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Star BUSINESS

Depositors to get max Tk 2 lakh on bank liquidation

Remaining amount will be settled after liquidation, BB says in draft ordinance

MD MEHEDI HASAN

The Bangladesh Bank (BB) has drafted a Deposit Protection Ordinance, proposing a maximum payout of Tk 2 lakh per depositor if a bank undergoes liquidation. The limit will be reviewed every three years.

The draft, now open for public feedback, maps out the establishment of a Deposit Protection Authority within the central bank, which will oversee a separate fund maintained through premiums from financial institutions.

Depositors surpassing the protection limit must claim the excess through the liquidator.

The ordinance also details a seven-day payout window for secured deposits and tax exemptions for the fund's earnings. The central bank may impose penalties on institutions failing to pay premiums on time.

Earlier, central bank Governor Ahsan H Mansur hinted at the introduction of the ordinance to ensure depositor protection.

The ordinance will replace the Bank Deposit Insurance Act-2000, under which the maximum payout is Tk 1 lakh.

According to the draft ordinance, the government will establish a deposit protection system for its implementation, with the BB designated as the Deposit Protection Authority.

"The responsibilities of the authority will be separate and independent from the Bangladesh Bank's regular responsibilities, such as regulatory, supervisory, and resolution-related functions," says the draft.

To ensure the effective exercise of its powers and responsibilities, the central bank will create a separate division within its organisational structure, called the "Deposit Protection Division".

Decisions regarding the deposit protection system will be made by a board of directors comprising seven members, with the BB governor as the chairman.

The board will determine the maximum limit of protected deposits at least once every three years and oversee regulations, by-laws, investment policies, and risk-based premium rates.

It will also allocate funds to support bank resolutions.

Deposit protection fund

Under the ordinance, the central bank will establish a deposit protection fund, maintained through a separate account.

The fund will comprise initial, annual risk-based, and special premiums received from banks; penalties collected from member institutions; profits earned from investments; adjusted funds from liquidated banks; and other unconditional funds designated for payment.

Primarily, the fund will be used to pay secured deposits in the event of a bank's dissolution, though it may also provide financial assistance for bank resolution.

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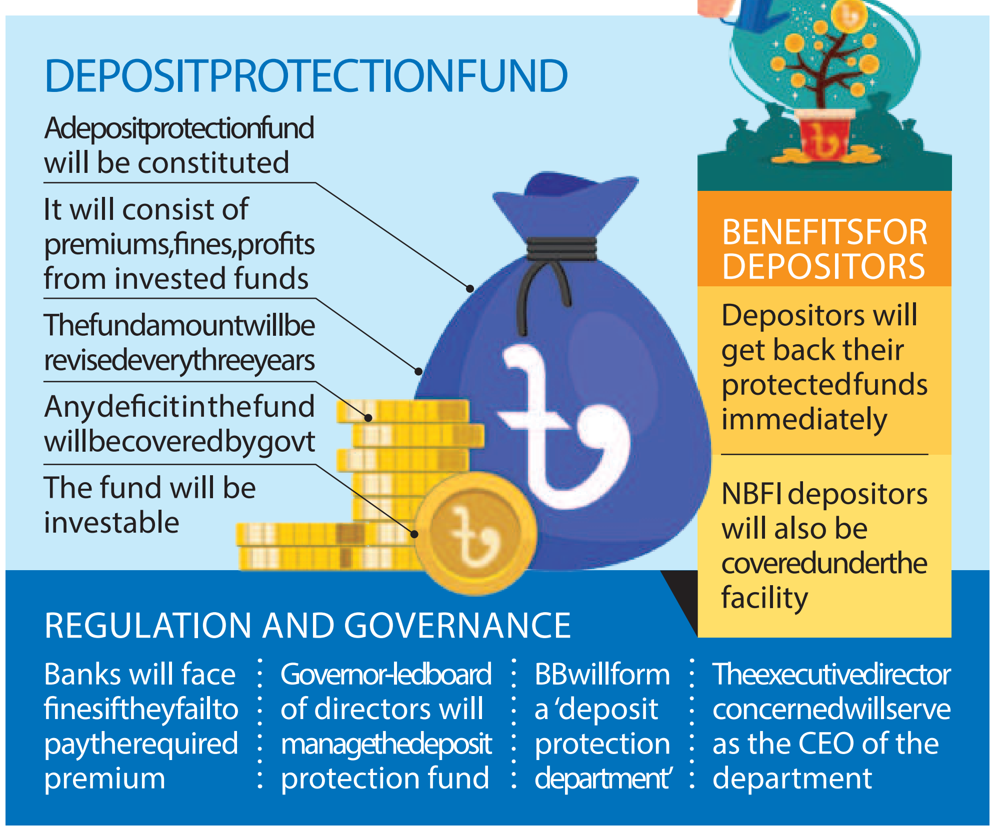

BBS to form six expert panels to enhance data credibility

MD ASADUZ ZAMAN

The Bangladesh Bureau of Statistics (BBS) will form six expert committees to strengthen monitoring and enhance data credibility, one of its top officials said yesterday.

"In response to various criticisms and discussions, we have taken steps to make our data more realistic and transparent," Mohammed Mizanur Rahman, director general of the national statistics agency, told The Daily Star in an interview.

Mohammed Mizanur Rahman DG of BBS

"We aim to involve various stakeholders in the data production and release process across our six wings," he continued, adding that each committee will include representatives from government agencies, civil society, and private organisations who will be involved throughout the entire process.

The director general (DG) of the BBS will serve as the head of these expert committees.

"This move will help eliminate citizens' 'misconceptions' about BBS data," Rahman said.

The decision comes at a time when many stakeholders, including economists and analysts, have voiced concerns over the credibility of BBS data.

The recently published White Paper on the State of the Economy even labelled the country's data ecosystem as the 'villain' in the development narrative forged during the 15-year tenure of former prime minister Sheikh Hasina, who was ousted by a mass uprising in August last year.

"When stakeholders are engaged in data production and release, they will review the data before its publication, leaving no room for doubt," the BBS chief said.

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Price of liquid milk rises again

SUKANTA HALDER

The price of liquid milk has gone up once again, dealing another blow to consumers already struggling with high inflation in the country.

Leading producers have raised the maximum retail price by Tk 10 per litre and Tk 5 for half-litre packs, further straining household budgets.

The increase has sparked concerns over affordability, especially for lower and middle-income families grappling with rising living costs.

State-run Bangladesh Milk Producers' Co-Operative Union Limited (Milkvita) has increased the price on March 21, said an official of the company.

The price of a half-litre packet of milk has been increased by Tk 5, or 10 percent, from Tk 50 to Tk 55, and the price of a one-litre packet of milk has been increased by Tk 10, or 11.11 percent, from Tk 90 to Tk 100, he said.

In November last year, both Aarong, a brand of BRAC Dairy, and Pran similarly increased the prices of their products.

Kiron Mia, a resident of the extended Pallabi area in Mirpur in the capital, said for a long time, the prices of many essential and non-essential items in the market have been rising.

Now, with another increase in milk prices, household expenses are set to rise even further, he said.

In this time of high inflation, the government could have avoided increasing the price of milk, he said.

