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Make RMG inputs duty free to face post-MFA era: WB

STAR BUSINESS REPORT

To counter impending risk of losing international market in the post-MFA era, Bangladesh and other South Asian countries should completely withdraw duty on RMG raw materials and develop their outsourcing trade, suggested the World Bank (WB).

The phasing out of multi-fibre arrangement (MFA) after 2004 will create a new economic opportunity for South Asian nations who could withdraw tariff walls to their neighbours to develop RMG outsourcing through comparative advantage, the WB said in its "Overview on Trade Policies in South Asia".

It said South Asian countries should discard protectionism in trade with their neighbours and open up market for inputs of ready made garments (RMG) to become competitive in global market after the expiry of the quota regime.

"High protection takes pressure off industries to improve their performance. Low cost, internationally competitive domestic textile and clothing markets will provide a much better basis for exporting to a more competitive post-MFA world," said the review which was released yesterday at a workshop in Dhaka.

Bangladesh Institute of Development Studies (BIDS) and the World Bank jointly organised the two-day workshop on Trade Policies in South Asia at IDB Bhaban.

Exports from a highly protected domestic industry are much more vulnerable to anti-dumping in importing countries than exports from open domestic markets, the WB overview said.

Addressing the workshop, Garry Pursell, international development consultant of WB, urged the Bangladesh RMG exporters to better lead-time and efficiency to retain their share in international market. He advised them to maintain consistent quality which, he said, is missing in RMG exports from Bangladesh.

Annisul Huq, director of Bangladesh Garment Manufacturers' and Exporters' Association (BGMEA) said the government should extend central bonded warehouse facility to RMG exporters to help them overcome the risk of losing export market in the post-MFA era.

Urging the government to take initiatives for improving port efficiency to help exporters reduce their delivery time he said, "We are lagging behind Indian, Thai, Chinese and Vietnamese exporters as we need 15 days extra time to get clearance at Chittagong Port."

Huq said government should come up with long term measures to bail out the RMG sector, which tops country's export earnings with 76 per cent share. He said if the government meets the demand of exporters, Bangladesh has not much to be panicked about the risk of the quota-free regime.

Presiding over the workshop, Mohammad Ali Taslim, chairman of Tariff Commission, said Bangladesh should earn realistic commitment about removal of non-tariff and para-tariff barriers in negotiations with neighbouring countries for free trade agreements.

Quazi Shahabuddin, director general of BIDS, Omar Haider Chowdhury, research director of BIDS, Zaidi Sattar, senior economist of WB in Bangladesh, Tercan Baysan, regional trade director of WB, Mirza Azizul islam, former director of ESCAP, SM Al-Hussainy, chairman of Swanirvor, Ali Rashid of North South University, Fakhrul Islam Munshi of Bangladesh Agribusiness Development Organisation and M Asaduzzaman, research director of BIDS, also addressed the workshop.

NCC Bank launches collateral free small loan

National Credit and Commerce (NCC) Bank Ltd has introduced collateral-free loan schemes for small business, salaried persons and for house repairing and renovation.

The bank recently held a daylong workshop on Small Loan Schemes in Dhaka for the executives of all 32 branches of the bank to raise their awareness about the importance of the schemes and their appropriate marketing, says a press release.

NCC Bank Managing Director M Aminuzzaman, Senior Executive Vice-presidents Md Nurul Amin and Kazi Md Shafiqur Rahman spoke at the workshop.

HSBC donation to Saarc Women's Association

The Hongkong and Shanghai Banking Corporation (HSBC) Limited in Bangladesh has donated Tk two lakh to Saarc Women's Association.

David JH Griffiths, chief executive officer of HSBC in Bangladesh handed over the cheque to Amna Rahman, president of Saarc Women's Association, at their annual fund-raising programme held recently in Dhaka, says a press release.

The fund will be used for the treatment of visually impaired children and surgery of cleft palate reconstruction.

PHOTO: HSBC

Chief Executive Officer of the Hongkong and Shanghai Banking Corporation (HSBC) Limited in Bangladesh David JH Griffiths hands over a cheque for Tk two lakh to Amna Rahman, president of Saarc Women's Association at their annual fund-raising programme in Dhaka recently.

FBCCI for increased trade among C'wealth nations

UNB, *Dhaka*

Taking a tip from a calculation that doing business among the member-countries is 15 percent cheaper, Bangladesh business community has urged the Commonwealth nations to increase trade among themselves.

The Federation of Bangladesh Chambers of Commerce and Industry made the call when the FBCCI hosted a lunch here yesterday in honour of the delegations attending the Commonwealth Parliamentary Association (CPA) conference.

