

Participatory budget crucial for economic progress
Says Deputy Speaker Shamsul Hoque Tuku

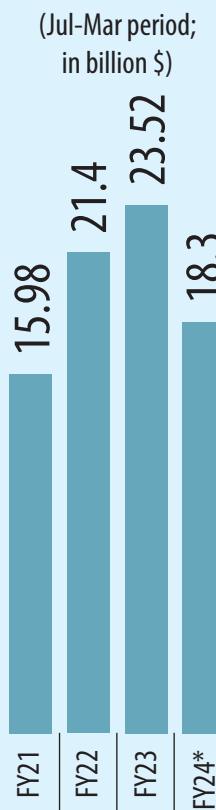
STAR BUSINESS REPORT
Civilians in Bangladesh have to play a strong role in ensuring a participatory budget for fiscal year 2024-25, said Shamsul Hoque Tuku, deputy speaker of parliament, yesterday.
He made the comment while speaking as the chief guest at the launching of Unnayan Shamannay's "Amader Sangsad" (Our Parliament) platform, according to a press release.
The platform, jointly facilitated by Unnayan Shamannay and Bank Asia PLC, intends to provide information and analysis to the members of parliament and other stakeholders during the upcoming budget session.

It is of critical importance to ensure effective participation of the elected representatives as well as the common people in the budget process, Tuku said

The overall wellbeing and economic progress of citizens are tied with the efficiency and effectiveness of the budget making and implementation, Tuku said.
"So, it is of critical importance to ensure effective participation of the elected representatives as well as the common people in the budget process."
Given the prevailing socioeconomic turmoil, the initiative of Unnayan Shamannay may be useful in understanding the relevance and effectiveness of the budget to be proposed next month, said Workers Party President Rashed Khan Menon.
The event was chaired by former Bangladesh Bank governor and Unnayan Shamannay's Founding Chairperson Emeritus Professor Atiur Rahman.
He said in the context of the tumultuous economic environment, the Amader Sangsad platform aims to provide reliable information and analytics related to the national budget.
He also opined that if a right set of policy measures are designed and implemented, Bangladesh is most likely to reaccelerate its inclusive growth.

Shipping cost keeps upward trend as Red Sea crisis lingers

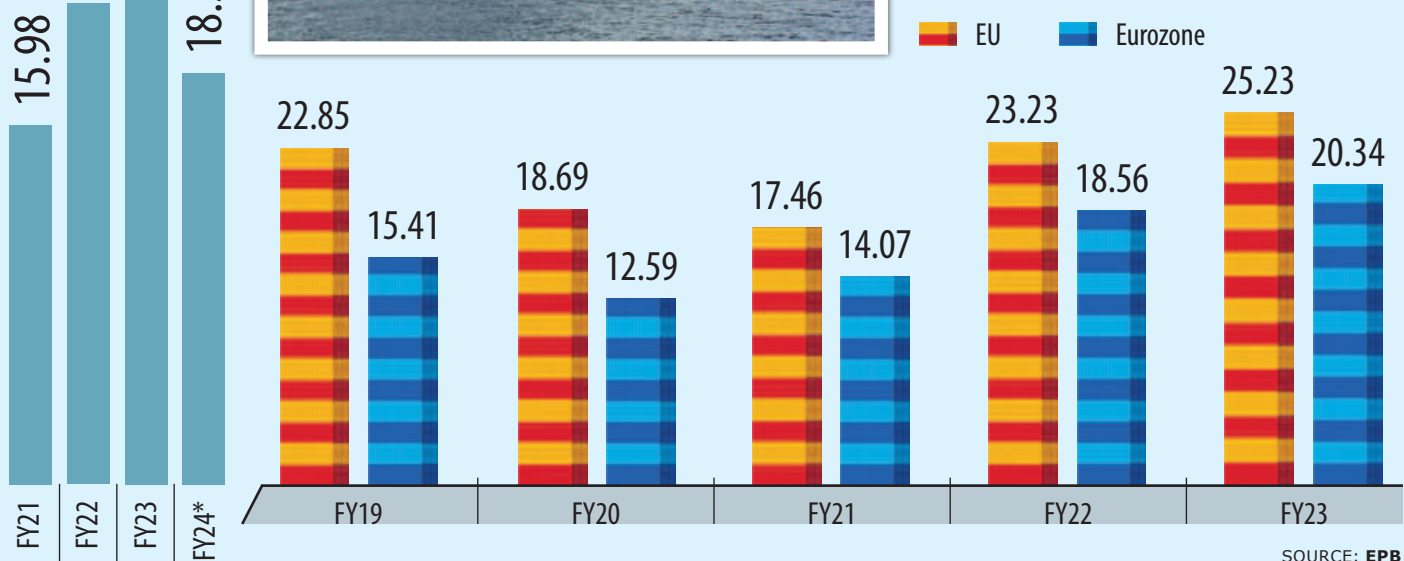
Garment export to the EU
(Jul-Mar period; in billion \$)



The freight cost has escalated by more than the 30 percent reported by users

Nurul Qayyum Khan
President of the Bangladesh Inland Container Depots Association

Bangladesh's export to the EU and Eurozone
(In billion \$)



SOURCE: EPB

REFAYET ULLAH MIRDHA

Shafiur Rahman, regional operations manager of G-Star in Bangladesh, needs to send 6,146 pieces of denim trousers weighing 4,404 kilogrammes from a Gazipur-based garment factory to Amsterdam of the Netherlands.

