

5-month BoP shows deficit

Widening trade gap and declining net FDI, foreign aid blamed

REJAUL KARIM BYRON

The overall balance of payment (BoP) showed a deficit in July-November period of the current financial year due to widening trade gap and declining net FDI and foreign aid.

The BoP showed \$369 million deficit in the first five months of FY 06, although the BoP was \$484 million surplus in the corresponding period of FY 05, according to Bangladesh Bank statistics.

Declines in net foreign direct investment (FDI), foreign aid and other short-term loans have resulted in deficit in the BoP's financial account.

Net FDI declined to \$250 million, down by 6.71 percent in July-

November period of this fiscal from previous year's same period, which was \$268 million.

The foreign aid declined during the period, although the principal amount payment went up.

During the July-November period of the current fiscal year, foreign aid dipped to \$251 million from \$692 million in the same period of last fiscal year.

The government had to pay back principal amount of \$200 million over the same period, while the repayment amount was \$185 million in the previous year.

As a result, net foreign aid received was only \$ 51 million during the first five months of the current fiscal year while it was \$507 million during the same

period of the previous year.

Another reason of overall deficit in BoP is the ever-widening trade gap.

The trade deficit in the July-November period of the current fiscal year rose by \$47 million and stood at \$1.12 billion, which in the previous year was \$1.07 billion.

Though import over the same period dropped, it did not help in shrinking the trade gap as export growth also marked decline at that time.

While import grew by 22.95 percent in the July-November period in FY05, it recorded 10.95 percent growth during the same period in FY 06.

On the other hand, export grew by 19.64 percent in the July-

November period in FY05 while it recorded a 12.73 percent growth in the first five months of FY 06.

Although the BoP is under pressure, the foreign exchange reserve is in a relatively better shape amounting to \$2.83 billion last week, thanks to the sharp remittance growth. In the first six months of the current fiscal year, remittance grew by 23 percent, which was 13 percent in the corresponding period of the previous year.

Economists believe the BoP situation remains a major concern in the macroeconomic management suggesting the government should attempt to raise both foreign aid and export to address the issue.

Ramos urges Dhaka, Manila to take initiative to cut trade gap

UNB, Dhaka

Former president of Philippines and chairman of Ramos Peace and Development Foundation Fidel V Ramos, now in Dhaka, has said Bangladesh and Philippines should take initiative to reduce gap in bilateral trade.

"Bilateral trade is small between Bangladesh and Philippines... joint initiatives by the business community can help reduce the gap," he said while addressing a press conference at the Philippines Embassy in the capital yesterday.

Terming graft and corruption as a barrier to country's development, Ramos said that to combat corruption, Philippines has a unique weapon, people's court, which is still conducting the trial of corruption of a former head of the state.

He said this people's court has been specially formed to conduct trials against the corrupt public servants.

The former Filipino president said the ombudsman system helped Philippines a lot in developing its political system and to maintain law and order of the country.

The ombudsman system has been introduced in most parts of the country, which is helping the nation to get better result in maintaining peace and order, he said.

Ramos said that to stay tuned with the process of development, rate of educated citizens should be increased in a country.

Education is the most powerful weapon for moral uplift of the masses, he said adding that education enables capable young people to move out of the condition into which they are born.

Keeping this in view, Philippines put emphasis on education, which would also help every developing and under developed countries to get a better nation in future, he said.

DSE sees 2nd lowest thin trade in 2 years

SARWAR A CHOWDHURY

Following bearish trends in the last few weeks, the Dhaka Stock Exchange (DSE) yesterday saw the 2nd lowest thin trade in two years.

The total volume of trade in terms of value on DSE stood at Tk 7.70 crore yesterday. The premier bourse experienced the lowest thin trade after 2003 on March 31, 2004. The trade volume was Tk 7.18 crore.

The DSE witnessed highest trade valued at Tk 62.65 crore on November 24, 2004, market sources said.

Market analysts said the ongo-

ing political unrest centring the Election Commission and the upcoming national election made investors cautious.

They also attributed the downturn to upcoming initial public offerings (IPOs).

"Investors are saving money to invest in the IPOs of Jamuna Bank and S Alam Cold Rolled Steels Ltd," said DSE Chief Executive Officer Salahuddin Ahmed Khan.