President of the FBCCI Abdul Awal Mintoo delivered welcome address at the luncheon at the Banquet Hall of Bangladesh-China Friendship Conference Centre shortly after inauguration of the CPA Conference by Prime Minister Khaleda Zia.

"With the growth of the global economy, as national and regional boundaries are losing their relevance, countries must increasingly take a more global view of opportunities for economic growth," Mintoo said.

The chief of the apex business body of the country told the gathering that over 20 per cent of world trade originate in Commonwealth countries, with some 40 per cent of the WTO (World Trade Organisation) membership coming from the confederation of the former British colonies.

With some 1.7 billion Commonwealth people having affinities in language, legal systems, administrative procedures and political outlook, he said, Commonwealth provides one of the finest possibilities to enhance trade and investment among the countries.

"Any political bloc in order to be effective and for continued existence must respond to the new economic challenge. In this fast-changing world CPA must innovate a vision for successful economic cooperation between member-countries."

He said the CPA represents the largest endeavour of shared goals of millions for democratic advancement within the framework of a workable political system parliamentary democracy.

"In an extremely diverse world, achievement of political ideals are inherently complex--we have witnessed painful glimpses of complexity in this Dhaka conference," the business leader told his audience of lawmakers and politicians.

Achieving political ideals, therefore, needed organised and committed endeavour for their advancement and sustenance. "CPA represents one of those bold organised endeavours."

Repo auction

UNB, *Dhaka*

The Repo auction of Bangladesh Bank for commercial banks and financial institutions was held here yesterday.

Nine bids of 1-day tenor amounting to Tk 289.00 crore and three bids of amounting to total Tk 37.80 crore were received.

Of them, five bids amounting to 217.00 crore and three bids amounting to Tk 37.80 were accepted.

The rates of interest against the accepted bids of one-day and 7-day tenors ranged from 5.00 percent to 4.50 percent and 5.10 percent to 4.50 per cent per annum respectively, said a BB release.

Remittance posts meagre growth in July-Sept

STAR BUSINESS REPORT

Remittance inflow witnessed a slowdown in the first quarter of the current financial year, posting less than one per cent growth which was around 34 per cent during the same period of last fiscal.

According to Bangladesh Bank statistics, expatriates sent $734.7 million during July-September of FY 2003-04 while the amount was $728.34 million during the same period of last fiscal. The growth was only 0.82 per cent.

With poor remittance inflow, the foreign currency reserves remain stagnated over the past three months. The reserve was US$2.506 billion yesterday.

Remittance slowed down in recent months as Saudi Arabia-based exchange house Al-Razi Commercial Foreign Exchange Company had stopped payment of foreign currencies to Bangladesh, an official of the central bank told The Daily Star yesterday.

Al-Razi had stopped paying cover funds to Sonali, Agrani and Islami Bank at the beginning of August due to some internal problems. As a result, remittance amounting to around $45 million of Sonali and Agrani Bank had been blocked.

The problem was however solved recently when the Ministry of Finance, Bangladesh Bank and Bangladesh Embassy in Saudi Arabia intervened in the matter, officials said. The remittance flow is now getting normal.

According to sources, Sonali Bank, Agrani Bank, Pubali Bank and Islami Bank carried around 90 per cent of total remittance during July-September period. Of the total amount, around 80 per cent came from middle-eastern countries.

Saudi Arabia has been one of the major sources of remittance for Bangladesh.

A slowdown in manpower export also contributed to the poor remittance growth, some bankers said. They however expect that a substantial amount of remittance would come before the coming Eid-ul-Fitr.

In last few years remittance witnessed an upward trend.

The remitted amount was $1882.10 million in fiscal year 2000-01. It grew by around 33 per cent to $2501.13 million in 2001-02 fiscal year and hit a record $3057.92 million in 2002-03.

After the September 11 attack on the US, and subsequent wars in Afghanistan and Iraq, Bangladeshis living abroad transferred a huge amount of money to the country pushing the overall remittance flow up.

Japan's forex reserves hit record high

AFP, *Tokyo*

Japan's foreign exchange reserves in September rose to a record 604.87 billion dollars, boosted by Tokyo's dollar-buying interventions in the foreign exchange market in a bid to drive down the yen, the government said Tuesday.

The September reserves were up 49.79 billion dollars from August, the finance ministry said.

"The amount of dollars increased due to yen-selling interventions," said a ministry official.

From August 26 to September 26, Japan spent a massive 4.46 trillion yen (40 billion dollars) in a bid to halt a rapid rise in the yen.

A strong yen hurts Japanese exporters by making their goods less price competitive abroad and reducing their repatriated overseas earnings.