However, he can't decide whether he will send them by air or sea since the cost has gone up on both routes. The indecision arises because air shipments will cost a lot of money for his company.

Although the transportation of goods through waterways will be relatively cheaper, it would require more time.

The bill is expected to total \$17,616, or \$4 per kg if the items are sent by air. The rate ranged between \$1.50 and \$1.6 per kg before the outbreak of the Red Sea crisis.

The Red Sea connects Asia to Europe and the Mediterranean, via the Suez Canal. About 12 percent of global trade passes through the Red Sea, including 30 percent of global container traffic.

It emerged as the heart of global tension after Houthi rebels began attacking Israel-linked ships in response to the latter's devastating war in the Gaza Strip in the third week of October.

The crisis deepened after the intensification of counterattacks on the rebel groups by the UK and the US.

Bangladeshi businesses are feeling the heat of the conflict as reinsurers worldwide are charging 3.5 times more premiums to cover the risks brought on by the crisis.

As a result, like Rahman's company, other clothing retailers and brands have to count the additional costs due to the crisis,

which has forced users to move goods through the alternative route.

The reliance on air shipments has increased significantly to carry goods from Asia to Europe as the alternative new route around Cape of Good Hope in South Africa costs more and involves more time.

The new route takes an additional 15 days compared with the normal shipping route using the Suez Canal because goods-laden vessels must travel 3,500 to 4,000 kilometres extra.

In fact, all countries that have trading relations with Europe are experiencing the same problem in carrying goods because of the Houthi attacks on commercial vessels.

Rahman said if he sends the same quantity of goods through the new sea route, he will have to pay \$1,400, or \$0.32 per kg. The rate was \$0.17 per before the beginning of the Red Sea crisis.

The higher shipment cost comes at a time when Bangladesh's export sector has come under pressure owing to consumption slowdown in key markets and garment exporters are racing to manufacture products for the upcoming summer.

Faruque Hassan, the immediate past president of the Bangladesh Garment Manufacturers and Exporters Association, said the freight cost has increased by more than 30 percent.

In some cases, however, the rate is lower since some commercial vessels are still using the Suez Canal despite the risk of attacks.

In the case of Bangladesh, global clothing retailers and brands bear the shipping charge as suppliers send goods on the Freight-on-Board (FoB) basis. Very

few suppliers ship goods under the Freight-on-Cost (FoC) method, which requires exporters to pay the shipping costs.

Some buyers had moved away from Bangladesh to other countries due to the protracted crisis. Now, those buyers are coming back, Hassan said.

Nurul Qayyum Khan, president of the Bangladesh Inland Container Depots Association, said the freight cost has escalated by more than the 30 percent reported by users.

He said the crisis has not only affected the traditional route but also raised petroleum prices, ultimately driving up the freight costs.

"Still, exporters are preferring the sea route to move cargoes because of the lower transportation cost compared to air shipments," he said, adding that suppliers can't make any profits if goods are to be transported by air.

Diverting vessels around the Cape of Good Hope has led to additional costs, with an increase of up to \$1,000 per twenty-foot equivalent unit.

The extended transit times are notable, with an additional 14 days for northern Europe, 18 days for southern Europe, and a 30 percent rise in fuel consumption compared to the route through the Suez Canal, according to GEP, a global company providing AI-powered software, consulting and outsourcing solutions.

In addition, war risk premiums have surged to nearly 1 percent of a ship's value, up from the previous 0.7 percent, it said citing global media outlets.

Moreover, the Suez Canal Authority has declared a 5-15 percent hike in transit fees for ships passing through the canal, effective from January 15, it said.

Leading AI firms pledge 'responsible' tech development

AFP, Seoul

More than a dozen of the world's leading artificial intelligence firms pledged at a global summit on Wednesday to develop and use their technology safely, as concern rises over the lack of safeguards for ChatGPT-style AI systems.

Fourteen companies, including South Korea's Samsung Electronics, sprawling tech giant Naver and America's Google and IBM, agreed on the final day of the Seoul summit to "minimise risks" as they push the cutting-edge field forward.

"We commit to continuing to advance research endeavors to promote responsible development of AI models," they said in the Seoul AI Business Pledge. The companies also promised to "minimise risks and enable robust evaluations of capabilities and safety".

