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Relax rules of origin for LDCs to absorb post MFA shock

Dhaka urges European Commission

STAR BUSINESS REPORT

With the multi-fibre arrangement (MFA) era coming to an end, Bangladesh has urged the European Commission to relax rules of origin for the least developed countries (LDCs) to help them absorb the post MFA shock.

The MFA will cease after 2004 which poses serious threat to Bangladesh's largest foreign currency generating sector, the readymade garments. The MFA offered the LDCs a guaranteed export market for decades through quota.

Phasing out of the MFA will pose serious threat to the textile and apparel exports from the LDCs like Bangladesh. It will lead to huge loss of employment, resulting in adverse socio-economic impact on LDCs.

Bangladesh had raised these issues while representing the LDCs in the May 5-6 global conference on the future of textile and clothing, organised by European Commission in Brussels.

Commerce Minister Amir Khosru Mahmud Chowdhury presented a paper on the impact of quota elimination on developing countries and strategies for industrial restructuring during the second session of the conference.

In the paper, the commerce minister urged the European Commission to introduce a new GSP (generalised system of preference) with relaxed rules of origin for LDCs and devise an effective capping mechanism for protecting the market share of apparel exporting LDCs.

Briefing on the Brussels meet, Amir Khosru yesterday told reporters Bangladesh wants duty-free access to all countries with relaxed rules of origin.

"We feel LDCs should be exempted from anti-dumping duties," Khosru told the briefing.

Khosru said in order to work out details of the desired special measures the LDCs will hold a conference in Dhaka from May 31 to June 2 to hammer out a common stand in protecting their trades in the post-2004 quota-free regime.

UNB adds: Bangladesh is at the risk of losing 50 per cent of its apparel exports if quota is eliminated, while many garment factories are feared to close down rendering thousands of unskilled workers jobless.

The country already experienced a major shock from partial withdrawal of quota last year as its exports declined by around 30 per cent in category 847 (US category for trousers) and 37 per cent in category 331 (US category for gloves) during January-December 2002.

On the other hand, exports from China, India, Mexico and Russia marked a sharp rise in those two categories, the minister said giving a comparative scenario.

The Agreement on Textiles and Clothing (ATC), introduced in 1995, requires abolishment of quota that ensures protected market access to small exporting countries in 10 years.

However, the commerce minister said, "We can't tell you for sure right now whether one million people will lose job or one million people will be recruited afresh. We've to get prepared to face post-MFA situation."

Khsoru referred to market preferences Bangladesh is enjoying from developed countries. "But these are not enough. We want more," he added.

Duty-free market access already offered to Bangladesh by EU, Canada and some other countries will be beneficial so long as tariff structure remains unchanged. Such preferential treatment will be less rewarding when tariff will be liberalised, the minister pointed out.

He felt SAARC cumulation, as prescribed by EU, should be preceded by 'global cumulation' as Bangladesh's apparel industry imports raw materials from non-SAARC countries also.

The Brussels conference, attended by key policymakers and senior functionaries from both the government and private sector from 72 countries, took note of LDCs' concerns and discussed possible remedies.

Central bonded warehouse to destroy local textiles

Textile engineers tell pre-budget briefing

STAR BUSINESS REPORT

Strongly opposing garment exporters' demand, textile engineers yesterday said a central bonded warehouse will destroy Bangladesh's textile sector.

All export-oriented readymade garment factories have their own bonded warehouse and the government could not stop leakage from these sources, they said. So, allowing a central bonded warehouse will seriously hurt local backward linkage industries, they added.

However, the textile engineers favoured a special arrangement for only those fabrics, which are not produced locally, synthetic fabric in particular.

The leaders of the Institution of Textile Engineers & Technologies, Bangladesh (ITET) were speaking at a pre-budget press briefing held at a hotel in Dhaka.

In the face of tight competition in the global market, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) on last Thursday urged the government to set up a central bonded warehouse to address lead-time problem.

The textile engineers said 99 per cent of the fabrics in the wholesale and retail markets are illegally imported.

A section of government officials are involved in these businesses, they said mentioning around 800 bond licenses of the garment industries have not been renewed or cancelled.

"In order to reduce lead-time problem, steps should have been taken to produce fabrics locally but unfortunately this did not happen," Ariful Haque Khan, secretary general of the ITET, told reporters.

Abdul Matin, president, Syed Fakhrul Hasan Murad, senior vice president, and other leaders of ITET were present at the briefing.