The currency's recent sharp gains against the dollar have sparked concerns it could even undermine Japan's fragile export-led recovery.

Annan blasts rich nations for trade talks collapse

AFP, *United Nations*

UN Secretary General Kofi Annan on Monday said wealthy nations pandering to powerful lobbies were behind the collapse of world trade talks in Mexico last month.

Underlining what has become a theme in his recent speeches, Annan said that developing nations feared their "voices are not being heard" and that the talks failed because the concerns of rich nations had trumped those of poor ones.

"Last month's setback in the trade talks at Cancun is the latest, but by no means the only, example showing how the priorities of the developing world can be brushed aside when northern governments have powerful producer lobbies to placate," he said.

Annan said that while some nations had made terrorism, weapons of mass destruction and crime a top priority, most had other concerns that "surely register higher" like poverty, AIDS, civil war and human rights violations.

"The people of developing countries worry that their voices are not being heard, and that the will to act can be found for the former set of issues but not the latter, despite promises and pledges made at world conferences."

His remarks were to be made in a speech to development staff in New York state, a copy of which was provided by his spokesman's office.

In early September, the World Trade Organisation's 148 member countries tried but failed to revive global trade talks, in large part because of deep divisions between rich and poor countries.

The conference came apart in a dispute over proposed WTO negotiations on rules governing cross-border investment, competition, government procurement and trade facilitation.

WTO deputy director general Roderick Abbot said Monday that the conclusion of the Doha round of trade talks aimed at liberalising global commerce will probably have to be extended beyond a January 1, 2005 deadline.

He said the delay was the consequence of the failure to reach agreement in Cancun.

One-euro banknotes get mixed billing from EU

AFP, *Luxembourg*

Italian proposals to take the fight against the greenback into consumers' wallets by issuing a one-euro banknote got a mixed reception from the European Union Tuesday.

Italian Finance Minister Giulio Tremonti said late Monday, after monthly talks among the 12 euro nations in Luxembourg, that the European Central Bank was studying the issue and expressed the hope that one- and two-euro notes would be out "as soon as possible".

The ECB, however, is skeptical about issuing new forms of currency just four years after the euro entered into general circulation.

No timescale has been put in place, but "time is money", Tremonti told a news conference after the meeting of euro group finance ministers.

"A number of ministers were very positive and urged that we proceed rapidly on this," he said.

IMF urges Japan to recapitalise banks

REUTERS, *Washington*

Japan should offload its banking sector's bad loans and recapitalise banks to boost the country's struggling financial sector, the International Monetary Fund said on Monday.

In an interview with an internal IMF publication, Stefan Ingves, director of the IMF's Monetary and Financial Systems Department, said Japan's government should also reduce its large stake in the private sector to strengthen bank profits.

Ingves' comments follow an assessment of Japan's financial system under a joint IMF and World Bank Financial Sector Assessment Program (FSAP).

"What you need to do ... is to move nonperforming loans out of the banks and recapitalise the banks," Ingves told the IMF Survey publication.

"And when you recapitalise, you must ensure there is proper governance. It is not enough to just put in the money and hope that the problem will go away," he added.

Ingves said Japanese banks could increase profitability by producing new types of banking services, but that would require the Japanese government to cut back its large role in the financial sector.

"If the government maintains its current role in the private sector, the banks are likely to continue to have problems with their profitability," he said.

Ingves said Japan's Postal Savings System and Postal Insurance System were among the largest in the world, and that the money in the systems was largely channeled to the government through investments in government bonds.

"Add to this a number of other types of government-funded schemes for housing and for lending to small and medium-sized enterprises, and you have a government that competes with the private sector," he said.

Ingves said the assessment report showed that the bigger, publicly supported lending schemes and deposit-taking institutions in Japan needed to shrink their investments in the financial sector if Japan's banking sector was to profit, consolidate and develop new and better products.

And given the millions of people involved in such schemes, such a cutback must be orderly, Ingves said.

"It seems anomalous, but in the short run, the government needs to get more involved in dealing forcefully with the banking problems and the lack of capital, whereas in the medium term, it needs to reduce its role in the financial sector. How do you square that circle? Well, the issue here is timing," he added.

Rising cotton prices threaten Asia textile profits

REUTERS, *Hong Kong*

A doubling of world cotton prices and capacity growth of a third in China over the last two years threaten to strangle margins and profits for textile makers in Asia.

Vulnerable firms include Hong Kong-based Texwinca Holdings and Fountain Set (Holdings) Ltd, which together make about half the world's knitted cotton fabric, much of it in China, the world's biggest textile and garment maker.

