

## Alarming decline in SME lending

Govt must take immediate steps to reverse it

The dip in bank lending to SMEs to a four-year low is another concerning indicator of the current state of the economy. During FY2024-25, banks disbursed Tk 2.05 lakh crore in loans to SMEs, a nine percent drop year-on-year, according to data from Bangladesh Bank. This marks a reversal of the upward trend in SME lending seen since 2021, following the slowdown caused by the Covid pandemic in 2020.

Unfortunately, SMEs have had little respite since the pandemic, as the war in Ukraine, political unrest, and last year's mass uprising have acted as one external shock after another. Given that small businesses are particularly vulnerable to such disruptions, these successive shocks have taken a serious toll, with nearly one-quarter of SMEs shutting down since the pandemic.

SMEs are often described as the backbone of the industrial sector. Bangladesh has around 78 lakh cottage, micro, small, and medium enterprises, which contribute about one-quarter of the country's GDP and provide employment to over 2.4 crore people across the country. With SMEs struggling to sustain operations—and many being forced to close—the job market has undoubtedly worsened, and economic growth has taken a significant hit. Investment is also likely to suffer, as reflected in the World Bank's recently lowered growth forecast for Bangladesh.

In addition to external shocks, the fragility of nearly a dozen banks has also constrained credit availability for small and micro businesses. Some 10-12 banks, including several shariah-based ones that were once very active in SME financing, are no longer participating in this sector. Many banks struggling with capital shortages and rising bad loans have become increasingly risk-averse. With private sector confidence remaining low for a prolonged period, and ongoing uncertainty delaying new business plans and expansion, it is difficult to see a reversal of this trend without effective policy interventions.

Unfortunately, despite the finance adviser acknowledging back in early July that funding challenges are preventing SMEs from realising their vast potential, the interim government has so far failed to turn things around, as evidenced by recent data. This is particularly disappointing, given that the adviser himself also admitted that the country's economic growth still largely depends on the SME sector, which generates the highest employment. Given this reality, we must ask: why has the government not prioritised this matter more urgently? Is it unaware of the struggles of millions of jobseekers and the state of the overall economy at large?

To revive SME lending, the government must act on several fronts at once. It must take steps to ensure that banks feel secure in lending to SMEs. And refinancing windows with lower interest rates should be made readily available to banks and non-bank lenders specifically for SME loans. Most importantly, restoring confidence in the banking sector through stronger oversight and transparent restructuring of weak banks is essential—as without financial sector stability, no SME support programme will achieve its intended impact.

## Fix the chaos around Mayor Hanif Flyover

Flawed design, poor management keep traffic snarled

It is disappointing that people still have to endure severe traffic gridlock at one of Dhaka's key entry points—Jatrabari—despite improved inter-district communication which significantly reduced travel time. Reportedly, every day, vehicles from around 40 districts enter Dhaka through the Mayor Hanif Flyover and the roads beneath. Since the opening of the Padma Bridge, traffic on this route has further increased. However, due to poor design, weak management, and widespread violation of traffic rules, severe congestion occurs both on the flyover and the roads below. Sadly, the time saved on the highway is thus lost at the city's entrance.

The Mayor Hanif Flyover, stretching 11.5 km from Shonir Akhra to Chankharpul, was built to speed up entry into the capital. Instead, it has become one of Dhaka's worst traffic choke points. Commuters often spend hours stuck in gridlock here. According to one driver, it takes just three and a half hours to bring his bus from Khulna to Dhaka, but hours more to cross the Gulistan toll plaza. Another driver, who travels daily from Narayanganj, said it can take over an hour just to descend from the flyover at Gulistan, with the toll counter adding further delay. Beneath the structure, the situation is equally dire. The road connecting Jatrabari and Sayedabad is riddled with potholes, regularly waterlogged during the rainy season, and covered in dust during dry months. The situation has worsened, as the Sayedabad Bus Terminal, meant to hold around 800 buses, now accommodates nearly 3,000, with illegal transport counters and encroachments spilling onto the streets.

Urban planners have long warned that flyovers are not a sustainable solution to Dhaka's traffic woes, yet the authorities keep building them without proper planning. Many, including the Mayor Hanif Flyover, now experience chronic congestion. A recent study by Brac University's Centre for Inclusive Architecture and Urbanism also found that Dhaka's 10 flyovers, covering 105 km, have 207 acres of poorly used space underneath, causing major public health, environmental, and economic losses of about Tk 21,000 crore annually, a concerning finding. The authorities must therefore act urgently to fix this situation. Since the flyover itself offers little scope for improvement, the focus should shift to repairing and maintaining the roads below to ease pressure from above. Relocating transport counters from roadside areas to inside the Sayedabad Terminal could help. At the same time, traffic monitoring and enforcement must be strengthened. Most importantly, better planning and coordination among the responsible agencies are essential to reduce the daily suffering of commuters entering Dhaka.

