There are very few tourists in Ratargul, the only freshwater swamp in Bangladesh, in Sylhet for floods in the eastern part of the country, leading to a slump in business for associated service providers such as guides and boatmen. The photo was taken recently.

PHOTO: SHEIKH NASIR

Interim govt's path to financial stability

SALEKEEN IBRAHIM

Following the fall of the Sheikh Hasina-led government on August 5, Bangladesh as a nation finds itself at a critical crossroads. The subsequent political turmoil has left the country's financial sector in a fragile position, calling for urgent strategic plans and decisive execution of ideas by the interim government. As Bangladesh stands on the brink of graduating from least developed country (LDC) status in 2026, the priorities of the interim government must be clear.

The most pressing priority for the interim government is to stabilise the banking sector and restore trust, which has been severely distorted over the past 15 years. The amount of non-performing loans shot up from Tk 22,000 crore in 2009 to Tk 182,000 crore by March 2024. This situation reflects deep-rooted issues of corruption, mismanagement, fragile policies and a lack of accountability within the financial system.

Yes, the appointment of a new governor at the central bank is definitely an encouraging step, indicating the government's intent. However, further actions are needed to bring back confidence in the banking system.

The interim government must take uncompromising action against corrupt bank directors, including freezing their accounts and preventing them from escaping the country. Moreover, a comprehensive white paper for the banking sector should be produced to identify, publish and rectify previous data anomalies. These steps are crucial to restoring steadiness and trust in the financial system, which is indispensable for economic revival.

The tax structure in Bangladesh has been severely compromised, causing insufficient revenue collection and amplified government borrowing. The slow pace of execution under the Annual Development Programme has further stressed the economy, leading to inflation, higher commodity prices, liquidity crisis, and severe drop in private sector investment.

To address these issues, the interim government must carry out a thorough reform of the tax system. This includes horizontal expansion of the tax base, improving tax compliance, and reducing dependence on indirect taxes that affect the underprivileged group.

Additionally, the government should prioritise the implementation of the Annual Development Programme to stimulate economic growth and ease the need for excessive borrowing. Furthermore, it is vital to prepare white papers that highlight the current state of the tax system and propose clear, actionable reforms. This will not only provide a roadmap for the government, but also ensure transparency and accountability in the reform process.

Beyond the banking and tax systems, the interim government must tackle several other economic challenges that have plagued Bangladesh in recent years. The country has experienced a substantial drop in foreign exchange reserves, a deteriorating trend in imports, and a massive devaluation of the taka. These issues, combined with sluggish export earnings and remittance inflows, have put an immense burden on the economy.

To address these challenges, the interim government should emphasise on enhancing export competitiveness, diversifying the economy, and refining the business environment to attract foreign investment. Initiatives to boost remittance flows, such as reducing transaction costs and offering incentives to expatriate workers, can be considered.

Moreover, the government must take needful steps to resolve the problems in the power and energy sector as reliable and affordable energy is essential for economic growth. The overall law and order system, inflation situation, syndicate approach in business and sector wise corruption has to be combatted fearlessly.

Another critical issue requiring care is that a large portion of the country's youth remains jobless. To tackle this problem, the interim government should launch targeted plans to create jobs opportunities, improve vocational training, and support entrepreneurship. Reducing corruption in job placements and promoting private sector investment will also help in providing employment opportunities for the youth.

The interim government has a big opportunity to lay the foundation for a more stable, prosperous, and inclusive future. By prioritising the stabilisation of the banking sector, reforming the tax system, and addressing broader economic challenges, the government can steer the country toward recovery and progress.

Ensuring accountability, transparency, and inclusivity in the reform process will not only restore confidence in the government but also build a stronger, more resilient economy. The path forward may be challenging, but with the right policies and a commitment to meaningful change, Bangladesh can emerge from this crisis stronger than ever before. It's time to act right for our rights.

The author is a banker

BGMEA seeks IndustriALL support to prevent labour unrest

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has sought the cooperation of the IndustriALL Bangladesh Council (IBC) leaders to ensure that there is no labour unrest.

The request was made during a meeting held on August 31 at the BGMEA Complex in Uttara, according to a press release.

The meeting focused on the overall situation of the garment industry, citing that the recent student-led movement and floods have severely impacted export and import activities and factory operations, leading to financial difficulties, including a cash flow crisis.

Factories are working hard to overcome these challenges and run uninterrupted, it added.

The BGMEA requested the IBC leaders' cooperation to avert labour unrest and road blockades by workers. The meeting emphasised a tripartite approach to resolving internal conflicts at factories, it also mentioned.

BGMEA President Khandoker Rafiqul Islam stated, "If there is any problem somewhere, we will have to work together."

He called for collective cooperation to address these issues.

Beza looks to cancel SBG Economic Zone contract

JAGARAN CHAKMA

The Bangladesh Economic Zones Authority (Beza) has sought approval from the interim government to terminate an agreement for establishing SBG Economic Zone Ltd inside the Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) in Mirsarai of Chattogram.

Sources at Beza said they aim to cancel the agreement with SBG as the consortium comprising Sikder Group, Bashundhara Group and GasMin Ltd has not developed the project as per their contract.

"We have already sent a letter to the chief adviser of the interim government seeking his approval in this regard," said a senior official of Beza on condition of anonymity.

Citing how this is the first time an agreement for establishing an economic zone could be cancelled, the Beza official said they were previously unable to terminate any such project due to political pressure.

The official informed that according to their contract, SBG was supposed to finish preparing the 500-acre project site by 2020. However, the related development works have not seen any progress.

For example, the onsite construction of internal roads and utility supply lines as well as the installation of an effluent treatment plant is still pending.

Beza eventually removed the project developer, China Harbour Engineering Company (CHEC) Ltd, on September 12 last year for failing to meet the stipulated deadline.

