Logistics costs remain alarmingly high: DCCI

PHOTO: RAJIB RAIHAN

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STAR BUSINESS REPORT

Logistics costs in Bangladesh remain high, at an estimated 15 percent to 20 percent of the GDP, far above the global average of 8 percent to 10 percent, according to the Dhaka Chamber of Commerce and Industry (DCCI).

"The logistics sector in Bangladesh requires rapid transformation to ensure sustainable economic growth as the country prepares for status graduation from the group of least developed countries," said Taskeen Ahmed, president of the DCCI.

He was speaking at a discussion titled "Enhancing Bangladesh's Logistics Sector for Sustainable Economic Growth" organised by the DCCI on its premises in Dhaka yesterday.

He proposed six major reforms—digital platforms to connect shippers and transporters, warehouse automation, seamless multimodal transport networks, modernised ports, digital customs solutions, and greener logistical practices.

Besides, business leaders and experts emphasised that Bangladesh must urgently revamp its logistics sector to sustain growth and remain competitive in the post-LDC era.

They cautioned that high transport costs, poor infrastructure, and gaps in policies could hurt the country's export plans and overall development.

"Although Bangladesh's private sector-led growth has been globally exemplary, our heavy reliance on readymade garments and limited export markets poses risks," said M Masrur Reaz, chairman and CEO of the Policy Exchange of Bangladesh, while presenting a keynote paper at the event.

Against this backdrop, he stressed the urgent need to diversify export products and expand into new markets to protect the economy.

"To survive in global competition, we must strengthen trade cooperation and logistics capabilities," Reaz said.

He highlighted that reducing logistical costs by 25 percent could raise exports by about 20 percent, while even a 1 percent cut in transportation costs could boost exports by 7.4 percent.

Addressing the event, Sheik Moinuddin, special assistant to the chief adviser for road transport and bridges, said Bangladesh's global competitiveness post-LDC graduation depends on an integrated transport ecosystem covering roads, rail, waterways, aviation, ports, and digital networks.

Drawing on his experience in California and Hawaii, he stressed long-term planning over 25 to 50 years, warning that fragmented responsibilities across ministries hinder progress.

Moinuddin noted the lack of a comprehensive master plan as a major obstacle to logistics growth.

Abul Kasem Khan, chairperson of Business Initiative Leading Development (BUILD), said Bangladesh's logistics sector was stagnating, hampering economic goals.

He stressed that annual investments of 8 percent to 10 percent of the GDP, or around $20 billion, were needed in infrastructure and logistics, and the country was still lagging behind others in this area.

Although foreign direct investment in the country currently stands at around $1.5 billion, there is vast potential for more, he said. Khan urged the formulation of a 50-year master plan and a dedicated logistics ministry or authority.

He also suggested declaring 2026-2035 the "Decade of Logistics" to drive transformative growth.

Salim Ullah, chairman of Bangladesh Inland Water Transport Corporation (BIWTC), underscored the urgent need for a master plan to boost the multimodal transport system, calling it vital for the logistics sector's future.

Experts cautioned that high transport costs, poor infrastructure, and gaps in policies could hurt the country's export plans and overall development

Ullah added that a government committee was reassessing the logistics policy, while the BIWTA would soon draft a master plan to improve inland water transport management.

Speaking at the event, he said while the 2024 logistics policy proposed actions, it lacked a time-bound roadmap.

Ullah welcomed the government's fresh initiative to revise the policy under a new committee led by the railways adviser.

Md Habibur Rahman, member (admin and planning) of Chattogram Port Authority, said that by 2030, the capacity of the country's seaports, including the Matarbari deep seaport, would reach 10 million TEUs (twenty-foot equivalent units).

He said the private sector would need to significantly increase import and export activities to ensure the utilisation of this capacity.

He said railway services could become the most cost-effective and suitable option, especially in the logistics and transportation sector.

He opined that constructing a specialised expressway exclusively for trucks and lorries from the Chattogram port to Sitakunda could bring positive outcomes in the transportation process of import and export goods.

Alamgir Morshed, executive director of the Infrastructure Development Company Limited (Idcol), said long-term financing for the development of logistics infrastructure was a major challenge.

This was due to the fact that Bangladesh's financial sector is not in a very strong position, he said.

He proposed introducing multiple bond instruments to facilitate long-term financing in the infrastructure sector.

He also said that the gaps in capacity and expertise in the logistics sector create significant opportunities for foreign investors, which he believes should be seen in a positive light.

Humayun Kabir, senior project officer (transport) of the Asian Development Bank (ADB), said the ADB would extend technical assistance to help implement Bangladesh's logistics policy and was working closely with the government in this regard.

Digital ID overhaul needs local expertise

M MANJUR MAHMUD

Bangladesh stands on the brink of a major digital transformation, poised to overhaul its citizen identity system.

This crucial national undertaking, encompassing everything from foundational National IDs to sensitive applications like driving licences and banking e-KYC, has naturally attracted considerable international interest. As we embark on this journey, it is vital to recognise and champion the unique advantages offered by our own local IT talent.

While foreign players certainly bring valuable expertise, the long-term success, security and contextual relevance of a complete digital citizen ID ecosystem hinge on empowering Bangladeshi companies. Our local IT professionals possess an inherent understanding of our socio-economic landscape, cultural nuances and specific challenges -- knowledge often beyond the grasp of external entities. This deep familiarity translates directly into solutions that are not only functional but genuinely optimised for the Bangladeshi population.