### THIS DAY IN HISTORY

#### United States tests first thermonuclear bomb

On this day in 1952 on an atoll of the Marshall Islands, Edward Teller and other American scientists tested the first thermonuclear bomb, its power resulting from an uncontrolled, self-sustaining nuclear chain reaction.

# How reducing dwell time can improve our port's efficiency



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In 2003, I had the privilege of spending 55 days in Japan under a Japan International Cooperation Agency (JICA)-sponsored Group Training Course on Container Terminal Development in Tokyo and Yokohama. We visited several container terminals and logistics hubs, including the Nippon Express Bonded Warehouse, where I first encountered Japan's remarkable Hozei Area System. It was an eye-opener. Importers could immediately move cargo from full-container-load (FCL) units—where all the goods belong to one sender—into bonded warehouses under customs supervision. Inside those warehouses, they could unpack, repack, or store goods duty-free until clearance. This system freed up containers almost instantly and kept Japan's ports moving.

That single mechanism—reducing container dwell time—was at the heart of Japan's logistics miracle. Through this, ports achieved faster vessel turnaround, higher yard capacity, and far lower storage costs, proving that efficient container flow is the most powerful multiplier of port productivity and trade competitiveness.

Bangladesh, however, faces the opposite reality. At Chittagong Port, our nation's busiest maritime gateway, FCL imports sit idle for an average of more than 11 days before clearance. Each of those days comes at a painful cost: demurrage to shipping lines, port storage fees, and detention charges that drain foreign exchange. Industry estimates suggest importers lose billions of dollars annually, which could otherwise be fuelling growth, investment, and jobs.

The issue is not one of capacity but of efficiency. Terminals are designed for throughput, not storage. Yet in Bangladesh, containers linger for weeks, turning our terminals into parking lots. Yard space that should hold transit containers instead holds uncleared imports. As a result, vessels queue offshore, berth schedules slip,

and shipping lines grow increasingly frustrated with the port's sluggish turnaround. Their vessels lose time and money waiting for berths, their containers remain trapped beyond free days, and their operational schedules fall into disarray. Many carriers now consider Bangladesh



FILE PHOTO: RAJIB RATHAN

Terminal cranes stand idle not for lack of cargo but for lack of space inside Chittagong Port, as most imports still clear inside the port, clogging its arteries.

a “slow port”—a costly label that discourages service expansion and investment. Every day of delay reverberates through freight rates and supply chains, hurting importers, exporters, and ultimately consumers.

Reducing dwell time, therefore, should be a national economic strategy. Every day saved increases a port's effective capacity without adding a single square metre of land. If the average dwell time at Chittagong Port could be reduced from 11 days to 4, my estimation shows that total container handling capacity could rise by more than 60 percent, instantly easing congestion and accelerating trade.

Japan's Hozei system offers a tested

blueprint. Private operators such as Nippon Express and Kintetsu World Express manage bonded warehouses licensed by customs, where containers move out of terminals within hours of unloading. Goods can stay duty-free for up to three years, and importers pay taxes only upon release. Customs retains full digital oversight—control without congestion.

Other nations have embraced similar reforms with remarkable success. Indonesia's Bonded Logistics Centers (PLB) cut port dwell time from 6.4 to 2.9 days within two years. India's 2019 bonded warehousing framework transformed throughput at Jawaharlal Nehru Port. Vietnam and Malaysia have integrated

statements. Bonded warehouse development must become a cornerstone policy priority, supported by the National Board of Revenue (NBR) and customs, not resisted by them. These agencies must modernise their supervision tools to enable off-dock clearance, rather than monopolising clearance within the port fence.

To drive this transformation, the Chief Adviser's Office, Bangladesh Investment Development Authority, and the Public-Private Partnership Authority should jointly champion bonded-logistics zones around Chattogram, Dhaka, and Mongla. NGOs such as Business Initiative Leading Development (BULLD) and the private sector can partner under PPP models to develop modern warehouses integrated with digital customs interfaces. Such collaboration would free up container yards, speed up vessel operations, and dramatically improve Bangladesh's trade ranking.

Port management efficiency is not just about equipment or infrastructure—it is about flow. When containers sit for weeks, the entire system slows, regardless of investment. That is why dwell time is the single most accurate metric of port health. The shorter it is, the stronger the economy.

Bangladesh cannot attract world-class terminal operators or shipping alliances unless it ensures smooth cargo flow. Long idling containers are a nightmare for carriers; they lose box rotations, revenue, and schedule integrity. The current system imposes invisible penalties that damage our reputation. To restore confidence, Chittagong Port must transition from a storage-based model to a movement-based one—where bonded warehouses take the pressure off the terminals and customs supervises through data, not detention.

It is time for policymakers, think tanks, and business leaders to unite. Research organisations and think tanks must elevate this issue to the top of the reform agenda. The Chief Adviser's Office should ensure that NBR and customs align with national interests—not institutional inertia.