The two-day summit, co-hosted by South Korea and Britain, gathered top officials from global AI companies such as OpenAI and Google DeepMind to find ways to ensure the safe use of the technology.

Their commitment builds on the consensus reached at the inaugural global AI safety summit at Bletchley Park in Britain last year.

Under their new pledge, the companies also agreed to help socially vulnerable people through AI technologies, although it gave no details on how this would be achieved.

Sixteen tech firms, including ChatGPT-maker OpenAI, Google DeepMind and Anthropic, also pledged on Tuesday to make fresh safety commitments that included sharing how they assess the risks of their technology.

That includes what risks are "deemed intolerable" and what the firms will do to ensure that such thresholds are not crossed.

The stratospheric success of ChatGPT soon after its 2022 release sparked a gold rush in generative AI, with tech firms around the world pouring billions of dollars into developing their own models.

Such AI models can generate text, photos, audio and even video from simple prompts and its proponents have heralded them as breakthroughs that will improve lives and businesses around the world.

IMF cautions on timing of UK rate cut

AFP, London

The International Monetary Fund on Tuesday said the Bank of England should be mindful over when to start cutting interest rates or risk harming an economy recently out of recession.

The warning came as the IMF ramped up its UK economic growth forecast but warned over "difficult" fiscal choices to stabilise debt, as beleaguered Prime Minister Rishi Sunak's Conservatives trail the main opposition Labour party in opinion polls before a general election this year.

The BoE this month signalled a summer rate cut, after holding borrowing costs at a 16-year peak of 5.25 percent to further dampen price rises.

"As monetary policy reaches an inflection point, the timing and pace of rate cuts must carefully balance the risks of premature and delayed easing," the IMF cautioned in its latest outlook document.

Premature easing could risk further stoking inflation -- but delayed easing could "stall or even reverse" economic recovery, the IMF said.

The BoE began a series of rate hikes in late 2021 to combat inflation, which rose after countries emerged from Covid lockdowns and accelerated following Russia's invasion of Ukraine in February 2022.

UK inflation peaked at 11.1 percent in late 2022 and has decelerated since then, reaching 3.2 percent in March. April data is due on Wednesday.

Oil slips for third day on likely 'higher for longer' US rates

REUTERS, London

Oil prices fell over 1 percent on Wednesday, retreating for a third straight day on expectations the Federal Reserve might keep US interest rates higher for longer due to sustained inflation, potentially impacting fuel use in the world's largest consumer.

The market also slipped as US crude oil and gasoline inventories rose last week, according to market sources citing American Petroleum Institute (API) figures on Tuesday. Analysts expected them to decline.

Brent crude futures were down \$1.03, or 1.2 percent, to \$81.85 a barrel, while US West Texas Intermediate crude (WTI) dropped \$1.25, or 1.6 percent, to \$77.41 as of 0802 GMT.

"The view on the fundamental outlook remains grim," said Tamas Varga of oil broker PVM, adding that "the timing of a Fed rate cut is ambivalent at best".

Oil settled about 1 percent lower on Tuesday.

Physical crude markets have been weakening and in another sign that concern of tight prompt supply is easing, the premium of Brent's first-month contract over the second, known as backwardation, is close to its lowest since January.

Fed policymakers said on Tuesday the US central bank should wait several more months to ensure that inflation really is back on track towards its 2 percent target before cutting interest rates.

Higher borrowing costs can slow economic growth and pressure oil demand.

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China's blistering solar power growth runs into grid blocks

REUTERS, Beijing

China's breakneck build-out of solar power, fuelled by rock bottom equipment prices and policy support, is slowing as grid bottlenecks pile up, market reforms increase uncertainty for generators, and the best rooftop space runs short.

Last year, China expanded its solar fleet by 55 percent. The momentum continued through the first two months of 2024, but in March new solar build fell 32 percent year-on-year to the lowest level in 16 months, official data and Reuters calculations show.

The country's solar power expansion is slowing due to tighter curbs on supplying excess power from rooftop solar into the grid and changes in electricity pricing that are denting the economics of new solar projects.

Forecasts show China's solar build this year will be heavily outpaced by growth in its photovoltaic (PV) module manufacturing capacity, raising the prospect the country will export more solar panels despite a trade backlash in Europe and the US.

The main factor slowing the expansion of distributed solar - installations built near the point of use, mostly on rooftops

- is that there is not enough storage or transmission capacity to soak up the excess power generated when the sun is shining.

That in turn is leading regulators to take away some of the price support that

led to the rapid growth of distributed solar.

"In the next couple of years, this is going to be a huge problem that all provinces will face as grids are oversaturated, the infrastructure is overwhelmed," said Cosimo Ries, an analyst with Trivium



People walk past the solar panels at a wind and solar power site of State Grid Corporation of China in Zhangjiakou of Hebei province.

PHOTO: REUTERS

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