Sabbir Hossain, a retail trader from Tejturi Bazar in Farmgate, Dhaka, said yesterday a customer came to buy 5 litres of milk but purchased only 4 litres due to the price increase.

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Bangladesh must prepare for post-LDC challenges

CPD's Mustafizur Rahman tells The Daily Star

AHSAN HABIB

Bangladesh is set to graduate from the least-developed country (LDC) club next year, which will bring several challenges in international trade.

However, the country is not yet prepared to face these challenges, Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue (CPD), said in an interview with The Daily Star.

Mustafizur Rahman

Bangladesh has met the criteria for graduation in all three categories -- per capita income, human asset index, and economic vulnerability index. It is expected to be upgraded at the next UN General Assembly meeting, scheduled for November 2026.

"It is very difficult to justify deferring graduation from the LDC status, as demanded by many businessmen," he said, adding that even if graduation is delayed, only Bangladesh and Afghanistan will remain in LDC status in this region.

The chief adviser to the interim government last week ordered all concerned to prepare for LDC graduation on time and Prof Rahman echoed those sentiments, saying the focus now should be on preparing to face post-LDC challenges.

He said about 70 percent of Bangladesh's exports to other countries currently benefit from preferential trade agreements, which will be phased out after graduation.

For instance, tariffs in the European Union (EU) market will increase by around 11.5 percent after LDC graduation, while an additional 15 percent will be imposed in the Canadian market.

Increased tariffs in markets like the EU and Canada will pose new challenges, said Rahman, who was a professor at the Department of Accounting and Information Systems at Dhaka University before joining the CPD full-time.

READ MORE ON B3

Half of Japanese firms optimistic about profit growth in 2025: survey

JAGARAN CHAKMA

After a challenging year, Japanese companies in Bangladesh are eyeing 2025 with cautious optimism, as 50 percent anticipate a rise in operating profits despite persistent hurdles.

However, political instability, unclear regulatory policies, and difficulties in local procurement continue to hinder smooth business operations, according to findings of the latest Japan External Trade Organisation (Jetro) survey 2024, which will be released today.

The report also highlighted both optimism and concerns among Japanese firms navigating these obstacles.

As of 2024, nearly 315 Japanese companies are operating in Bangladesh, with cumulative investments exceeding $508 million.

Despite the interest from Japanese businesses, the percentage of companies expecting profitability in Bangladesh in 2024 remains among the lowest in Asia and Oceania, standing at just 37.4 percent, according to the Jetro survey.

However, looking ahead to 2025, 50 percent of these companies anticipate a rise in operating profits, indicating cautious optimism.

Bangladesh has consistently ranked as one of the top investment destinations in South Asia for Japanese firms, with 57.7 percent of surveyed companies planning to expand their business activities in the next one to two years.

"The local market demand is a significant factor driving this expansion," said Yuji Ando, country representative of the Jetro in Dhaka.

"However, a combination of structural inefficiencies and policy uncertainties pose serious challenges," he said.

Among the major concerns highlighted in the survey are political and social instability, unpredictable regulatory policies, and insufficient infrastructure.

Notably, 94.8 percent of Japanese firms cited political uncertainty as a key risk while 75.3 percent pointed to unclear government policy management.

Moreover, Bangladesh's legal and administrative processes, including delays in obtaining permits and tax-related complexities, were identified as significant hurdles to smooth business operations.

Further challenges are posed by a shortage of skilled labour, which impacts productivity and efficiency.

Japanese companies have noted that while Bangladesh has a growing workforce, gaps in technical training and professional expertise create barriers to scaling up operations.

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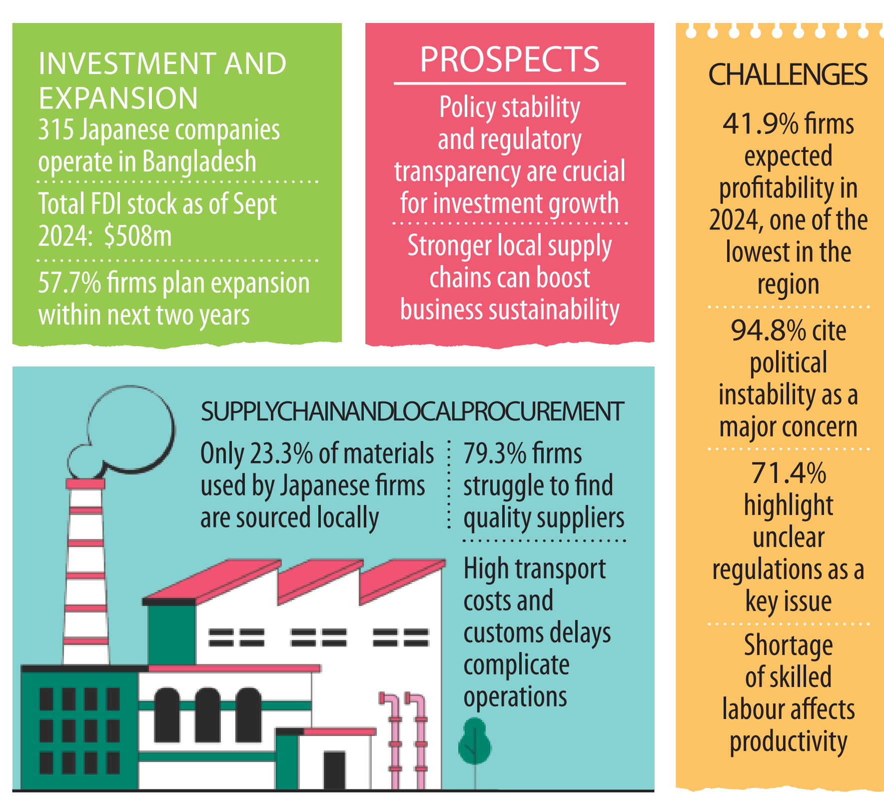

bKash partners with City Bank, Salextra to offer handset financing

STAR BUSINESS DESK

Md Arup Haider, deputy managing director and head of retail banking at City Bank, and Riajul Islam, managing director of Salextra Limited, sign the agreement in Dhaka recently. Ali Ahmmed, chief commercial officer of bKash, was present. PHOTO: BKASH

Mobile financial service (MFS) provider bKash recently signed a partnership agreement with City Bank PLC and Salextra Limited to introduce handset financing through bKash Pay Later, making smartphones more accessible to customers across Bangladesh.

Under this collaboration, bKash Pay Later will enable customers to purchase Nokia handsets with flexible financing.

City Bank PLC will act as the financier, while Salextra Limited, the national manufacturer and distributor of Nokia and HMD handsets in Bangladesh, will ensure the availability of devices.

Ali Ahmmed, chief commercial officer of bKash, Md Arup Haider, deputy managing director and head of retail banking at City Bank, and Riajul Islam, managing director of Salextra Limited, signed the agreement in Dhaka, according to a press release.

Speaking on the partnership, Ahmmed said, "By partnering with City Bank PLC and Salextra Limited, we are taking another step towards bridging the digital divide and empowering millions of Bangladeshis."

Haider remarked, "This collaboration aligns with our vision of expanding digital financial inclusion and offering customers more flexible payment solutions."

Islam stated, "As the national manufacturer and distributors of Nokia and HMD handsets in Bangladesh, we believe this partnership will ensure wider access to high-quality smartphones."