Bangladesh stands at a crossroads. If we act now, embracing bonded logistics as Japan did with its Hozei system, we can unlock our ports and transform our economy. But if we delay, our growth will remain trapped behind port gates. The choice is ours—to remain boxed in bureaucracy or to free the boxes and free the economy.

# Rare earth elements are the new drivers of global power



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The recent back-and-forth between Washington and Beijing over rare earth minerals looks technical on the surface, but it points to a deeper shift in global leverage. The 17 metallic elements—vital for everything from electric motors to precision guidance systems—have quietly become strategic tools. Whoever controls them gains not only industrial advantage but diplomatic and economic influence.

For years China has quietly built a full rare-earth chain—from mining to magnet production—while others lagged. By 2024, it processed most of the roughly 44 million metric tonnes produced globally. But behind China's dominance lies a knot of politics. Myanmar's output comes from Kachin and Shan, where conflict economies feed militias and shadow contractors. In Africa, Namibia, Malawi and South Africa hold reserves but struggle with weak oversight, foreign rent capture and local anger over pollution. These states aren't passive; their politics decide whether resources become leverage or instability.

While rare earths' magnetic and conductive traits make them indispensable in green technologies and advanced weaponry, their extraction and refinement are dirty, technically hard and capital intensive. That creates an asymmetry: countries with refining capacity can weaponise access; those with only raw ore become junior partners, often trading

sovereignty for investment. The control of strategic materials translates directly into bargaining power.

The politics of supply shape alliances, industrial strategy and regulatory choices across Asia, Europe and Africa. The modern push for net-zero and digitisation makes demand for rare earths structural. That creates incentives for states to pursue long-term industrial policy, secure recycling streams and sponsor substitution research. Yet democracies and centralised economies do this differently. China's state-directed approach achieved rapid vertical integration; liberal economies, wary of environmental backlash and private-sector caution, are still catching up. The result is strategic divergence in how societies accept risk, finance infrastructure and permit environmental disruption.

Economic statecraft such as export limits and subsidies now act as political signals, reshaping competitors' industrial plans, defence timelines, and negotiation strategies. On a very different note, China's refining dominance brings pollution backlash and strategic pushback through stockpiling, diversification, and recycling. Transitions open space for recyclers, substitutes, and new refiners, especially for developing states seeking to escape raw-export dependence.

The control of rare earths is not

just about mines; it is about the whole value chain—geological surveying, separation chemistry, magnet fabrication, component design and end-of-life recovery. Whoever controls these nodes captures most of the value and most of the leverage. That explains why some Western firms still send semi-processed ores to Chinese plants: the cost calculus favours outsourcing until domestic capability is rebuilt. But rebuilding is expensive, slow and politically contested, especially where public opinion opposes mining's environmental footprint. That creates a paradox: the green transition that relies on rare earths can become politically toxic if communities face pollution and displacement.

Therefore, while states are funding recycling research, subsidising domestic refineries, and investing in partner countries' governance, they are also testing new trade rules and looking for substitutes. None of these moves is a silver bullet. Recycling reduces dependence but cannot meet immediate demand; substitutes can be resource- or performance-limited. Meanwhile, donor-driven governance reforms in resource-exporting countries often run up against local power structures that benefit from opacity.

A sober conclusion follows: rare earths sharpen rather than simplify geopolitics. They create new interdependencies that mix economics, security and ecology. The most dangerous scenario is not merely a single supplier cutting off exports, but a slow, systemic sclerosis where strategic mistrust multiplies transaction costs, fragments supply chains and makes technological diffusion uneven. Conversely, the best outcome requires pragmatic cooperation: shared standards for environmental performance,

transparent contracts, joint recycling ventures, and investments that build local capacity rather than hollow it out.

It is worth mentioning that, global supply lines for rare earths run from Chinese inland hubs to coastal ports through the South China Sea and Strait of Malacca, and from overland corridors hauling ore from Myanmar's Kachin fields into Yunnan. They also include corridors from Mongolia and Central Asia to Chinese refineries, maritime routes carrying African consignments to Chinese and European ports, and transpacific lanes to Japan, South Korea and the United States. Each of these arteries is being securitised. The South China Sea and Malacca straits have seen stepped-up naval patrols and freedom-of-navigation assertions as states protect chokepoints; Myanmar's routes are militarised by junta forces and armed groups that control extraction; Chinese state firms and coast guard units fortify export nodes; Western navies and the US are expanding escorts and stockpiles; and private security. They are also investing in ports and securing diplomatic-military ties in the African corridors, and using export-licensing and sanctions layer to legalise restraints on shipments.

In short, rare earths have become a litmus test for 21st-century power—an issue where industrial policy, domestic politics in resource states, environmental limits and international strategy intersect. They reveal a new fact of statecraft: influence now arises from mastering invisible materials as much as from controlling territory. Which states adapt, by building clean, resilient supply chains and by addressing political and environmental grievances where ores are mined, will determine how advantage shifts in the decades ahead.