

## Free trade trend to offset preferential LDC exports

Commerce minister tells seminar

**STAR BUSINESS REPORT**

Increasing trend of free trade agreements (FTAs) among countries may offset preferential treatment for the exports from the least developed countries (LDCs) including Bangladesh, Commerce Minister Amir Khosru Mahmud Chowdhury told a seminar yesterday.

Citing examples of ASEAN, NAFTA, the minister stressed the need for increasing intra-regional trade saying unless trade within the region reaches a reasonable level, it is unlikely to see a favourable situation in the post multi-fiber arrangement (MFA) regime.

Khosru was speaking as chief guest at the inaugural session of a seminar on WTO Rules and the Garments Industry in Bangladesh organised jointly by Center for

Research in Business, Economics and Technology (CERBET), East West University and BGMEA Institute of Fashion & Technology (BIFT) at Pan Pacific Sonargaon Hotel in the city.

Criticising rules of origin of the countries that have given preferential market access to Bangladesh, the commerce minister said developed nations have offered something on one hand and also imposed restrictions on the other.

"The EU and US are the present markets for Bangladeshi goods but we are exploring markets like Myanmar and Thailand in the region," he added.

Khosru observed that anti dumping will become a very important issue in the post MFA regime. He also mentioned that the government has taken steps to restructure the Tariff Commission and 25 per cent

of its human resource would come from private sector and other sources.

Dr Toufiq Ali, Bangladesh Permanent Representative to the WTO in Geneva, in his keynote presentation mentioned that the accession of China into the WTO will increase competition.

"Bangladesh continues to enjoy competitive advantage in some sectors and has low labour cost. To remain competitive, Bangladesh would need to adapt to the changing demands of the market place," he added.

There is an increasing trend towards regional trade agreements (RTAs), with zero tariff among the participating countries. RTAs are allowed under the WTO rules, but there is close monitoring, Dr Ali mentioned.

Developing countries are using

anti-dumping investigations for protecting their respective industries, he mentioned adding that the potential damage, which an anti-dumping investigation could inflict on an industry, can be illustrated with some striking examples.

"An anti-dumping investigation is a very powerful tool. If a duty is imposed on the products of a factory, it is rare for the factory to continue to export to that country. If the factory has been based on exports to that country and is unable to find alternate markets it will be forced to shut down," Toufiq Ali said.

With BGMEA President Kutubuddin Ahmed in the chair, the inaugural session was also addressed by state minister for education ANM Ehsanul Hoque.

News analysis

## Country in dire need of product diversification

**RAFIQ HASAN**

Bangladesh recently got permission for duty and quota free access of its goods to a number of developed and developing nations. But the question remains as to how much the country would be able to harness the facilities with limited export items in its basket?

The biggest challenge before the nation is to diversify items to cater to the needs of the time, or else all the trade concession may prove futile.

The country is also faced with the challenge to reduce yawning trade imbalances with almost every country to a tolerable level.

With the state of public sector enterprises in shambles, initiatives of product diversification and evolving new export items will have to be taken up by the private sector. There are ample scopes of product diversification in almost every sector.

The main thrust should be given on sectors like electrical and electronics, computer software, light engineering, leather goods, toys, sports items, footwear, spare parts, machinery, construction materials, fashionable goods and agro-based products. Thrust can also be given on adding value to garment items and evolve environmental friendly jute goods.

Another important factor for getting market access would be to come up with innovative designs. At present, many of the Bangladeshi goods are failing to enter developed markets due to lack of quality products and unattractive packaging.

The government has to ensure regular checking and monitoring in order to stop export of low quality items that tarnishes the image of the country.

Few years back the European Union banned frozen food export on ground of low quality and it still continues with the threat of fresh ban. Such ban tarnishes the image of the country and effects export in the long run.

Recently, Canada has decided to allow duty and quota free access to Bangladeshi goods while Australia made similar announcement to be effective from July this year. Prior to these announcements, Thailand declared that it would allow zero to five per cent duty on 128 items under six categories. India also allowed duty free access of 40 items under 16 categories since August this year.

Bangladesh has a negative trade balance with almost every country except the US, Canada and a few European countries. The trade balance with all neighbouring countries like India, Nepal, Bhutan, Myanmar, Sri Lanka, Pakistan, China and Thailand are heavily against Bangladesh.

The trade imbalance with India is very dismal as official figure accounts more than one billion dollar gap in favour of the borderly neighbour. Experts predict the gap to three times if unofficial trade is considered.