"With the power of bKash Pay Later and City Bank's financing, customers can now own the devices they need to stay connected and productive," he added.

Kazi Al Amin, country manager of HMD Global, attended the signing ceremony.

This initiative is expected to significantly enhance smartphone accessibility, supporting the nation's digital transformation, the press release added.

City Bank appoints heads of wholesale, corporate banking

Mesbaul Asif Siddiqui

Md Mahmud Gony

STAR BUSINESS DESK

City Bank appointed Mesbaul Asif Siddiqui, deputy managing director, as the new head of wholesale banking.

Prior to assuming this new responsibility, Asif was serving the bank as the chief risk officer, said a press release.

He began his career at Eastern Bank as a management trainee in 1999.

Over the years, he gained experience in wholesale banking, working at the Commercial Bank of Ceylon and HSBC.

Since joining City Bank in 2015 as executive vice-president in corporate banking, Asif has been instrumental in driving the bank's sustainability agenda and green financing initiatives.

Asif obtained an MBA in finance from the University of Dhaka and an MBM from the Bangladesh Institute of Bank Management.

The bank also appointed Mohammad Mahmud Gony to the post of deputy managing director (DMD). Gony will serve as head of corporate banking concurrently.

He was serving the bank as the head of commercial banking and cluster head of the RMG and textile unit.

His career began at City Bank as a management trainee in 2001.

In 2010, he briefly joined another local bank, contributing to its wholesale banking operations before returning to City Bank in 2017 as head of commercial banking.

With 24 years of experience in corporate banking and credit risk management, Gony has been a key driver of business growth, particularly in expanding loan portfolios, increasing trade volumes, and enhancing non-funded income streams.

NCC Bank observes 'Financial Literacy Week'

M Shamsul Arefin, managing director of National Credit and Commerce (NCC) Bank, attends the "Financial Literacy Week" programme at the bank's head office in Dhaka recently. PHOTO: NCC BANK

STAR BUSINESS DESK

National Credit and Commerce (NCC) Bank recently observed a "Financial Literacy Week 2025" with the theme "Think Before You Follow, Wise Money Tomorrow," which focused on integrating unbanked and marginalised people into the financial system.

The bank organised a discussion meeting at its head office in Dhaka to mark the occasion, said a press release.

The meeting was chaired by M Shamsul Arefin, managing director of the bank.

During the meeting, Arefin highlighted that NCC Bank is actively working to extend banking services to the doorsteps of various underprivileged groups, including marginal farmers, low-income groups, students, women entrepreneurs, youth, and small business owners, in line with the guidelines of Bangladesh Bank.

This initiative is part of the bank's broader sustainable development programme.

He also provided specific instructions to the heads of branches regarding the implementation of strategies aimed at supporting underprivileged and marginalised groups.

He emphasised the importance of integrating these groups into the financial system by offering customer-friendly, accessible banking services through digital platforms, enabling easier access to financial resources for the marginalised population.

M Khurshed Alam, additional managing director of the bank; Md Zakir Anam, deputy managing director; Nighat Mumtaz, senior vice-president and head of sustainable & women's banking; Sharif Mohammad Mahsin, senior vice-president and head of SME; and Md Sajjadul Islam, senior vice-president and head of ICT-Enterprise Application, were present.

Zobair Mahmood Fahim, senior vice-president and head of retail and DFS business; Shahin Akter Nuha, head of transaction banking and cash management; and Md Anisur Rahman Majumder, head of financial inclusion cell, along with other divisional heads at the head office and heads of branches across the country, were also present.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (MAR 22, 2025)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 72-Tk 85	1.95 ↑	11.35 ↑
Coarse rice (kg)	Tk 50-Tk 55	0	2.94 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-10.53 ↓
Lentil (kg)	Tk 105-Tk 110	0	-2.27 ↓
Soybean (litre)	Tk 157-Tk 165	-14.13 ↓	6.27 ↑
Potato (kg)	Tk 20-Tk 25	-10.00 ↓	-42.31 ↓
Onion (kg)	Tk 35-Tk 50	-5.56 ↓	-34.62 ↓
Egg (4 pcs)	Tk 38-Tk 45	-5.68 ↓	0

SOURCE: TCB

Abdur Rashid re-elected as president of Swiss-Bangladesh chamber

STAR BUSINESS DESK

Reto Renggli, the Swiss ambassador to Bangladesh, and Abdur Rashid, president of the Switzerland-Bangladesh Chamber of Commerce and Industry, pose for group photographs after an annual general meeting at the Sheraton Dhaka in the capital's Banani recently. PHOTO: SBCCI

Abdur Rashid, country managing director of SGS Bangladesh Limited, has been re-elected as the president of the Switzerland-Bangladesh Chamber of Commerce and Industry (SBCCI).

The election was held at Sheraton Dhaka in the capital's Banani recently during the 13th annual general meeting of the chamber, according to a press release.

Reto Renggli, the Swiss ambassador to Bangladesh, addressed the gathering as the chief guest and conveyed his best wishes to SBCCI, sharing insights into Bangladesh's economic potential and business opportunities.

The ambassador reaffirmed the Swiss Embassy's willingness to collaborate with SBCCI on impactful initiatives, highlighting the strength and resilience of the Bangladeshi people in navigating recent transformations.

In his opening remarks, SBCCI president Rashid reflected on the prevailing political and economic landscape of Bangladesh, emphasising the need for collective efforts in rebuilding the nation following a period of significant political transition. He reiterated SBCCI's unwavering commitment to fostering bilateral trade between Switzerland and Bangladesh.

Saiful Islam, chairman and MD of Daffodil Trading House Limited, was elected as the senior vice-president of the chamber, along with Tarun Patwary (vice-president), Saad Omar Fahim (secretary general), and Iqbal Chowdhury (treasurer).

Mohammad Abul Hasnat, Vidiya Amrit Khan, Debabrata Roy Chowdhury, Julian A Weber, Hedayet Ullah, Mark Heeb, Sontosh Chandra Nath, Md Kabir Anwar, and Harun-Ur Rashid were included in the executive committee.

Alberto Giovanetti, head of political, economic, and cultural affairs at the Swiss Embassy; Khaled Chowdhury, senior political, economic and communication officer; and Mohammad Mohi Uddin Bhuiyan, SBCCI coordinator, also attended the event.

Toiletries market brims

FROM PAGE B4

Square Toiletries recorded around 15 percent growth in 2024, higher than the sector's overall growth of 13 percent. This success was driven by strong sales and marketing efforts, as well as increasing consumer awareness.

Sayeed highlighted the importance of employee welfare, saying that if employees are not sufficiently compensated, companies cannot expect them to put in extra effort to sustain sales.

"When a company directly employs people and adjusts their salaries in line with inflation, employees give their best, even during challenging times."

"Whenever profits shrink, you don't simply stop providing the benefits you used to offer employees, it pays off in the long run," Sayeed said.

He added that inflation and the appreciation of the US dollar had eroded the value of the taka. Budget-conscious families prioritise food, rent, and essential expenses over non-essential items.

"These are the things you cannot skip. Technically, we anticipated an even worse scenario in the cosmetics category. But I believe increased awareness helped cushion the impact."