Jamuna Bank and S Alam Steels will offer IPOs worth Tk 51.48 crore and Tk 12 crore.

The recent monetary policy that increased interest rate on bank deposits and savings certificates

encouraged common people to invest in savings tools, he said.

Moreover, he said, a liquidity crisis has gripped merchant banks and financial institutions, which are major players in the share market, resulting in a temporary downturn in the stock market.

"I hope, the situation will not continue for a long time," he added.

A total of 1,496,683 shares of 154 issues worth Tk 7.70 crore changed hands on the DSE against previous day's 2,132,649 shares of 184 issues worth Tk 11.74 crore. Of the issues traded, 80 closed in gains, 53 suffered losses and 21 remained unchanged.

PM for legal framework for microcredit activities

UNB, Dhaka

Prime Minister Khaleda Zia yesterday underlined the urgency of bringing microcredit activities under timely legal framework for infusing further dynamism in the emerging financial sub-sector.

"There remained a lot of scope for taking steps to ensure accountability and good governance in the institutions engaged in the micro-credit programme," she said at a function marking the conclusion of UN International Micro-Credit Year 2005.

Seeking cooperation from all concerned, Khaleda said the government is interested to formulate an appropriate law and set up an effective monitoring organisation to that end.

She mentioned that, though small in number, some dishonest individuals and organisations misappropriated the hard-earned savings of poor people.

Prime Minister Khaleda directed ensuring security of the hard-earned money of the poor and rural people under the framework of government's microcredit law.

Addressing the function of awarding citations to associate organizations of PKSF on the occasion of observance the Microcredit Year at Hotel Sheraton, she hoped that partnership of the government, development partners, voluntary organizations and private sector in microcredit operations will be enhanced in future.

The prime minister noted that the microcredit model of Bangladesh is now being replicated in nearly 90 countries of the world, from Africa to America, and said that spurring economic activities with this micro-scale financing now has turned into a "world movement".



PHOTO: STAR

Bangladesh mission chief in Geneva Dr Toufiq Ali (R) speaks at a meeting on the outcome of WTO ministerial conference with the leaders of Dhaka Chamber of Commerce and Industry (DCCI) in the capital yesterday. DCCI President MA Momen (2-R) and former commerce minister Amir Khosru Mahmood Chowdhury (3-R) are also seen.

INVESTMENT IN BANGLADESH

Pak textile millers seek privilege for utility bills

BDNEWS, Dhaka

The visiting Pakistani textile millers yesterday sought utility services at fixed prices for a certain period in investing in textile sector of Bangladesh.

"Utility tariffs and labour wage are much lower here compared to Pakistan. If there is any guarantee of supplying the utility services like gas, electricity and water at a fixed rate, we can consider investing in Bangladesh," M Zubair Motiwala, former chairman of the All Pakistan Textile Processing Mills Association (APTMA) and mem-

ber of the visiting delegation, told a seminar in Dhaka.

The seminar on 'Strategic Cooperation in Textile Sector between Bangladesh and Pakistan' was organised by the Bangladesh Textile Mills Association (BTMA) with its chairman MA Awal in the chair.

Zubair said if the country increased utility bills after some days, it would not be beneficial for the investors interested to invest in Bangladesh. Citing the example of such guarantee in the United Arab Emirates (UAE), he said the UAE government offers such packages for foreign investors.

He also said that there is big gap of raw materials in Bangladesh. "We can relocate a portion of our units either in joint venture or in 100 percent equity," he added.

"There could be joint ventures in textile machinery and textile chemicals. We can also cooperate in human resource development field and capacity building of the sector," said Arshad Abdullah Vohra, Chairman of the APTMA and leader of the delegation.

Referring to the demand gaps of yarn and fabrics to meet the domestic requirement, Minister for Textiles and Jute Shahjahan Siraj said the a large number of mills is required to set up to meet the demands of the upcoming years.

He said the prospective investors of Pakistan might benefit from investing in the textile sector of Bangladesh.

BTMA Chairman MA Awal said Bangladesh offers favourable incentive packages for the foreign investors.

High costs forcing Pak textile makers abroad

AFP, Karachi

Pakistani textile exporters say they are looking to move their operations to Bangladesh and Sri Lanka due to high manufacturing costs, despite gains from last year's abolition of import quotas.