The reason of such huge trade gap with India and the rest of the countries is due to lack of diversified exportable items in Bangladesh. The negative attitude by India and conservative trade policies by some other countries also contributes to such imbalances.

A study by the Centre for Policy Dialogue (CPD) found only seven items which fetch more than Tk one crore annually through export.

Garments and knitwear sector alone contributes to more than 70 per cent of the annual total export earning of the country which is around six billion dollars.

Although the sector draws huge earning but the country in reality retains small portion of it as such products are produced with imported raw materials under back to back LC facilities.

Though the garments exporters claim the retention level from the sector to be above 50 per cent, government officials and experts say it is not more than 25 per cent.

Almost 80 per cent of the population in Bangladesh is engaged in agriculture. But little is left for export after domestic consumption. The country exports agricultural goods like jute and jute related items, frozen foods, leather and leather goods, tea, fresh fruit and vegetables.

Other than textile, agricultural and agro-based items, only few other items like ceramics, melamine, handicrafts, pharmaceuticals, software and some electronic items under light engineering sector have contributed significantly to export figures. The total annual export earning from all these sectors is less than one billion dollars.

The officials at the ministry of commerce admitted that it would be very difficult to harness benefits of duty and quota free facilities with the existing items in the export basket.



M Anis Ud Dowla, chairman and managing director of ACI Limited, inaugurates the annual sales and marketing conference 2003 ACI Consumer Brands held at the ACI centre in the city Saturday. S Alamgir, executive director of Consumer Brands, and Md Shamsuzzaman, national sales manager of CB, were also present on the occasion

## ACI Consumer Brands sales confce held

The annual sales and marketing conference 2003 of ACI Consumer Brands was held at the ACI Centre in the city Saturday, says a press release.

M Anis Ud Dowla, chairman and managing director of the company, inaugurate the conference. S Alamgir, executive director of Consumer Brands, also spoke on the occasion.

Foreign partners including Anil Ganu of Colgate Palmolive, Sanjay Nayyar of Merisant India Ltd and Debashish Dattagupta of Dabur India Ltd and all field and marketing personnel of the business attended the conference.

In his speech, Dowla thanked the team for their excellent performance during the year 2002.

Alamgir gave an outline of the objectives for the year 2003 and assured the team of all the necessary assistance required for achieving the goals.

## FBCCI electoral system PM's intervention demanded

**STAR BUSINESS REPORT**

The Reformation Action Council of the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI) yesterday demanded Prime Minister's intervention to solve the problems created in the FBCCI election.

They also demanded immediate implementation of high court verdict issued on December 30 last year, which directed the commerce secretary and the FBCCI authority to hold election according to its rules

and regulations without making any changes.

Ignoring the high court verdict, the commerce ministry issued a statutory regulatory order (SRO) on December 31 last year to hold the election according to the ministry order made earlier.

The ministry order issued on July 31 last year directed FBCCI authority to fill those top posts from the FBCCI directors. Of those directors, fourteen would come through nomination instead of election.

The leaders of the council made

the demand at a press conference at the federation office in the city.

Convenor of the council Md Helal Uddin Helal read out a written statement at the conference attended by Delwar Hossain, Abu Motalab, Amir Hossain Khan, Dewan Sultan, M Saiful Islam, Hazi Harun, Anisur Rahman Badsha and Joyanal Abedin.

They said that the direct election system would make the voting more transparent and ensure accountability of the candidates.

## AB Bank signs \$10m deal with Meghna Group

Arab Bangladesh Bank Limited will provide \$10 million in financial assistance to Meghna Group of Industries.

An agreement to this effect was signed between the two sides at the bank's office in the city recently, says a press release.

Under the deal, the money will be utilised for the expansion of trading and edible oils.

Abu Haniff Khan, president and managing director of AB Bank Ltd, and Mostafa Kamal, managing director of Meghna Group of Industries, inked the accord on behalf of their respective sides.

## IFIC Bank hands over Tk 3.51cr dividend to govt

The government which holds 40 per cent shares of International Finance Investment and Commerce Bank Limited has earned Tk. 3,50,88,225.00 as dividend during the year 2001, says a press release.

The Chairman of IFIC Bank Limited Manzurul Islam handed over the dividend warrant to the Minister of Finance, M Saifur Rahman at a simple ceremony held at his secretariat office in the city on Saturday.

## Kuwait pegs currency to US dollar

Kuwait on Sunday pegged its currency exclusively to the US dollar to prepare for monetary union between Gulf Arab countries.

A central bank official told Reuters the Kuwaiti dinar will be allowed to fluctuate by a margin of 3.5 per cent from the official rate.