The Chinese engineering and construction company was contracted by SBG Economic Zone Ltd to develop the project in January 2019.

The official also said they had issued at least five warnings to the SBG, urging them to start development works.

"But they did not take it seriously and always responded by saying they will begin construction soon," the official added.

Beza sources said they agreed to provide land at the BSMSN for developing the SBG economic zone in August 2018 as it seemed like a profitable project at the time.

The land was then awarded to SBG through competitive international bidding, but the consortium has since seemingly lost all interest in implementing their proposed project.

As per the project proposal, the SBG economic zone was expected to attract foreign investment amounting to about $2 billion from mainly Japan and China.

They also informed that SBG Economic Zone Ltd owes Beza about $72.11 lakh (approximately Tk 85 crore) including interest as per the land lease agreement.

Phones of Mahbub Rahman Ruhel, managing director of SBG Economic Zone Ltd, and Mohammad Salahuddin, the project's point of contact, were found switched off when The Daily Star tried to contact them for comment.

Stock brokers seek review of demutualisation act

STAR BUSINESS REPORT

The DSE Brokers Association of Bangladesh yesterday urged the government to review the demutualisation act, claiming that it has ultimately turned the prime bourse into "an ineffective institution".

In this regard, the association sent a letter to the finance adviser of the interim government and the Bangladesh Securities and Exchange Commission (BSEC).

Following the 2010 and 2011 stock market collapses, separate inquiries recommended stock demutualisation. Some multilateral donor agencies also prescribed it.

Subsequently, the government in 2013 passed the Exchanges Demutualization Act to develop and better regulate the capital market.

The act reduced the number of representatives from the exchange and increased independent directors. It also reduced the influence of the brokerage house owners in the stock exchange.

As per the act, the DSE includes seven independent directors and its chairman is also chosen from among them. Only four directors came from 250 shareholders or stockbrokers through voting.

In the letter to the finance adviser, the DSE Brokers Association of Bangladesh said independent directors enjoy a majority in taking decisions whereas shareholder directors face disparity.

"As a result, the DSE has become an ineffective institution," said the letter.

The DSE Brokers Association of Bangladesh demanded six directors from shareholders and the chairman to be a shareholder director.

China manufacturing contracts for fourth straight month

AFP, *Beijing*

Chinese manufacturing contracted for a fourth consecutive month in August, official data showed Saturday, a worse-than-expected result reflecting the world's second-largest economy's struggle to recover.

China is facing a crisis in its vast real estate sector as well as lackluster confidence among households and businesses, which is hindering consumption, while geopolitical tensions with Washington and the European Union threaten foreign trade.

In August, the Purchasing Managers' Index (PMI) -- a key barometer of industrial output -- stood at 49.1 points, the National Bureau of Statistics (NBS) announced.

This represents a stronger contraction than in July (49.4 points) for the index, which is based in part on company order books.

A figure above 50 indicates an expansion in manufacturing activity, while below that is a contraction.

Analysts surveyed by Bloomberg had anticipated a decline in August -- but a more moderate one of 49.5.

China's post-COVID recovery has been brief and less robust than expected.

While some sectors have largely regained their strength -- including tourism and the auto industry -- others are struggling, particularly real estate, a key growth driver.

The non-manufacturing PMI, which includes services, was in positive territory in August at 50.3 points compared with 50.2 a month earlier.

From being the world's workshop for cheap products, China is undergoing a transition in its growth model, attempting to become essential for future hi-tech industries, including artificial intelligence.

Russia payment hurdles with China partners intensify

REUTERS, *Moscow*

Some Russian companies are facing growing delays and rising costs on payments with trading partners in China, leaving transactions worth tens of billions of yuan in limbo, Russian sources with direct knowledge of the issue told Reuters.

Russian companies and officials for a few months have pointed to delays in transactions after Chinese banks tightened compliance following Western threats of secondary sanctions for dealing with Russia. The sources said the problem has intensified this month.

Chinese state banks are shutting down transactions with Russia "en masse" and billions of yuan worth of payments are held up, a source close to the government, who spoke on condition of anonymity, told Reuters.

China is Russia's largest trading partner, accounting for a third of Russia's foreign trade last year and supplying items such as vital industrial equipment and consumer goods that help Russia weather Western sanctions. It also provides a lucrative market for many Russian exports that China relies on, from oil and gas to agricultural products.

After the US Treasury in June threatened secondary sanctions on banks in China and other countries for dealing with Russia, Chinese banks started to take a very strict stance on transactions, said a source at one of Russia's leading e-commerce platforms. It sells a wide variety of consumer goods imported from China.

"At that moment, all cross-border payments to China stopped. We found solutions, but it took about three weeks, which is a very long time, trade volumes fell drastically during that time," said the source.

Banknotes of Chinese yuan and Russian rouble are seen amid flags of China and Russia in the illustration.

PHOTO: REUTERS/FILE

One working solution was to buy gold, move it to Hong Kong and sell it there, depositing cash in a local bank account, the person said.

Sources told Reuters that some Russian businesses have been using chains of intermediaries in third countries to handle their transactions and get around compliance checks run by Chinese banks. As a result, costs to process transactions have risen to as much as 6 percent of transaction payments, from close to zero before, they said.

The sources spoke on condition of anonymity because of the sensitivity of the matter.

"For many small companies, this means a complete shutdown," another source close to the government said.

The Kremlin acknowledged the problem but said that economic cooperation is important for both countries and that solutions will be found.

"With such volumes and in such an unfriendly environment, it is impossible to avoid some problematic situations," Kremlin spokesman Dmitry Peskov said in a statement to Reuters.

"However, the truly partnership spirit of our relations allows us to discuss and resolve current issues constructively," he said.