

## War fear halves RMG export orders

Outgoing BGMEA president tells *The Daily Star*

M SHAMSUR RAHMAN

War fear in the Middle East has slowed down ready-made garment export orders from Bangladesh by almost half, said outgoing President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Orders worth Tk 1000 crore to Tk 1200 crore have become uncertain in the American and European Union markets due to war threat, said BGMEA chief Kutubuddin Ahmed, who hands over charge to his successor today, while talking to *The Daily Star* on Monday.

Bangladesh has almost 40 per cent of its market in the US and almost 52 per cent in the EU.

Ahmed said such uncertainties will slow down export but there was little to be afraid as recent market access to Canada and Japan is expected to increase the overall RMG export of Bangladesh.

Bangladesh has been exporting



Kutubuddin Ahmed

almost US\$ 100 million to Canadian market which is expected to increase to US\$ 500 to US\$ 700 while Bangladesh RMG to Japan is also expected to rise.

"We in the BGMEA are trying to gain confidence of the Japanese buyers to enter their market,"

Ahmed said.

He said entry to Japanese market can really open up huge potential for RMG exports from Bangladesh since it does not require much value addition to enter the market. On the other hand, Canada market requires 25 per cent value addition.

He said there is possibility of gaining market access to Australia, which will be another boost for Bangladesh RMG.

"If all these expectations are fulfilled then we can look forward to an export of around US\$ 7 billion to US\$ 7.5 billion," Ahmed said.

He said during his tenure, he made an all out effort for betterment of the garment sector.

"I have introduced six clinics during my tenure, signed deal with the largest fashion institute of Australia, convinced the government to bring down packaging credit interest to seven per cent from 10 per cent and more or less

ensure compliance of factory regulation of International Labour Organisation," Ahmed said.

Speaking about failure, Ahmed said, he had failed to implement the SAARC cumulation despite having received the order. "We have been demanding relaxation of rules of origin, but I fail to understand why we could not implement it."

He said demand for a central bonded warehouse was there from the beginning. "But we failed to implement that due to opposition from another trade organisation who argued that there would be leakage from the bonded warehouse facility."

"Besides, we also failed to introduce the garment village," Ahmed said.

He said though his tenure is over, he would continue to assist the new leaderships whenever his assistance is required.

## Govt plans real estate sector policy, regulatory body

STAR BUSINESS REPORT

Government is planning formulation of a policy to support the booming real estate sector and to introduce regulatory body to check tax evasion and corruption in this prospective sector, said Finance and Planning Minister M Saifur Rahman yesterday.

He said as it is emerging as a potential business, some unscrupulous developers are taking advantage of outdated and complicated policy and guidelines which need to be replaced by modern ones.

"At present two proposed laws namely- Private Housing Policy-2002 and Multi-storied Building Construction Policy-2002- are for government consideration which must go through open debate with participation of all stakeholders before being enacted as final law," he said.

The minister was making his deliberations at a dialogue on 'Strengthening the Role of Private Sector Housing in Bangladesh Economy: The Policy Challenges' organised by Centre for Policy Dialogue (CPD) in collaboration with Real Estate Housing Association of Bangladesh (REHAB).

Saifur said though the housing sector has been exempted from VAT, registration and other taxes have been reduced to 13.5 per cent, developers fail to offer houses at competitive prices.

He said the proposed watchdog would oversee all facets of the business including price, legal and environmental compliance, qual-



PHOTO: PID

Finance and Planning Minister M Saifur Rahman addresses a dialogue on 'Strengthening the role of private sector housing in Bangladesh economy: The policy challenges' organised by Centre for Policy Dialogue and Real Estate Housing Association of Bangladesh yesterday in Dhaka.

ity, tax payment and other related issues.

The real estate sector, which employs about 10 lakh people directly or indirectly, has strong contribution to the growth of a host of backward and forward linkage industries like cement, tiles, aluminium, ceramic and painting, he said.