Consider the impact a locally built ID management ecosystem could have on our financial system. The benefits are immense: from efficient loan approvals to significant improvements in operational efficiency and, critically, stronger fraud detection. Imagine a system where the intricacies of local financial practices are seamlessly integrated into its design, where common fraud patterns in our context are intuitively recognised, and where user experience is tailored to the digital literacy levels of our diverse population. This kind of responsive development is a game-changer that only local talent can consistently deliver.

Beyond contextual understanding, the cost-effectiveness of local IT solutions cannot be overstated. Engaging foreign firms often involves high costs, including expatriate salaries, international travel and complex contractual arrangements. In contrast, investing in domestic talent channels funds directly into our economy, creates jobs and fosters a self-reliant IT industry. This approach reduces initial implementation costs and significantly lowers long-term maintenance and upgrade expenses, as support and development remain within the country.

Long-term sustainability is another vital concern for an infrastructure as critical as a national identity system. When foreign companies develop such systems, we risk becoming dependent on their proprietary technologies and continued support. This makes us vulnerable to geopolitical shifts, changes in corporate strategy or rising service fees. A locally built system, however, ensures national ownership of intellectual property, allowing for continuous innovation, timely adaptations and reliable maintenance by those invested in the country's progress.

Bangladesh boasts a thriving IT sector, with skilled professionals who have already made their mark on the global digital stage. Our experts have developed ID solutions for over 10 countries, and local firms currently manage banking client IDs for more than 150 million unique users. By prioritising these proven Bangladeshi companies in the development of our national ID systems, we are not merely awarding contracts; we are making a strategic investment in national capacity building, technological sovereignty and a generation of experts ready to lead Bangladesh's digital future.

The overhaul of our citizen identity system is more than a technological upgrade; it is a nation-building endeavour. Let us choose the path that strengthens our capabilities, empowers our people and lays the foundation for a secure, efficient and locally owned digital future.

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Dollar gains

REUTERS, *New York*

The dollar retraced earlier losses against the euro on Friday after US President Donald Trump said the United States was ending trade talks with Canada and that he would consider bombing Iran again, denting risk appetite and sending stocks lower.

"Taken together, both messages highlight how erratic Trump is and that any assumptions built into markets can be instantly undermined," said Adam Button, chief currency analyst at ForexLive.

"The knee-jerk has been to buy the US dollar but once the smoke clears, that's likely to retrace. The trade war has been a dollar drag all year," Button said.

US Treasury Secretary Scott Bessent said earlier on Friday the Trump administration's various trade deals with other countries could be done by the Sept. 1 Labor Day holiday.

The Canadian dollar extended losses on the day, however, after Trump said the US is immediately ending trade talks with Canada in response to the country's digital services tax on technology companies. It was last down 0.5 percent versus the greenback at C$1.37 per dollar.

Trump also sharply criticized Iran's Supreme Leader Ali Khamenei, dropped plans to lift sanctions on Iran and said he would consider bombing Iran again if Tehran is enriching uranium to worrisome levels.

The dollar dropped to a three-and-a-half-year low against the euro earlier on Friday as traders bet that the Federal Reserve will cut rates more times and possibly sooner than previously expected as some US data points to a weakening economy.

A report on Friday showed that US consumer spending unexpectedly fell in May as the boost from the pre-emptive buying of goods like motor vehicles ahead of tariffs faded, while monthly inflation increases remained moderate.

Trump metal tariffs wreak havoc on US factory

AFP, *Belcamp*

In the sweltering US summer, metal containers decorated with snowmen and sleighs are taking shape -- but tempers are also rising as their manufacturer grapples with President Donald Trump's steep steel tariffs.

At Independent Can's factory in Belcamp, Maryland northeast of Baltimore, CEO Rick Huether recounts how he started working at his family's business at age 14.

Huether, now 73, says he is determined to keep his manufacturing company afloat for generations to come. But Trump's tariffs are complicating this task.

"We're living in chaos right now," he told AFP.

Since returning to the presidency in January, Trump imposed tariffs of 25 percent on imported steel and aluminum -- and then doubled the rate to 50 percent.

This has weighed on operations at Independent Can, and Huether expects he eventually will have to raise prices.

With the steady beat of presses, steel plates that have been coated with tin -- to prevent corrosion -- are turned into containers for cookies, dried fruit, coffee and milk powder at Huether's factory.

But there is not enough of such American-made tinplate for companies like his. "In the United States, we can only make about 25 percent of the tinplate that's required to do what we do," in addition to what other manufacturers need, Huether said.

"Those all require us to buy in the neighborhood of 70 percent of our steel outside of the United States," he added.

While Huether is a proponent of growing the US manufacturing base, saying globalization has "gone almost a little bit too far," he expressed concern about Trump's methods.

Trump has announced a stream of major tariffs only to later back off parts of them or postpone them, and also imposed duties on items the country does not produce.

A general view of the manufacturing facilities of the Independent Can Company in Belcamp, Maryland, on June 25.

PHOTO: AFP

For now, Independent Can -- which employs nearly 400 people at four sites -- is ruling out any layoffs despite the current upheaval.

But Huether said one of the company's plants in Iowa closed last year in part because of a previous increase in steel tariffs, during Trump's first presidential term.

With steel tariffs at 50 percent now, Huether expects he will ultimately have to raise his prices by more than 20 percent, given that tinplate represents a part of his production costs.

Some buyers have already reduced their orders this year by 20 to 25 percent, over worries about the economy and about not having enough business themselves.

Others now seem more inclined to buy American, but Huether expressed reservations over how long this trend might last, citing his experiences from the Covid-19 crisis.

"During the pandemic, we took everybody in. As China shut down and the ports were locked up, our business went up 50 percent," he explained.

But when the pandemic was over, customers turned back to purchasing from China, he said.