The industry has also faced higher import costs. Over the past three years, the taka has lost more than 40 percent of its value against the US dollar, reaching Tk 122 per dollar.

This has driven up import costs, with toiletries and cosmetics manufacturers among the hardest hit, as they rely on imported raw materials for nearly 90 percent of production.

Square Toiletries has also felt the pressure of rising production costs. Despite this, the company chose not to raise product prices, even though the decision affected its profits.

In response, Square has been exploring opportunities to source raw materials locally. As part of this effort, the company began sourcing aloe vera from Natore, a northwest district, through contract farming to obtain certain extracts.

"We don't have minerals in Bangladesh. We don't produce palm oil, which is a significant component in toiletries. However, we do have salt."

To manage costs, Square is using locally produced sodium chloride instead of importing sodium sulfate. Currently, its local value addition stands at 7 percent.

"You need to be smart in your own way to survive and save these costly dollars for essentials we can't produce locally," he said.

Discussing future plans, Sayeed said Square Toiletries is expanding its product portfolio beyond hair oils, detergent powder, and soap. As part of this strategy, the company recently launched natural hair and scalp oil and is introducing sunscreen and other skincare products.

"We are launching face washes and a range of products for all segments of society." The CEO emphasised that innovation is key to attracting consumers in the FMCG sector, as they seek value for money.

The company is also prioritising health and hygiene products. "We have just imported multiple machines for sanitary napkins, diapers, and soaps."

Currently, the penetration rate for sanitary napkins in Bangladesh is 20 percent, while for diapers, it is only 3 percent. "So, a huge market remains untapped," he said.

Sayeed said that local brands are gaining popularity, which is a positive development. "Consumers are accepting and purchasing local brands because they provide value."

He also discussed the illegal entry of cosmetics and toiletries through various channels, including the luggage of international passengers arriving in Bangladesh.

"You know, there are a lot of gray market products. It's a problem."

But, he said the only way to compete with foreign products is to develop products of similar quality, citing the international quality of drugs made in Bangladesh.

"So, what we're doing is setting standards comparable to foreign products, and we believe this is the only option. You can't simply complain and ask for protection measures every time. Instead, produce products like foreign ones, and people will buy them. Because, ultimately, even products coming from Turkey or Europe will have higher prices."

Trump's call for AI deregulation

FROM PAGE B4

According to OpenAI, American AI development should be "protected from both autocratic powers that would take people's freedoms away, and layers of laws and bureaucracy that would prevent our realizing them."

For AI analyst Zvi Mowshowitz, OpenAI's "goal is to have the federal government not only not regulate AI," but also ban individual US states from doing so.

Currently engaged in litigation with the New York Times over the use of its content for training, OpenAI also argues that restricting access to online data would concede the AI race to China.

"Without fair use access to copyrighted material...America loses, as does the success of democratic AI," OpenAI said.

Another response submitted by a group of Hollywood celebrities -- including Ben Stiller and Cynthia Erivo -- rejected the notion, reflecting the film and television industry's contentious relationship with the technology.

In its response, Meta touted its open Llama AI model as part of the fight for American technological superiority.

"Open source models are essential for the US to win the AI race against China and ensure American AI dominance," the company stated.

CEO Mark Zuckerberg has even advocated for retaliatory tariffs against European regulatory efforts.

Google's input focused on infrastructure investment for AI's substantial energy requirements.

Like its peers, Google also opposes state-by-state regulations in the US that it claims would undermine America's technological leadership.

Japan's core

FROM PAGE B4

percent, Friday's data showed -- a trend that has been dubbed "cabbage shock" by local media in recent months, after last year's record summer heat and heavy rain ruined crops.

Ishiba's minority government is struggling to gain strong support from voters, who were already angry over inflation and other issues when he took office in October.

Overall, including volatile fresh food prices, inflation in February was up 3.7 percent year-on-year, exceeding economist expectations of 3.5 percent but slowing from 4.0 percent in January.

Ambitious budget causes high debt: NBR chairman

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has set tax collection targets year after year based on the national budget's ambitious spending goals rather than using scientific methods or considering current realities, NBR Chairman Abdur Rahman Khan said yesterday.

As a result, the tax authority is never able to meet the target, and the government has to borrow continuously to cover spending, increasing the country's debt burden, he said.

Khan was addressing a seminar on domestic revenue mobilisation organised by the Economic Reporters' Forum (ERF) and Research and Policy Integration for Development (RAPID).

"Historically, the government has relied on high tax collection targets to finance ambitious spending plans, often exceeding the realistic revenue-generating capacity of the economy," he said.

He further explained that reliance on foreign loans meant the country had to abide by stringent conditions, some of which were challenging to fulfil.

This, Khan warned, is "a side effect" of creating oversized budgets year after year without aligning them with the economy's actual strength.

Although the tax policy is "aggressive," its implementation remains inadequate, Khan said, admitting that there is no scope to introduce harsher tax measures.

Instead, the tax regime needs to be more business-friendly to attract higher investments from both local and foreign entrepreneurs, he said.

"We want higher investment to create more jobs. For this, the tax system should be competitive. The upcoming budget will be business-friendly and focused on people's welfare," Khan assured.

Addressing concerns over indirect taxation, the NBR chairman highlighted that indirect tax collection remains significantly higher than direct taxes.

NBR Chairman Abdur Rahman Khan also stated his intention to eliminate the provision allowing black money to be whitened through the next budget. If the provision remains, the tax rate for such disclosures will be significantly increased, he said

This indicates governance issues, as the burden falls disproportionately on the poor, who pay taxes unknowingly through daily transactions, he said. "This is not a sign of a civilised tax system," he remarked.

He also stated his intention to eliminate the provision allowing black money to be whitened through the next budget.

However, if the provision remains, the tax rate for such disclosures will be significantly increased, he said.

Over the past decade, the number of registered taxpayers in the country has surged from 15 lakh to over 1.14 crore. Despite this increase, the number of tax returns filed remains disproportionately low, Khan said.

Last fiscal year, only 45 lakh individuals and entities submitted tax returns, revealing a glaring gap in compliance. A significant portion reported incomes below the taxable threshold, meaning they did not contribute to revenue collection, he said.

This raises questions about the effectiveness of the government's tax net expansion efforts and whether they are translating into actual revenue generation, he added.

The issue is compounded by the burden placed on compliant taxpayers, who face increasing pressure, while those operating outside the tax system remain largely unchecked, Khan said.

Business communities have expressed frustration over what they perceive as "disproportionate scrutiny" on compliant entities, while tax evaders continue to exploit loopholes with little consequence, he said.

The lack of strict enforcement mechanisms has only exacerbated the problem, with authorities struggling to ensure widespread compliance, he added.

The NBR initially introduced electronic fiscal devices (EFDs) to monitor transactions and curb tax evasion, Khan said.

However, these devices remain largely ineffective, with reports indicating that many businesses either do not use them or keep them non-functional. "EFDs have not been effective in increasing tax compliance," he admitted.

Int'l Financial Reporting Standards to widen access to finance for SMEs

DCCI president says

STAR BUSINESS REPORT

The adoption of International Financial Reporting Standards (IFRS) for small and medium enterprises (SMEs) provides a structured framework that enhances financial transparency, said Taskeen Ahmed, president of the Dhaka Chamber of Commerce and Industry (DCCI).