"As the industry is fully supported by backward linkage, it contributes to the government exchequer 100 per cent in value addition."

Expressing dismay at the existing rules, he warned that the city could turn into an urban night-

mare if such practices are not stopped immediately.

The developers are so commercial that they do not like to leave any open space unused, depriving dwellers of breathing space. "We are heading for a claustrophobic atmosphere," he remarked.

Unless utility services, sewerage facility, parking space, children park and required open space is ensured, developers should not be permitted to go for building a house.

He urged the civil society members and independent think tank like CPD to mobilise public opinion so that government can formu-

late and implement the required policy for the sector.

"If people get united for a cause, government is bound to force the developers to comply to the laws," Saifur said.

He said wholesale stone collection from Sylhet area and filling up of low lands must also be stopped to avoid environmental catastrophe.

CPD Executive Director Debapriya Battacharya, REHAB Chairman Taufiq M Seraj, NBR Chairman Shoib Ahmed also spoke at the dialogue held at CIRDP auditorium in Dhaka.

## Construction, real estate, housing sectors add 16pc to FY02 GDP

STAR BUSINESS REPORT

The construction, real estate and housing sectors' share in the GDP in FY 2002 was 16.3 per cent, making significant growth to backward and forward linkage industries.

The growth rate of the construction sector was 7.9 per cent in FY 2002, much higher than the 4.8 per cent growth rate of GDP in the same fiscal year.

This was disclosed in Dhaka yesterday at a seminar on the role of private sector housing in the economy organised by Centre for Policy Dialogue (CPD) and Real Estate & Housing Association of Bangladesh (REHAB).

A paper titled 'Strengthening

the Role of Private Sector Housing in Bangladesh Economy: The Policy Challenges', prepared by CPD Executive Director Debapriya Battacharya, said the real estate sector employs around ten lakh people directly or indirectly, generating considerable employment.

According to the Labour Force Survey (LFS), the construction sector employed 2.1 per cent of total labour force in 1999-2000.

The real estate sector makes an important contribution to the national exchequer of about 36 crore taka a year through various revenues like VAT, registration fee and utility connection fee. The sector receives considerable investment which averaged to Tk

7642 crore in the Fifth Five-Year Plan period and the investment consisted of 4.1 per cent of GDP in FY 1999, the paper said.

The real estate sector is also making important contributions to paints, ceramics, aluminium, furniture and consultancy.

There are already two modern ceramics industries that are meeting local demand.

There are a dozen paint industries catering to the demand created by the real estate sector. The furniture and interior designing companies also benefit from the real estate sector. Lastly, the construction boom has catalysed the exponential growth of the cement industry, making Bangladesh self-

sufficient in cement production.

The financial intermediation in the housing sector is not adequate enough because of high interest rates and limited sources of funds.

The financing is done by the state-owned House Building Finance Corporation (HBFC) and privately run Delta-Brac Housing and National Housing Finance. But, the private sectors interest rate of 16 per cent is higher than HBFC's of 15 per cent.

The FY 2003 budget has brought some changes in the tax structure for the real estate sector so that the overall tax for this sector has been reduced to 13.5 per cent, giving rise to apartment sales, the paper said.

## Forex branch of Shahjalal Bank opens

UNB, Dhaka

Shahjalal Bank Limited opened its foreign exchange branch at city's commercial hub Motijheel yesterday.

It is the 9th branch of the bank that started operating in September 2000.

Addressing the branch opening function, Industries Minister MK Anwar urged the private sector banks to improve their efficiency and contribute more in industrialisation.

State Minister for Industries Prof Rezaul Karim, Chairman of Shahjalal Bank Ltd Sajjatz Juma and Managing Director Matin Uddin Ahmed were present.

Outside the capital, the bank has one branch at Bianibazar of Sylhet and has planned to open another one in Gazipur by the end of this month.

