



New MD of Jiban Bima Corporation

Md Wazed Ali Khan took over as the managing director of Jiban Bima Corporation with effect from March 2, 2006.

Prior to this new assignment, he was the joint secretary to the food and disaster management ministry, says a press release.

Wazed Ali got his post-graduate degree in Political Science from the University of Dhaka and joined government service in 1981 as a member of the BCS Administration cadre.

Indian phone subscriptions soar 39pc

AFP, New Delhi

Phone subscriptions in India, led by mobile services, have soared 39 percent in the year ended February to 135.5 million as competition has cut call rates, the government said Wednesday.

New phone subscriptions, mobile and landline, are growing by 160,000 daily leading to a phone penetration rate in the nation of 1.1 billion people of 12.1 percent.

This compares with less than three percent five years ago and is near the global average of around 15 percent, according to a government press release.

The boom has been spurred by lifting the monopoly on phone services from two state-owned providers about a decade ago to more than 10 private companies now.

Nepal RMG export to US rises 47pc in Feb

XINHUA, Kathmandu

Export of readymade garments, Nepal's main foreign currency earner, to the United States in the month of February has increased by 47 percent compared to the 8 percent decline in January this year.

However, according to figures released yesterday by the Garment Association of Nepal (GAN), garment export in the same month during the previous fiscal declined by 55 percent which was worth 4,455,332 US dollars.

Soaring dollar prices puzzle BB too

UNB, Dhaka

Bangladesh Bank (BB) is unsure about reasons behind the soaring dollar prices in the inter-bank exchange market but suspects whether export proceeds were repatriated properly or quantity of imports fell short of the invoices for shady deals.

The suspicion intensified when the central bank observed that the rate of the foreign exchange was not stabilising despite the gap between the inflow and outflow of foreign exchange having reduced significantly, showing no supply shortages of the greenback in the market.

"We're puzzled too why the market behaves like this," BB Governor Dr Salehuddin Ahmed told a group of newsmen at his office yesterday, apprising them of the bank's apprehensions about any market manipulation and dishonest deals in import-export trade.

He said the day-to-day transactions in the forex market also show adequate supply of the international trading currency.

Earlier, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Mir Nasir Hossain met the governor at his office, apprising him of concerns of the business community over the price spirals that went as high as Tk 72.25 a dollar in case of LC (letter of credit) opening.

According to the latest figures,

exports and wage earners' remittances constituted inflow of US\$ 7.5 billion as of July-January period of the current fiscal year while the country made import payment of US\$ 6.7 billion.

"In paper, there's hardly any gap between the forex inflow and outflow... we don't know what's going on in real terms," Dr Salehuddin said, as the central bank initiates investigation into the possible wrongdoing.

The BB convenes a meeting of foreign-exchange dealers today (Thursday) to discuss the delirious market situation, following which it would look deep into the export proceeds and then request the National Board of Revenue (NBR) to examine whether importers physically brought goods into the country as per the invoices.

The central bank was also planning to introduce separate inspection system with separate guidelines to ensure intensive monitoring of the transactions in the free-floating foreign-exchange market.

Replying to a question, the governor said commercial banks were not showing interest in taking forex loans through Reverse Repo at six percent rate of interest from the central bank.

"Maybe, they think it expensive," he said adding: "We have invited them to take loans even at a negotiated price."

Replying to another question, he

said the BB is against releasing forex from the reserve on account of any unforeseen emergency.

He said "We have been asked to import huge food on emergency basis."

The governor said that the reserve stood at US\$ 3.1 billion yesterday (Wednesday) but would fall again by around US\$ 300 million after a due payment of Asian Clearing Union (ACU) today (Thursday), or the day after.

The FBCCI president expected the BB would actively review and consider whether it could release some dollars from the reserve to douse the overheated money market.

The central bank is also ready to lend to the commercial banks, the business leader said, after his one-to-one meeting with the governor.

He said the BB thinks that there were no reasons for dollar crisis. The governor, however, assured him that the central bank would try so that the dollar price does not rise further.