He also said that IFRS would strengthen access to finance and investment, boost global competitiveness, and reduce the risks of financial misreporting.

Ahmed made these comments at a discussion on "Implementation of IFRS for SMEs" held at the DCCI office yesterday.

He further said that IFRS would significantly impact tax collection by improving compliance, minimising tax evasion, and bringing more businesses under the tax net.

However, limited financial capacity, shortages of skilled manpower, and compliance costs are creating barriers to adopting IFRS for SMEs, he added.

Moreover, Ahmed stressed the need for investment in training and regulatory alignment.

Mohammad Abu Yusuf, acting chairman of the Financial Reporting Council, said IFRS is very important for SMEs to comply with international standards, but its implementation is still challenging for local SMEs due to a lack of knowledge, a skilled workforce, easy procedures, and awareness.

He opined that there is no alternative to enhancing the capacity of SMEs to make them interested in implementing IFRS.

Besides, SMEs need to focus more on IFRS implementation to increase tax compliance, access to funds from the capital market, and sign international trade agreements.

Amir Uddin, executive director of Bangladesh Bank, said the implementation of IFRS should focus on improving the image of local SME entrepreneurs in the global arena, but it is necessary to provide training to improve their skills.

They should also be well aware of the benefits of implementing IFRS, he added.

Mohammad Jahangir Hossain, general manager of the SME Foundation, said they provided accounting software to a few SME entrepreneurs, but it was not implemented in many cases due to a lack of skills and interest.

Against this backdrop, he proposed developing customised accounting software for the SME sector to facilitate adoption. Also, Hossain emphasised the need for facilitation and training for further IFRS implementation.

Sk Md Tarikul Islam, a partner of Hoda Vasi Chowdhury and Co, said that capacity building, training for accountants and auditors, and initial transition costs are some of the challenges in implementing IFRS.

Half of Japanese

FROM PAGE B1

Investing in workforce development, Ando suggested, would significantly improve the investment climate and increase the competitiveness of the local industry.

A key area where Bangladesh struggles is in local procurement, which remains significantly lower than in other regional economies.

Only 23.3 percent of materials and parts used by Japanese companies are sourced locally, compared to higher rates in Vietnam, Indonesia, and India.

"The lack of reliable suppliers meeting international quality and technical standards remains a major obstacle," Ando noted.

The survey found that 79.3 percent of Japanese companies in Bangladesh faced difficulties in finding suppliers who met their quality requirements while 55.2 percent reported challenges in securing necessary raw materials.

To mitigate this, Japanese businesses are calling for more investment in the backward linkage industries and increased government support to strengthen local supply chains.

"Improving the local supplier ecosystem is critical to reducing dependency on imports and ensuring cost efficiency in production," Ando emphasised.

Additionally, logistical inefficiencies, such as delays at ports and high transportation costs, further complicate supply chain operations.

Japanese firms have called for streamlined customs procedures and improved transport infrastructure to ensure a more seamless movement of goods, which would reduce costs and enhance profitability.

Despite these obstacles, Japanese firms see long-term potential in Bangladesh, given its growing consumer base and strategic location.

The Jetro report suggests that expansion of business activities in Bangladesh remains a priority, particularly in sectors such as high-value manufacturing, consumer goods, and technology.

Ando emphasised that while Bangladesh presents numerous investment opportunities, addressing regulatory transparency and policy consistency would be essential in sustaining investor confidence.

"A stable and predictable business environment is crucial for attracting more Japanese investments," he noted.

One promising development is an increase in economic cooperation between Japan and Bangladesh.

Large-scale infrastructure projects supported by Japanese investment, such as the ongoing construction of the Matarbari deep-sea port and various road and energy projects, demonstrate Japan's commitment to enhancing Bangladesh's business environment.

These improvements could alleviate some of the logistical constraints currently affecting foreign businesses.

With Japan being one of Bangladesh's largest development partners, continued collaboration between the two nations could help overcome these challenges and pave the way for stronger economic ties.

Experts believe that a combination of government policy reforms, infrastructure advancements, and skilled workforce development will be key to ensuring long-term success for Japanese investors in Bangladesh.

While risks persist, the overall sentiment remains one of cautious optimism as Bangladesh works towards becoming a more favourable investment destination.

If the country can successfully address its regulatory and infrastructure shortcomings, it has the potential to emerge as a premier hub for Japanese investment in South Asia.

BBS to form

FROM PAGE B1

He also noted that Planning Adviser Wahiduddin Mahmud has provided guidance on this initiative.

Allegations of 'data manipulation' dismissed

Asked about allegations of data manipulation and external pressure, Rahman dismissed them as baseless.

"These claims stem from personal perceptions rather than facts. I have been with BBS for one and a half years, and during this time, no data has been manipulated," he asserted.

"There has been absolutely no pressure to manipulate data. We report the information exactly as we receive it."

Regarding the white paper and its claims, he stated, "We will act on the report only if the government issues a directive for implementation. However, no such directive has been given so far."

Rahman also attempted to look into previous allegations of data interference.

"I tried to investigate allegations against planning minister AHM Mustafa Kamal, who was in office between 2009 and 2013," he said.

"During that time, Kamal used to interfere slightly. When data was prepared and presented to him, he would ask to review it and suggest some modifications. However, he never directly instructed anyone to change, for example, a five to a six. There is no record of such instructions.

"If there were any complaints, they might be related to that period. But in subsequent periods, such as when Minister MA Mannan was in office, he did not interfere with data in any way."

Asked whether data from the period when Mustafa Kamal requested revisions has been reviewed, Rahman said, "No. No review has been undertaken."

Challenges and limitations

Rahman also acknowledged certain limitations in data production that contribute to credibility concerns.

"When various accusations are made against BBS, I try to analyse what our challenges and shortcomings are," he said.

"One key issue is that GDP estimates, inflation data, and other statistics are still generated manually. We have not yet automated this process, which is a major limitation."

Additionally, BBS continues to rely on survey data, but it cannot always conduct regular surveys due to resource constraints, particularly budget limitations.

"Because of these challenges and our reliance on manual processes, automation would allow us to present data in a more refined and transparent manner," Rahman noted.

Furthermore, he pointed out that 80 percent of BBS data, particularly for GDP calculations, comes from secondary sources.

"If there are issues with the data we receive from these sources, there is little we can do about it," he admitted.

Approval process for data release

When asked whether BBS data reports still need approval from advisers or ministers before release, Rahman clarified that while there is no longer pressure from advisers, the existing process requires presenting data to the Planning Adviser for approval.

"The adviser does not review the data. He simply states, 'I will not check the data; you can proceed with it as it is.' However, since this has been the longstanding practice, we still seek approval at the ministerial level," he explained.

"Once the expert committees are finalised, this step will no longer be necessary. The BBS DG will act as the head of these expert committees, and under his leadership, the committee will approve the data.

"The BBS DG will release the data directly, without sending it elsewhere—not even to the Statistics Division or the minister," Rahman concluded.

Depositors to get

FROM PAGE B1

In the case of a fund deficit, the BB will have the authority to collect special premiums from member institutions, seek unconditional financial assistance from the government or other sources, or secure government loans.