## French Agro-Food Week in Delhi April 3-4

A two-day French Agro-Food Week will begin in Delhi from April 3, 2003, says a press release.

French Trade Commission in Delhi and French agriculture ministry have arranged the week.

During this event, French companies both public and private in different areas of agro-food together with French Institutions will participate in a seminar on "French approach to food quality and safety."

The French Trade Commission (FTC) in Dhaka and the France-Bangladesh Chamber of Commerce & Industry (CCIFB) have jointly proposed to send a delegation of entrepreneurs from Bangladesh to Delhi for a special session on Bangladesh perspectives during the two-day event.

Any company interested to participate may contact CCIFB and FTC.

## Vanik credit cards allowed at FedEx centres

Bangladesh Express Co Ltd, licensee of Federal Express Corporation (FedEx), has signed a merchant agreement with Vanik Bangladesh Limited recently, says a press release.

Under the agreement, all Vanik credit cardholders will be able to use their cards at five FedEx world service centres located at Motijheel, Gulshan, Banani, Karwan Bazar and Dhanmondi in Dhaka.

ASM Azad Khan, deputy managing director of Bangladesh Express, and Mustafizur Rahman, senior vice-president of Vanik Bangladesh Limited, signed the agreement on behalf of their companies.

## Prolonged war to take hefty toll: IMF

AFP, Frankfurt

The International Monetary Fund estimates a prolonged military conflict in Iraq could cut global economic growth by up to 2.0 percentage points, the business daily Handelsblatt reported on Tuesday.

The newspaper said it had obtained a copy of the IMF's World Economic Outlook, scheduled to be published in mid-April, in which the fund expressed concern about the "grave economic consequences" of a war in Iraq.

A long drawn-out military conflict could spark a downward spiral worldwide as oil prices flared higher, investor and consumer confidence slumped and uncertainty on the world's financial markets increased, the IMF warned.

Only a very short war could have positive effects on the economy and stock markets.

The IMF was set to cut its forecast for global growth this year to 3.3 per cent from its earlier forecast of 3.7 per cent published last September, Handelsblatt said.

The fund expected the US economy to grow by 2.4 per cent in 2003, compared with the previous forecast of 2.6 per cent, euro-zone growth would drop to 1.3 per cent rather than 2.3 per cent, and the German economy would expand by a meagre 0.7 per cent, instead of the 2.0 per cent previously predicted.

Germany would probably see its public deficit again breach EU limits. And the pressures on the financial systems in a whole range of countries would increase if share prices fell further and the number of bad loans increased.

As a possible solution, the IMF recommended the world's central banks should cut key interest rates still further.

## Japan mulls fresh economic package

AFP, Tokyo

Japan is considering a fresh economic package in a bid to avert a possible financial crisis resulting from a US-led war against Iraq, reports said Tuesday.

The move came after the benchmark Nikkei-225 average of the Tokyo Stock Exchange plunged to a new 20-year low Monday and the yen continued to gain against the dollar amid rising fears that a US-led war against Iraq is imminent.

Under the package, the government would ask the Bank of Japan to further ease its monetary policy to help financial institutions secure

funds in the event of a war, Japan's top-selling daily Yomiuri Shimbun and the business daily Nihon Keizai Shimbun said.

Tokyo also plans to conduct yen-selling intervention estimated at one trillion yen (8.6 billion dollars) a day in the foreign exchange market to weaken the Japanese currency, the Nihon Keizai Shimbun said.

Japan hopes a falling yen will boost its economy as it makes Japanese exports more cost competitive and boost the value of repatriated profits for exporters.

## Iranian envoy, BOI chief talk investment scenario

Iranian Ambassador to Bangladesh M Beheshti met the Executive Chairman of the Board of Investment (BOI) at his office yesterday, says a press release.

During the meeting, they discussed the issues relating to bilateral investment and trade scenario.

Beheshti praised government initiatives to further improve FDI situation. He mentioned that Iranian investors are looking for investment opportunities in Bangladesh.