The key industry has replaced worn-out equipment to face global competition after the 30-year quotas ended in January 2005. The quotas ensured developing countries had access to the key European Union and US markets.

But while their 5.5-billion-dollar investment over the past five years has given good returns, they say cost overruns at home threaten their hopes for the future.

The issue is enormous for debt-burdened and poverty-stricken Pakistan, which relies on textiles for about 67 percent of its total 13-billion-dollar exports or over 11 percent of the Gross Domestic Product.

"A number of bedwear and home textiles manufacturers have been forced to relocate their factories to Bangladesh and Sri Lanka," said Bilal Mullah, chairman of Pakistan Readymade Garment Manufacturers Association.

Hundreds of textile companies upgraded their equipment and operations to compete with giant rivals like China and India under the quota-less regime, but high costs -- coupled with regulatory and bureaucratic hurdles -- have rendered them uncompetitive, he said.

"I am seriously looking at relocating my textile units to Bangladesh as the cost of manufacturing here is going beyond our control," said Shabbir Ahmed, one of Pakistan's largest bedwear exporters, who spent 25 million dollars on modernising his factories.

Pakistani exports to the EU dropped 33 percent in January-May 2005 compared to the same period last year, whereas Chinese exports climbed 57 percent and India's increased 28 percent, he said.

Ahmed said he led a delegation of the Pakistan Bedwear Exporters Association on a fact-finding mission to Bangladesh in December and was now conducting "feasibility studies" on a possible move there.

The government is skeptical of the business's claims.

Saifur leaves for Hanoi to attend JEC meet

BDNEWS, Dhaka

Finance and Planning Minister M Saifur Rahman yesterday left Dhaka for Hanoi to attend Bangladesh-Vietnam Joint Economic Commission (JEC) meeting.

The three-day JEC meeting begins in Hanoi today.

Officials said his visit will boost bilateral economic relation between the two Asian countries.

Officials of the Economic Relations Division (ERD) said Bangladesh will seek Vietnam's help to develop the country's agriculture sector where Vietnam has achieved amazing success with the help of modern technologies.

Dhaka will also urge Vietnam to import finished leather from Bangladesh, they added.

The first JEC meeting is being held following last year's visit of Prime Minister Khaleda Zia to Hanoi. During her 3-day visit, she and the Vietnamese premier agreed to increase two-way trade to US\$ 100 million by 2008.

Proposal for direct air link between the two countries will also be discussed at the meeting. The countries have earlier signed an agreement in this regard, but no air link exists between the two nations.

Ericsson's top executive due tomorrow



Karl-Henrik Sundstrom, executive vice president and chief financial officer of Ericsson, will be visiting Bangladesh from February 7 to 9.

During his visit, Sundstrom is scheduled to meet Post & Telecommunications Minister Md Aminul Haque and Ericsson's customers and employees in Bangladesh, says a press release.

Sundstrom has been with Ericsson for more than 20 years, having started his career at the company as a financial management trainee in 1985. He was appointed vice president and general manager of Ericsson's Global Services business unit in 2002 and he became the chief financial officer of the company in 2003.

WTO NEGOTIATIONS

Private sector urged to up institutional capacity

STAR BUSINESS REPORT

Bangladesh mission chief in Geneva Dr Toufiq Ali yesterday advised the private sector people to increase institutional capacity so that Bangladesh can conduct a skilful negotiation with the World Trade Organisation (WTO).

He made the recommendation at a meeting on the outcome of the recently held WTO ministerial conference with the leaders of Dhaka Chamber of Commerce and Industry (DCCI) in the capital.

The mission chief also urged the businesspeople to identify what facilities Bangladesh can get from the developed countries and how the country can negotiate with the WTO to avail those facilities.

"If you cannot tell us what your problems or interests are, we cannot negotiate with the WTO competently...and to identify your interests you have to conduct research," he said.

Former commerce minister Amir Khosru Mahmood Chowdhury urged the private sector stake-

holders to conduct some research regarding WTO negotiations.

DCCI President MA Momen said "The government should put all diplomatic efforts bilaterally, regionally and multilaterally to gain desired trade concessions for increasing export."

Business leaders at the meeting also stressed the need for strengthening the WTO Cell in Bangladesh and inclusion of private sector stakeholders in the WTO negotiation committee.