Besides, the central bank will establish a separate fund for depositors of non-bank financial institutions.

The draft ordinance says that, regardless of the Income Tax Act, 2023, the Business Profits Act, 1947, or any other existing tax laws, no income tax, surtax, or business profits tax shall be applicable to the income, profits, or receipts of the Deposit Protection Fund.

Moreover, if a member institution fails to pay the prescribed premium within the stipulated timeframe, the BB will deduct the corresponding amount from the institution's current account and deposit it into the relevant account of the Deposit Protection Fund.

The central bank may also impose a penalty on overdue premiums, applying an interest rate equivalent to the higher of Bangladesh Government Treasury Bonds or Treasury Bills.

Oil prices rise for second consecutive week

REUTERS, *New York*

Oil prices settled higher on Friday and recorded a second consecutive weekly gain as fresh US sanctions on Iran and the latest output plan from the Opec+ producer group raised expectations of tighter supply.

Brent crude futures rose 16 cents, or 0.2 percent, to settle at \$72.16 a barrel. US West Texas Intermediate crude futures rose 21 cents, or 0.3 percent, to \$68.28.

On a weekly basis, Brent rose 2.1 percent and WTI about 1.6 percent, their biggest gains since the first week of the year.

On Thursday, the US Treasury announced new Iran-related sanctions, which for the first time targeted an independent Chinese refiner among other entities and vessels involved in supplying Iranian crude oil to China.

That probably sent a message to the market that Chinese companies, the largest buyers of Iranian oil, are not immune to sanctions pressure from the US, said Scott Shelton, energy analyst at TP ICAP.

Bangladesh must prepare

FROM PAGE B1

"But we are not taking adequate preparation."

To stay competitive, Bangladesh must enhance enterprise-level productivity, streamline trade facilitation, and improve compliance.

To stay competitive, Bangladesh must enhance enterprise-level productivity, streamline trade facilitation, and improve compliance.

"As we graduate from the LDC category, our priority should shift from preference-based competition to efficiency-driven competition."

Exporters' costs rise if trade facilitation and logistics are not up to the mark, so steps must be taken to reduce these costs.

Bangladesh must also improve labour and environmental standards. As an LDC, buyers and consumers in developed nations have overlooked these issues. Once the country graduates, international buyers will emphasise them.

"So, it is high time to start focusing on these issues," said Rahman.

After graduation, Bangladesh will have to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) regulations, which may create difficulties for the pharmaceutical sector in exporting products.

"So, we should prepare for these situations."

Meanwhile, Donald Trump has shaken global trade by imposing tariffs. Many believe countries like Bangladesh will benefit from the tariff barriers imposed on China, Canada and Mexico.

"I have a slightly different view," said Rahman. "I don't think we should rely heavily on this."

When Trump imposed a 25 percent tariff on China in 2016, Biden maintained it. During this period, Bangladesh had the opportunity to expand its ready-made garment (RMG) exports to the US, but it didn't see significant gains.

In fact, exports have slightly declined in recent years, said Rahman, who was awarded the Ibrahim Memorial Gold Medal by the University of Dhaka in 1999 for the best research work in economics.

China primarily exports non-cotton textiles, which make up around 80 percent of its total RMG exports, while Bangladesh focuses on cotton-based garments, creating market segmentation. Increased tariffs on China might benefit competitors in synthetic fibres but not Bangladesh, the economist clarified.

Moreover, such tariffs may negatively impact US economic growth and inflation, which, in turn, could affect global trade.

Instead of relying on geopolitical shifts, Bangladesh should enhance its competitiveness by reducing business costs, improving logistics, and increasing productivity.

Regarding free trade agreements (FTAs), the economist said Vietnam has 52 bilateral and multilateral free trade agreements, whereas Bangladesh has only one FTA with Bhutan.

This may be because signing FTAs requires offering lower import duties, a tough proposition considering that a significant portion of Bangladesh's revenue comes from duties.

Moreover, industrial and environmental standards will have to improve in factories, as FTAs operate on a reciprocal basis.

Since Bangladesh is set to graduate, there is no other option but to raise standards across all sectors, according to Prof Rahman.

Regarding economic stability, Rahman said several accumulated challenges existed when the interim government took power, and expectations were high.

"In the first and second quarters of the current fiscal year, economic pressure was intensifying. However, in the third quarter, some positive trends have emerged in certain indicators."

For example, Rahman said inflation remains high, but its rate has slightly declined. The availability of winter vegetables in the market during the third quarter has had a positive impact.

Besides, the adoption of a contractionary monetary policy, adjustments in revenue policies, and reductions in certain tariff rates were aimed at balancing fiscal and monetary policies. These measures seem to be having some effect, said the economist.

Another key factor is the external sector — exports have seen double-digit growth, and remittances have recently experienced their highest growth in years.

As a result, the depletion of foreign currency reserves has halted, stabilising the exchange rate at around Tk 122 per dollar. The difference between the kerb market and the official exchange rate has also narrowed to about Tk 1.5 to Tk 2.

Consequently, imported inflation has somewhat decreased, positively impacting overall inflation, he said. However, inflation remains high, with both food and non-food inflation around 9 percent.

"This has continued to erode people's purchasing power, as wage growth has not kept pace with inflation.

"I believe there is still room for action in market mechanisms. One approach is to increase the number of active market players. Previously, a small group dominated imports, but as some have exited, new importers have entered the market," he commented.

"With greater competition, prices have stabilised to some extent."

He added that another persistent issue is extortion in certain areas. This must be addressed with a zero-tolerance policy.

Moreover, maintaining sufficient stock levels of key commodities and timely open market sales can help stabilise prices, he said.

Historically, poor data management has led to inaccurate decisions regarding production, import volumes, and stock releases. Addressing this issue can lead to more effective market interventions, the economist said.

The biggest concern is now investment. Since Bangladesh adopted a contractionary monetary policy to control inflation, interest rates have risen.

Besides, the banking sector is burdened by the significant accumulation of non-performing loans (NPLs), making it difficult to lower interest rates.

One of the major challenges is how to generate employment and how to reinvigorate investment so that entrepreneurs can actively engage.

Rahman said many investors are likely awaiting elections, hoping political uncertainty will subside afterwards, as investment decisions are usually made with a medium-term outlook.

Regarding the recovery of stolen money, Rahman, who was a member of the white paper formulation committee, said some initiatives have been undertaken.

The Bangladesh Bank has formed a special task force, and the Bangladesh Financial Intelligence Unit (BFIU) and the Anti-Corruption Commission (ACC) are also showing some activity.

However, this process needs to be expedited. Special prosecutions should be pursued where necessary. Recovering laundered money requires legal validation and the establishment of a paper trail to identify ultimate beneficiaries.

"The country must invest in this."

If other nations can recover laundered money, so can Bangladesh. Taking action now will also send a strong message that financial crimes will not go unpunished, he added.

Price of liquid milk rises again

FROM PAGE B1

Meanwhile, inflation eased in February but has remained above the 9 percent mark for the 24th straight month as rising prices of goods and services continue to erode consumers' purchasing power.

Jahidul Islam, managing director of Milkvita, told The Daily Star that for the past four to five months, each litre of milk was being sold at a loss of about Tk 8.

