ITES to ensure the best use of internet and remove obstacles."

Mohammad Shahabuddin, vice president of the e-Commerce Association of Bangladesh, thanked the NBR for recognising the e-commerce marketplace by giving it a specific definition.

He called for removing the 5 per cent VAT on software development for the advancement of the e-commerce sector.