Victory City International Holdings Ltd and newly listed Weiqiao Textile Co Ltd, China's largest cotton textile maker, would also be exposed to a prolonged rise in cotton prices, as would south Asian manufacturers such as Arvind Mills in India and Nishat Mills in Pakistan.

Cotton prices have risen 38 percent this year, ING Financial Markets said. Meanwhile, cotton textile capacity in China has grown 30-40 percent over two or three years, Marrill Lynch said.

While some market watchers expect rising cotton prices will ultimately be absorbed by retailers and consumers, Jeanine Angell, a Merrill Lynch analyst in Singapore, said textile makers in China are losing pricing power and will be vulnerable to margin pressure in the coming year.

"It's quite a difficult proposition to get capacity growth of 20 percent and get price increases as well," she said, adding textile company earnings could fall next year. Angell has a "sell" rating on Texwinca.

Mills in India, the world's second-largest cotton consumer, are also battling higher cotton prices. Its textile sector enjoyed a boost earlier this year as buyers were scared away from SARS-afflicted China.

China is the world's biggest grower and user of cotton, accounting for about one-third of consumption. Demand growth from China is fueled by double-digit expansion in textile exports.

For the year starting in August, China is expected to produce 5.2-5.4 million metric tonnes of cotton and consume between 6.5-6.8 million tonnes at the mill level.

The deficit could be exacerbated by Chinese exports of 300,000-500,000 tonnes, said Jeff Coey, regional director of Cotton Council International, an arm of US trade group National Cotton Council of America. "There will clearly be a shortfall in China of at least a million tonnes," he said.

The rise in world cotton prices accelerated in recent weeks after China revealed that its harvest would be lower than forecast because of cold, wet weather.

Two years after sinking to a 29-year low of less than 30 US cents per pound, analysts said global cotton prices are poised to reach a five-year high above 70 cents.

China set to tighten power industry rules

AFP, *Beijing*

China is set to overhaul the supervision of its power industry in hopes of preventing blackouts similar to those that hit the United States and Italy only weeks ago, state press reported Tuesday.

The planned changes to China's electricity laws will be the first in eight years and part of a major push to ensure the stability of the country's power supply and better regulation of the market, the China Daily reported.

"One of the lessons we learned from the blackouts in foreign countries is that we should reinforce the supervision of the system to keep uniformed control over transmission and distribution," the newspaper quoted Shao Binren, vice chairman of the State Electric Power Regulatory Commission, as saying.

Singapore economy to grow 3-5pc in 2004: Lee

AFP, *Singapore*

Singapore's struggling economy is on the rebound and should grow by between three and five per cent next year but the unemployment rate will get worse before improving, Deputy Prime Minister Lee Hsien Loong said Tuesday.

"Barring any unexpected shocks, our very preliminary estimate is that in 2004 the economy should grow three to five per cent," said Lee, who is also finance minister and chairman of the Monetary Authority of Singapore, the city-state's central bank.

Lee cited an improving global economic outlook, especially in the United States, as the main reason for his upbeat assessment.

Restructuring wave hits Korean companies

ANN, *Korea Herald*

A new wave of restructuring is sweeping over Korean businesses amid the prolonged economic slump, raising concerns of a rash of labor dispute in coming months.

Companies in telecom, electronics, construction and textiles sectors recently announced their plans to reduce workforce and sell their assets in a scope unseen since the financial crisis that hit the nation in the late 1990s.

More recently, Doosan Heavy Industries and Construction Co., a major machinery maker, is planning to reduce the size of its workforce through an early retirement program.

The company said yesterday that it will begin talks with labor union soon on its planned restructuring program. It plans to compensate voluntary retirees with two years of pay and tuition fees for their children for three years. The scope of restructuring has not been decided yet, company officials said.

Its first-half sales fell 18 percent to 1 trillion won, casting doubt about this year? target of 2.4 trillion won.

Earlier this month, KT Corp., the country? largest fixed-line carrier, cut its workforce by 12.6 percent, or 5,500 jobs through early retirement and voluntary severance agreements in the largest-scale downsizing in local telecom market history.

The job cut will lead to an annual cost reduction of 330 billion won ($287 million), the company estimated.

KT said the early retirement package was aimed at grappling with a protracted slump in the telecom market. Its second-quarter net income plunged 33.3 percent on the year to 325.6 billion won, hurt by fierce competition and a slowdown in demand.

Iljin Electric, the flagship company of Iljin Group, has joined the bandwagon of the restructuring trend, recently deciding to sell off its varistar business. A company official said the decision is in line with the group-wide resolve to abandon unprofitable businesses, regardless of their symbolic significance, and focus its energy on new ones.