"We increased the price for farmers several times, but we could not raise it at the retail level," he said.

A proposal to increase the price was sent to the ministry three to four months ago and it was reviewed several times and finally approved last Thursday, he said.

Milkvita's competitors had already raised the price to Tk 100 per litre in November last year by increasing it by Tk 10 per litre, he added.

Milkvita sold 130,000 litres of milk yesterday, whereas during this time they usually sell around 225,000 litres daily, he mentioned.

Farmers can sell milk in the local market at a price higher than what Milkvita pays at the farm level. As a result, their collection volume has decreased, Islam added.

Aarong raised its prices in November 2024, with an increase of Tk 10 per litre and Tk 5 per half litre.

Mohammad Anisur Rahman, senior director of BRAC Enterprises, explained that the price hike was necessary due to rising costs, including a substantial increase in the price of livestock feed, which has significantly impacted milk production costs of farmers.

BRAC Dairy has been adjusting the prices of its products since July 2022, he said.

Over the past two years, raw material costs such as packaging, cartons, and spare parts have increased by 20 percent to 40 percent, he added.

Kamruzzaman Kamal, marketing director of Pran-RFL Group, said due to the increase in production costs for farmers, the price of milk has risen. As a result, the price has also increased at the retail level.

The country's annual domestic milk production stands at 9.9 million tonnes, while the demand reaches 15 million tonnes, according to data from the Department of Livestock Services.

The country also imports between 0.12 to 0.14 million tonnes of powdered milk.

Toiletries market brims with opportunities

Says Square Toiletries CEO in an interview with The Daily Star

SOHEL PARVEZ

Bangladesh's toiletries market is growing and there is a significant potential for further expansion as incomes rise alongside increasing awareness and lifestyle changes.

Per capita toiletries consumption in Bangladesh is $20, compared to $40 in India and $100 in Indonesia.

"So, you understand there's a huge opportunity in toiletries to catch up. It will be bigger," said Malik Mohammed Sayeed, chief executive officer of Square Toiletries Ltd, in an interview with The Daily Star.

Having worked at Square Toiletries for 23 years, Sayeed said that Bangladesh's fast-moving consumer goods (FMCG) market is worth Tk 50,000 crore annually, with toiletries and cosmetics accounting for around Tk 25,000 crore.

To capture this market, many companies are entering the sector. However, winning consumers requires patience, particularly in the cosmetics sector. Success depends on bringing the right products to market and maintaining consistent communication.

"Brand matters. So, you need to invest in brands, you need to invest in quality," he said. "It doesn't happen overnight."

A short-term, profit-driven approach will not work. Companies must be prepared to launch new products strategically.

Sayeed said innovation is vital and must occur across all aspects of the business. "I call it innovation in all formats. You need to keep improving product quality and packaging, and you also need to ensure product availability. That's very important."

Square has been implementing these strategies and has made its mark in the toiletries segment. As part of the local conglomerate Square Group, the company has captured a double-digit market share in the highly competitive soap market, increasing its share by 2 percent in a single year.

"If you have the right product, right pricing, right communication, and right placement, success follows," he added.

The company's presence in the hair care segment is also expanding. With the well-established Jui hair oil, Square has recently launched Maya, a natural wellness brand offering a range of scalp and hair oils made from natural ingredients.

Besides, Square is expanding its skincare lineup with moisturising cream, oil and acne control cream, face wash, fixed oils, and aloe vera gel to meet growing market demand.

Sayeed pointed out that three-quarters of Bangladesh's consumers live in rural areas, where remittances sent by Bangladeshi migrants abroad boost overall demand.

In 2024, the toiletries market recorded higher growth in rural areas, as much as 14 percent. Nationally, overall sales grew by 12-13 percent compared to the previous year.

Urban areas, which account for one-quarter of the total market, saw comparatively lower growth than rural areas.

"The purchasing power in rural areas is increasing. The cost of living is relatively lower there, which helps," he said.

"In urban areas, households have to account for expenses such as rent, transportation costs, and many more. This is an interesting dimension. We have observed this trend and, accordingly, have focused on rural markets as well."

Square Toiletries has benefited from the efforts of its passionate and dynamic team.

With inflation remaining above 9 percent for two years, the company adjusted employee benefits to prevent a decline in their purchasing power and living standards -- an approach that paid off.

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Malik Mohammed Sayeed
CEO of Square Toiletries

TAKEAWAYS FROM THE INTERVIEW

- Toiletries success depends on product, pricing and placement
- Three-quarters of consumers live in remittance-reliant rural areas
- Innovation and brand building ensure long-term market success
- Due to rising import costs, toiletries makers opt for local sourcing
- Square now expands into health and hygiene product lines
- Local brands thrive by matching international quality standards

Budget: Don't kill the golden goose

MAMUN RASHID

Despite being a humble banking professional, I am very lucky to have been engaged with the country's budgetary process since the early '90s. Many champions, including Saifur Rahman, Shah AMS Kibria, AB Mirza Azizul Islam, Akbar Ali Khan, Masihur Rahman and Khairuzzaman Chowdhury, valued my inputs and private sector insights.

I always believed, Bangladesh has come across a long way with regards to budgetary framework, allocation and implementation. But what is hindering efforts toward making a more inclusive and effective budget is last minute deviation from our aspiration to make the budget an innovative and business friendly one. With much frustration, it ends up as a haphazard exercise of reconciling the numbers only.

In a recent pre-budget discussion with the finance ministry, economists including myself stressed the need for designing the national budget for the upcoming fiscal year in a way that prioritises macroeconomic stability. We also emphasised the need for revising tax policies and tariff reforms in line with the World Trade Organization (WTO) regulations to aid in Bangladesh's preparation for graduating from the least developed country (LDC) list in November 2026.

Many said targeted interventions are required to address the economic challenges, and these should be incorporated into the upcoming budget to ensure fiscal prudence, maximising the use of our scarce resources. At the same time, as Bangladesh transitions into a developing economy, it must phase out direct export incentives to meet WTO standards and employ alternative WTO-compliant measures. Revision of agricultural trade policies, elimination of minimum import prices on certain goods, and adjustment of tariff structures to keep custom duties aligned with the bound tariff commitments that Bangladesh made under the WTO agreements are also necessary for maintaining compliance during post-LDC graduation. Ensuring WTO compliance is of utmost importance as Bangladesh is set to lose the perks and waivers that come with LDC status.

A few also suggested formulating strict legislation to prevent tax evasion, track wealthy tax dodgers, and increase revenue through direct taxation. Bangladesh for long had one of the lowest tax-GDP ratios in the world. It's high time this was corrected, and to do so, the authorities must ensure that all eligible taxpayers, including influential individuals, are held accountable. Moreover, the recent increase in VAT and supplementary duties should be reconsidered as raising revenue through indirect taxes is placing undue burdens on citizens, who have long been struggling with high inflation.

As the next fiscal year is going to be a crucial one amid all the uncertainties caused by the July uprising, fall out effect of financial sector mess up and slow decision making, the national budget must reflect prudent and strategic thinking on the government's part. Long-term policies to address persistent and potential setbacks should be integrated into budget preparations to ensure Bangladesh is adequately prepared for challenges that lie ahead.