Ahead of the next fiscal's budget, the ITET placed a set of recommendations to the government and if these are considered, they felt, local entrepreneurs would be encouraged.

The process for sanctioning bank loans with 30 per cent equity participation should be easier. Interest rates for capital investment should not be more than five per cent while working capital six per cent, the engineers recommended.

Gas and power tariffs for export-oriented industries should be cut by 50 per cent. A flat rate should be introduced instead of peak and off-peak rates.

In order to cut cost of production of locally produced fabrics, minimum charge for gas should be 12 hours instead of existing 16 hours, the ITET leaders suggested.

Taxes, duties, advance income tax, value added tax on dyes, chemicals, spare parts imports should be withdrawn, they demanded.

The professionals felt farmers should be given subsidy so that they are encouraged to produce cotton locally.

It is essential to expand the export market, they observed mentioning there are big markets in Japan, Africa, Commonwealth of Independent States (CIS) and Middle Eastern countries.

Navana Furniture showroom opens at Kazipara

Navana Furniture has opened its second showroom at Kazipara in Dhaka, says a press release.

Shafiul Islam Kamal, chairman of the Navana Group, inaugurated the showroom recently.

Along with others, Navana Furniture's Technical Advisor E. H. Chowdhury and Marketing Manager Hasan Latifur Rahman were present.

PHOTO: NAVANA

Shafiul Islam Kamal, chairman of Navana Group, inaugurates the second showroom of Navana Furniture at Kazipara in Dhaka recently.

MTC Cement hits Indian market

MTC Cement Industries Ltd has started exporting its Tiger Brand cement to India, says a press release.

The first shipment of 100 tonnes was forwarded to Agartala, India on Saturday.

The company, which started its production in 2001, has a daily production capacity of 25,000 bags. Its second unit at Pagla is expected to go into production soon.

MTC Cement Industries earned ISO 9001-2000 certificate in 2002.

Annual demand for cement in Bangladesh is sixty lakh tonnes while 1.20 crore tonnes are manufactured in the country.

IDB team shows interest to invest in three sectors

BSS, *Dhaka*

The visiting team of the Islamic Development Bank (IDB) has shown keen interest to invest in power, telecommunications and health sectors in Bangladesh.

Besides, IDB will provide loan to any large-scale private investment, said BOI Chairman Mahbubur Rahman after a meeting with the IDB team at his office yesterday.

He said BOI and IDB have exchanged views on the establishment of a large-scale steel mills in Bangladesh in which around 100 million US dollar will be invested.

A Bangladesh team will visit Middle Eastern counties in October next to boost investment and flow of remittances, Mahbubur Rahman said.

He said 'Kuwait Friendship Hospital' is being constructed in Uttara with the assistance of IDB. The bank is interested in making more investment in the health sector, he added.

The IDB team led by its advisor Nabil Nasif also exchanged views with Export Promotion Bureau (EPB).

During the meeting the IDB team apprised the EPB of its "Assets Management Project," a loan project for private entrepreneurs, Director of EPB Abdur Razzak Mondol said.

Bank holiday May 15

BSS, *Dhaka*

Bangladesh Bank (BB) and all schedule banks will remain closed on May 15 on account of Eid-e-Miladunnabi and Buddha Purnima.

All banks will operate as usual on May 14, a BB press release said here yesterday.

BB T-bill auction

UNB, *Dhaka*

The 244th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills was held here yesterday.

Tk 200.00 crore, Tk 2.00 crore, Tk 12.30 crore, Tk 1.00 crore and 42.20 crore were offered for the 28-day, 182-day, 364-day, 2-year and 5-year bills.

Of these, Tk 200.00 crore, Tk 2.00 crore, Tk 12.30 crore, Tk 1.00 crore and 31.20 crore of 28-day, 182-day, 364-day, 2-year and 5-year bills were accepted.

The range of implicit yields was 7.80-7.85 per cent, 9.35 per cent, 10.04-10.05 per cent, 10.85 per cent and 11.42 per cent per annum, said a Bangladesh Bank press release.

Bills worth of Tk 434.20 crore will be retired in the current week and net issuance would amount to Tk 187.70 crore during this week.