The Ambassador also proposed investment promotion seminars to accelerate process of attracting investment.

He said using the benefit of the competitive investment environment, Iranian investors are keen to invest in the sectors like transport equipment, sanitaryware, cement and home appliances.

## ATDP-II, Banoful sign agreement on food safety, hygiene

Agro-based Industries & Technology Development Project (ATDP-II) signed an agreement with Banoful & Co Pvt Ltd to create the first "ATDP-II Showcase of Cleanliness and Quality" (SCQ) to promote food safety and hygiene, says a press release.

Under the agreement, Banoful has agreed to abide by a set of cleanliness and quality codes to insure that their production facilities and workers maintain the highest standards for hygiene.

To insure transparency, Banoful has agreed to unannounced inspections by ATDP-II experts and to an annual cleanliness and quality audit.

## Leading central bankers still expect global upturn

REUTERS, Basel, Switzerland

The world's leading central bankers still believe the world's largest economy is headed toward healthy growth this year, despite the pervasive uncertainty from a possible war in Iraq, and dismissed fears of global economic recession.

Bank of England Governor Sir Edward George on Monday acknowledged the US economy was sending out mixed signals, but the broad picture of gradual recovery remained intact.

"If you look through the Iraq uncertainty a gradual strengthening of the US economy seems a more likely prospect than significant weakening," George told reporters after chairing a regular meeting of top central bankers at the Bank for International Settlements (BIS).

Germany, whose economy has stagnated for the last two years, is also expected to escape recession, just as the euro zone is headed for modest but positive growth.

Illustrating the growing con-

cern over the health of Europe's largest economy, George said that one of his central bank colleagues had raised the question of a German recession.

"That question was put and the expectation was that it was unlikely," George said.

George's assessment did not substantially differ from what central bankers said after their most previous meeting in January when they predicted a modest global upturn this year, with a steady improvement in growth led by the United States and with Europe lagging only slightly behind.

"We are certainly seeing rather mixed signals coming out of the US economy. The prospects are uncertain, but overall the underlying picture is not that very different from where it has been for some time," he said.

George's comments largely echo those of Horst Koehler, managing director of the International Monetary Fund, who on Sunday said he did not expect a global recession despite ongoing uncer-

tainly. Koehler also said the world's major economies still had scope for further monetary easing if necessary.

George said the central bankers had not discussed specific forecasts but were still, broadly speaking, pencilling in US growth approaching three per cent by the end of this year.

"The perception is the US economy will continue to pick up at around that pace," he said.

Commenting on growth in the euro zone, George said the European Central Bank's decision last week to prune its key interest rate by 25 basis points reflected a more gloomy prognosis for a recovery. The ECB said geopolitical tensions and rising oil prices had hurt confidence and undermined growth prospects.

"Underlying growth is somewhat slower than expected before but it is still modestly positive," George said, adding the euro zone should return to trend growth of two per cent plus in the course of 2004 instead of during the second half of 2003.

With the world now bracing for war, investor confidence has plummeted and markets have plumbed new depths, but George dismissed fears the global economy was heading for recession.

"Germany is not headed for recession, nor certainly is the euro zone -- their expectation is for modest but positive growth and that will be true of the United States, that will be true certainly for the United Kingdom and true also of Japan," he said.

The economic situation in Japan had been "more positive than anticipated," George said, but noted uncertainties lay ahead.

Recent economic data have pointed more to a continued slowdown rather than to a gradual pickup, as predicted by central bankers at their last Basel meeting on January 13.



PHOTO: SHAHJALAL BANK

Industries Minister MK Anwar addresses the inaugural ceremony of the foreign exchange branch of Shahjalal Bank Ltd at Motijheel yesterday. State Minister for Industries Prof Rezaul Karim, Chairman of Shahjalal Bank Ltd Sajjatz Juma and Managing Director Matin Uddin Ahmed were present.



PHOTO: FEDEX

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