We need national capital to grow faster to finance our growth. That growth must come through broadening the tax base, not by killing the golden goose -- existing tax payers, especially individual ones who are mostly salaried. This in another way would squeeze their purchasing power or disposable income. Interestingly, with further digitalisation and growth in private entrepreneurship, this number will grow fast.

Though various statistics derived bed from foreign and local institutions show that almost 20 percent of our population earn more than $3,000 annually, our tax identification number (TIN) holding population is only 11.3 million and out of this, only 4 million submitted tax returns for last fiscal year.

This begs the question: where is the shoe pinching? We need to broaden our tax base and send a good message to existing tax payers, especially by incentivising large individual and corporate tax payers instead of raising their tax incidence further. Many countries, including Singapore, are increasingly focusing on the "ultimate kitty" rather than the percentage.

The author is chairman of Financial Excellence Ltd

AI startup Perplexity confirms interest to buy TikTok

AFP, *San Francisco*

Artificial intelligence (AI) startup Perplexity on Friday expressed its interest in buying TikTok, which faces a deadline to divest from its Chinese owner or be banned in the United States.

Perplexity in a blog post laid out a vision for integrating its AI-powered internet search capabilities with the popular video-snippet sharing app.

"Combining Perplexity's answer engine with TikTok's extensive video library would allow us to build the best search experience in the world," the San Francisco-based firm reasoned. "Perplexity is singularly positioned to rebuild the TikTok algorithm without creating a monopoly, combining world-class technical capabilities with Little Tech independence."

President Donald Trump earlier this month said the United States was in talks with four groups interested in acquiring TikTok, with the Chinese-owned app facing an uncertain future in the country.

A US law has ordered TikTok to divest from its Chinese owner ByteDance or be banned in the United States.

"We're dealing with four different groups. And a lot of people want it, and it's up to me," Trump said aboard Air Force One.

"All four are good," he added, without naming them.

The law banning TikTok took effect on January 19 over concerns that the Chinese government could exploit the video-sharing platform to spy on Americans or covertly influence US public opinion.

Japan's core inflation slows to 3% in February

AFP, *Tokyo*

Japanese inflation eased in February, government data showed Friday, with prices excluding fresh food rising 3.0 percent year-on-year in the world's fourth-largest economy.

The core Consumer Price Index (CPI) slowed from 3.2 percent in January, remaining above the Bank of Japan's two-percent target which has been exceeded every month since April 2022.

Government subsidies for electricity and gas bills contributed to the deceleration, the internal affairs ministry said.

February's core reading narrowly beat expectations of 2.9 percent, as rising prices for petrol, food and accommodation among other necessities continued to squeeze households.

"We want to protect people's livelihoods from high prices while paying close attention to the impact of price trends on households and business activities," top government spokesman Yoshimasa Hayashi said.

Tourists walk past shops and restaurants in the popular Shinsekai district of Osaka, with the Tsutenkaku Tower looming behind. PHOTO: AFP/FILE

Measures taken by Prime Minister Shigeru Ishiba include subsidies, the release of stockpiled rice and efforts "to realise wage increases that will not be defeated by rising prices", Hayashi told reporters.

In February, rice prices were up 81 percent year-on-year -- a record for the grain -- while chocolate was 30 percent more expensive.

This month, the government began a rare auction of its emergency rice stockpiles in a bid to help drive down the staple's surging price.

Japan has previously tapped into its reserves during disasters, but this was the first time since the stockpile was created in 1995 that supply chain problems have prompted the move.

The price of cabbage rose 130

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Chinese EV giant BYD aims for Europe boost

AFP, *Paris*

Chinese carmaker BYD on Thursday vowed to conquer Europe with a new compact electric model and super-fast charging capability to rival continental brands.

"You will see, starting from March or April, our registration numbers will jump" in Europe, company vice-president Stella Li told AFP in an interview at a showroom in Paris. "This year, BYD sales in the whole of Europe will start increasing."

The group has launched major advertising campaigns including sponsorship of last year's European Championships in football and has opened numerous new showrooms across the continent.

It plans to launch its small format Seagull, to be renamed the Dolphin Surf in Europe -- a rival to the Renault 5 and Citroen C3 -- around the middle of the year, Li said. In China this week it unveiled a new charging system that it says will allow drivers 470 kilometres (nearly 300 miles) of battery life after charging for just five minutes -- four times faster than the best systems currently on the market.

"It is really as fast as refuelling a petrol car," Li said. "We are... preparing to bring this kind of cutting-edge technology to Europe in the next few years."

BYD said it doubled its exports in the first two months of 2025 from a year earlier, to 130,000 vehicles. It sold 4.2 million worldwide in 2024, making it the globe's sixth-biggest car firm.

The European Union has imposed a 17-percent tariff on Chinese electric vehicles to make up for Chinese state subsidies.

Trump's call for AI deregulation gets strong backing from Big Tech

AFP, *Washington*

Major tech firms are pushing the administration of President Donald Trump to loosen rules on building artificial intelligence, arguing it is the only way to maintain a US edge and compete with China.

Spooked by generative AI's sudden advance, governments initially scrambled to develop guardrails, as major tech companies rapidly integrated the technology into their products.

Since taking office in January, the Trump administration has shifted focus toward accelerating AI development at all costs, pushing aside concerns about the models suffering hallucinations, producing deepfakes, or destroying human jobs.

"The AI future is not going to be won by hand-wringing about safety," Vice President JD Vance told world leaders at a recent AI summit in Paris.

This message unsettled international partners, particularly Europe, which had proudly established the EU AI Act as a new standard for keeping the technology in check.

But, faced with America's new direction, European officials are now pivoting their messaging toward investment and innovation rather than safety.

"We're going to see a significant pullback in terms of the regulatory efforts... worldwide," explained David Danks, professor of data science and philosophy at University of California San Diego.

"That certainly has been signaled here in the United States, but we're also seeing it in Europe."

Tech companies are capitalizing on this regulatory retreat, seeking the freedom to develop AI technologies that they claim have been too constrained under the Biden administration.

One of Trump's first executive actions was dismantling Biden's policies, which had proposed modest guardrails for powerful AI models and directed agencies to prepare to oversee the change.

"It's clear that we're taking a step back from that idea that there's going to be a coherent overall approach to AI regulation," noted Karen Silverman, CEO of AI advisory firm Cantellus Group.

The Trump administration has invited industry leaders to share their policy vision, emphasizing that the US must maintain its position as the "undeniable leader in AI technology" with minimal investor constraints.

The industry submissions will shape the White House's AI action plan, expected this summer.

The request has yielded predictable responses from major players, with a common theme emerging: China represents an existential threat which can only be addressed by plowing an open path for companies unencumbered by regulation.

OpenAI's submission probably goes the furthest in its contrast with China, highlighting DeepSeek, a Chinese-developed generative AI model created at a fraction of American development costs, to emphasize the competitive threat.

CEO of Meta and Facebook Mark Zuckerberg, Amazon founder Jeff Bezos, Google CEO Sundar Pichai and Tesla and SpaceX CEO Elon Musk attend the inauguration ceremony before Donald Trump is sworn in as the 47th US president in the US Capitol Rotunda in Washington, DC, on January 20. PHOTO: AFP/FILE

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