Mir Nasir said the governor took into account the concerns of the business community that the gradual devaluation of local currency would badly affect the industry, inflation, debt servicing and, in broader aspect, the whole economy.

WB suggests measures to up RMG competitiveness

REJAUL KARIM BYRON

The World Bank has called for allowing female garment workers at night shifts, reducing import duty to 15 percent, lifting export subsidy and reviewing back-to-back letter of credit (LC) system to enhance Bangladesh's competitiveness in apparel export.

The WB has made the recommendations in a report styled "End of MFA quotas: Key issues and strategic options for Bangladesh readymade garment industry", which is likely to be released next week.

The multilateral donor agency made a detailed study on Bangladesh's readymade garment industry in the quota free era. The bank has identified the weaknesses in the garment industry and offered remedies to overcome those.

The report makes a set of recommendations to overcome the weaknesses of the Bangladesh garment

industry. Regarding trade policy, the WB report suggests unifying of all para-tariffs and merging them with customs duty (CD) and reduction in customs duty to 15 percent over the next five years.

To reduce lead time, the report suggests setting up central bonded warehouse in export promotion zones (EPZs) with adequate safeguards and monitoring arrangements.

Regarding fiscal issues, the report suggests withdrawing export subsidy. Export subsidy to textile sector has not benefited RMG industry, specifically knitwear, as yarn is supplied at higher than world prices, the report said.

Pointing to the fact that women workers cannot work beyond 8pm, the report says this provision prevents factories from running more shifts, which dramatically increases cost. Thus the report suggests modification of labour policy so that women workers can work at night

shifts and the factories can run multiple shifts.

Mentioning that RMG buyers find payment mechanism complicated the report suggests reviewing the back-to-back LC system in favour of open LCs and direct payment.

The study is based on an evaluation of the performance of Bangladesh's apparel industry from January to July in 2005. The report observes, "During Jan-July in 2005, Bangladesh was clearly a winner with China, India and Sri Lanka, while countries like Hong Kong, Taiwan and Malaysia lost out".

The report said during the period Bangladesh's apparel export to the US grew by 21.5 percent while China and India registered 94.3 percent and 34.4 percent growth.

The report also cautioned that there are major challenges for Bangladesh as safeguard measures against Chinese export will be phased out by 2008 and Indian textile and garment industries have

undergone major technological changes.

The report also expressed concern about the low competitiveness of Bangladeshi garment products compared to those from China, India and some other developing countries.

The report mentioned Bangladesh's garment industry lacks skilled manpower. Besides, compliance issues are also putting extra strain on the competitive strength of the sector.

The report mentioned that labour cost in China is \$0.69 per hour, in India \$0.58 per hour while in Bangladesh it is as low as \$0.30. "The low wage of workers in Bangladesh is unfortunately accompanied by their low productivity which erodes part of the benefits of cheap labour."

AEC's PHULBARI COALMINE DEVELOPMENT PLAN Govt decision likely by May

BDNEWS, Dhaka

The government will take decision on Asia Energy Corporation's (AEC) development plan for Phulbari coalmine by May, sources concerned said.

The feasibility study and development plan by AEC for the coalfield is now under consideration of the government.

A source at the Energy Division said the proposal of the AEC has been sent to an experts' committee for reevaluation.

At the same time, the drafting of the policy is now at the final stage, the source added.

The Energy Division hopes that a decision on Phulbari will be taken in line with the opinion of the experts' committee and the coal policy shortly.

Energy Adviser Mahmudur Rahman said two aspects are linked with taking a decision on Asia Energy's Phulbari coalmine development proposal — the national coal policy has to be finalised and the report of the experts' committee has

to be obtained.

He said the experts' committee is yet to submit its report despite extending timeframe for its work.

"The people concerned have been told to submit the report by March 15," he said.

The coal policy, meanwhile, has been drafted. It will be sent to the cabinet for approval by this month.

The advisor said open pit proce-

Oil prices ease

AFP, Singapore

Oil prices eased in Asian trade Wednesday after the Opec cartel indicated it would maintain rather than cut current production quotas, dealers said.