From 'managed' to 'free float' of taka

Non-convertibility on capital account provides safeguard but more needed

MD MATIUL ISLAM

The latest example of a country opting for free float is Egypt where since last January 29 the rate of Egyptian pound is being set by the market forces. Before the float, the government-controlled core rate was 4.51 pound to a dollar and the pound were allowed to trade 3 per cent above and below the core rate. On the opening day of the float, the Egyptian pound plunged and lost almost 17 per cent of its value against US dollar to 5.395. Within 5 days of the plunge, however, the pound regained 12.4 per cent of its lost value. The immediate plunge of 17 per cent was explained as market correction to unofficial rate that was prevailing prior to the move. The quick recovery was attributed to the fundamental strength of the economy, a balanced current account, surge in capital inflows and build up in foreign assets. In contrast, the Sri Lankan rupee fell 3.5 per cent in value a day after the free float. With US$77.00 billion in reserves, India is hesitant to float for fear that rupee might appreciate against dollar and make her exports non-competitive.

Bangladesh lacks the positive features which helped Egypt to stage a quick recovery, although some other prevailing factors may favour free float at this time. There is now hardly any difference between the official and the kerb market rate; dollar has recently weakened against taka, the Libor rate is lowest ever and the non-convertibility of taka in the capital account which acts as a cushion against speculative movement of the currency.

However, these are temporary safeguards and do not guarantee medium or long term stability of the exchange rate, which have to be achieved by (a) reducing balance of payments deficit; (b) increasing flow of workers' remittances; (c) curbing the menace of hundi trade and (d) avoiding bunching of bulk imports of oil, food grains and fertiliser. The expected fall of oil prices with the availability of Iraq oil is an additional favourable factor.

It is doubtful that free float will result in increased flow of foreign investment for Bangladesh. However, some improvements in export earnings are expected. It will be necessary to take conscious specific decisions to increase inflow in foreign funds. One such measure will be to open up financial sector for foreign investment and allow open bid for NCBs offered for privatisation. In Pakistan, 51 per cent of United Bank shares fetched Rs 11,500.00 crore. Another area, which can bring in ready foreign exchange flow is from road transit facility to India and gas pipeline from Tripura and Myanmar to West Bengal to carry Indian gas through Bangladesh.

The writer is a former finance secretary

PHOTO: HSBC

Participants pose for a photograph at the HSBC Bangladesh Trade Services seminar held in Dhaka recently.

World Travel and Tourism Council meets Thursday

Travel industry to find ways to weather crisis

AFP, *Lisbon*

The world travel industry, which was still reeling from the security fears sparked by the September 11 terrorist attacks and the Iraq war when the deadly SARS virus delivered another punch, will gather in Portugal later this week to discuss the crisis pounding the sector.

Over 60 speakers from around the world, including a number of presidents of major airlines and hotel chains, are expected to flock to the southern seaside resort of Vilamoura on Thursday to attend a two-day conference organized by the World Travel and Tourism Council, a grouping of travel industry chiefs.

It will be the first major global meeting of tourism heads since the outbreak of SARS -- which has claimed more than 500 lives in about 30 countries -- led to a sharp fall in hotel bookings and flight cancellations around the world.

"I can't remember when the travel and tourism sector has faced so many challenges," said Alex Kyriakidis, the head of travel, tourism and leisure at consultancy Deloitte and Touche who will take part in the conference.

While tour operators had hoped a quick end to the war in Iraq would lead to a release of pent-up travel demand, recent industry figures suggest the appearance of SARS has given travellers a new reason to stay put.

International travel reservations group Amadeus said last week worldwide bookings had fallen by 16 per cent in the first three weeks of April compared to the same time last year because of concerns over the spread of the flu-like virus.

Bookings for destinations in Asia, the region worst affected by SARS, had fallen 60 per cent according to the Madrid-based firm, which runs the world's second largest travel reservation system.

Airline industry group IATA, which brings together some 280 airlines representing more than 95 per cent of international air traffic, has said fear of travel will cause the deeply troubled industry to lose about 10 billion dollars (8.9 billion euros) in 2003.

HSBC holds trade services seminar

Trade Services of the Hongkong and Shanghai Banking Corporation in Bangladesh (HSBC) held a seminar for its corporate clients in Dhaka recently, says a press release.

The seminar on "Partners in Long Term Growth" enlightened customers on the HSBC Group's strengths in trade services, on the local availability of an array of innovative and e-based trade products, and on the traditional relationship-based approach in dealing with customers which remains a cornerstone of HSBC's approach.