The OPEC member had planned to launch the move on January 1 but it was delayed due to the New Year holiday.

Central bank officials have said they expected the transition to be smooth and analysts predicted there would not be major fluctuations because the dollar already dominates the basket of currencies, which includes the euro and Japanese yen, that the dinar was pegged to before Sunday's change.



Photo shows a partial view of the 11th annual general meeting of Wonderland Toys Limited held at its factory premises at BK Bari at Rajendrapur in Gazipur recently.

## Hundi still persists: Saifur

Finance and Planning Minister M Saifur Rahman yesterday said enactment of Anti-Money Laundering Act reduced 'hundi' transactions to a great extent, but could not totally eliminate the unlawful business.

"Those who remit money through 'hundi' are enemies of the economy. They misguide the flow of economy," he said while launching the Online remittance network with UK and USA at a function at the local auditorium in the afternoon.

Many developed countries also initiated measures to check 'hundi'

business, the Finance Minister said.

He informed that remittance flow marked a 370 per cent rise last year compared to the previous year, as expatriate Bangladeshis sent foreign currencies equivalent to Tk 675 crore up to November in 2002 against Tk 183 crore in 2001 through the banking channel.

He urged the local people to advise their expatriate relatives to remit money through banks.

Saifur Rahman also inaugurated a micro enterprise development and financing project of the state-owned Sonali Bank that took Moulavibazar as pilot project area for the collateral-free special lending scheme for

small enterprises.

Under the scheme, Sonali Bank will disburse up to Tk 50,000 without any collateral.

Speaking on the occasion, the Finance Minister advised to people to go for investment instead of depositing idle money with banks. Last year, the people of Sylhet region deposited Tk 1200 crore with banks, but borrowed only Tk 194 crore.

Earlier, the minister inaugurated the annual sports competition of the district police at the Police Lines ground.

## Wonderland Toys declares 10pc dividend

Wonderland Toys Limited (WTL) has declared a 10 per cent dividend for its shareholders for the year 2002.

The dividend was announced at the 11th annual general meeting of the company held at its factory premises at BK Bari at Rajendrapur in Gazipur recently, says a press release.

Quamrunnesa, chairperson of Wonderland Toys Ltd, presided over the meeting.

Akbar Hossain and Farah Shad, directors of the company, and Monir Hossain, secretary of the company, were also present at the meeting.

A large number of shareholders of the company attended the meeting. All agenda unanimously approved by the shareholders.

## Pakistan crosses key economic targets

Pakistan has surpassed key economic targets in the first half of the current financial year including collecting more revenues than envisaged in the budget, a top financial official said on Saturday.

"In the current fiscal year, we are optimistic that growth rate would be over 4.5 per cent," said Shaukat Aziz, advisor to the prime minister on finance and economic affairs.

In 2001/02, Pakistan's economic grew by 3.6 per cent.

"We have over-performed" in revenue collection, Aziz told a news briefing at the Karachi Stock Exchange (KSE).

Aziz visited the KSE to mark the world-heating rise in its benchmark 100-share index, which surged 112 per cent in 2002.

He also said the Central Board of Revenue has collected 200.5 billion rupees in the first six months of fiscal 2002/03 (July-June) compared with the target of 199.5 billion.

"Results of the revenue collection are still coming in. We hope the figure would improve."

"This is a change from a year ago when we were revising and revising (the revenue collection figure). This time we are not just meeting the target, we are over it."

Aziz, who served as finance minister during the three-year military rule which ended in November, vowed to continue sweeping economic reforms started by President Pervez Musharraf.

Pakistan's outgoing military government won praise from international donors for sticking to strict conditions set by the International Monetary Fund to revive its ailing economy.

Aziz said the government paid off 38.6 billion worth of loans borrowed from banks compared with the target of 7.9 billion rupees in the first half of current fiscal year.



Abu Haniff Khan, resident and managing director of Arab Bangladesh Bank Limited, and Mostafa Kamal, managing director of Meghna Group of Industries, exchange documents after signing a financial assistance agreement on behalf of their respective sides at the bank's head office in the city recently. Under the deal, AB Bank will provide \$10m to Meghna Group of Industries.



A Tk 10 crore credit line agreement was signed between National Bank Ltd and National Housing Finance and Investment Ltd in the city on Saturday. Picture shows Mostaque Ahmed, acting managing director of National Bank Ltd, and Sabbar Rahman, acting managing director of National Housing Finance and Investment Limited, exchanging documents after signing the agreement on behalf of their respective organisations. Syed Moazzem Hossain, executive vice president, and senior executives of the bank were present at the signing ceremony.