At 11:42 am (0342 GMT), New York's main contract, light sweet crude for delivery in April, was down eleven cents to 61.47 dollars from its close of 61.58 in the United States on Tuesday, when it lost 83 cents.

dure has been suggested for production from Phulbari coalfield. "But the company concerned has to compensate for social and environmental damage."

Mahmudur Rahman said the draft coal policy has made mandatory the setting up a coal-mouth 500 MW power plant.

The advisor thinks that there is no scope to consider Asia Energy's proposal before finalisation of the coal policy.

He expects that the coal policy will be finalised by April. "By the time we will also get the report of the experts' committee," he said.

The government signed an agreement with Australian BHP Billiton in 1993 for developing Phulbari coalmine. Later, the London-based Asia Energy purchased the interest and signed an agreement with the government during the past Awami League regime in 1998.

The AEC on October 2, 2005 submitted the feasibility study and development plan for the Phulbari coalmine project.

US, Australia review historic trade pact

AFP, Washington

Australia pressed the United States Tuesday to grant more access in sensitive commercial areas as the two countries held their first review of a landmark free trade pact.

US Trade Representative Rob Portman and Australian Trade Minister Mark Vaile said the free trade agreement (FTA), which took effect in January 2005, had lent a major boost to each nation's exports.

"We've seen a substantial jump in exports of US goods, including beef, fresh and processed fruit and vegetables, rice, wine, machinery, including electrical machinery, trucks and parts, and aircraft," Portman told reporters.

"This is great news for American businesses, workers, farmers and ranchers as well as Australian consumers."

Vaile also acclaimed the benefits of the FTA, which contributed to two-way trade between Australia and the United States growing six percent last year.

But he noted that Australia had been unable to scrap US quotas on its sugar exports under the FTA, given US reluctance to allow in greater competition to its heavily protected sugar industry.

"That structure is there, it's not to be re-litigated, if you like. But of course, being a dynamic arrangement, there's an economic relationship that we want to continue to expand and grow," Vaile said.



Iqbal Hasan Mahmood, state minister for power, and MA Momen, president of Dhaka Chamber of Commerce and Industry (DCCI), among others, are seen at a seminar on 'Scope of Investment Opportunities on Renewable Energy Technologies (RET) in Bangladesh' organised by the DCCI in the capital yesterday.

Turmoil won't derail Asian growth: ADB

AFP, Singapore

Asian economies including Thailand and the Philippines, which are beset by political turmoil, will grow strongly this year despite high oil prices and interest rate hikes, the Asian Development Bank's vice-president said Wednesday.

Regional giants China and India as well as rising Southeast Asian star Vietnam are expected to be among the best performers, Jin Liqun said in an interview with AFP.

The ADB has said East Asia,

excluding Japan, will grow 7.2 percent this year.

Economic growth will vary between countries, but "ADB is quite upbeat overall," said Jin, who was China's vice-minister of finance before his appointment to the Manila-based development bank in 2003.

"China's target is 8.0 percent, India at least 8.0 percent... When you take these major economies into account, overall the growth rate will be pretty high," he said, but "there might be some countries whose growth rates

might be a bit lower."

Pakistan is also expected to post strong growth, while the Vietnamese economy, which expanded by 8.4 percent in 2005, should maintain or even exceed that performance, Jin said.

He added that political unrest is unlikely to derail economic growth in Thailand and the Philippines, where Prime Minister Thaksin Shinawatra and President Gloria Arroyo, respectively, are facing threats to their leadership.

Tata's investment proposal and related issues

MAMUN RASHID

India-based industrial conglomerate Tata placed its US \$ 2.5 billion investment proposal to the Bangladesh government last year. In its first proposal, Tata proposed investment in steel and fertilizer sectors against the guaranteed supply of gas for 30 years. The government through various meetings and discussions suggested Tata to change its investment plan, which relied heavily on the gas supply. Subsequently Tata explored other alternatives and consequently placed a new, revised proposal. As per the new proposal, Tata has sought gas supply for 20 years and furthermore, as an alternative energy source, proposed a coal-based power generation plant. The coal-based power plant will have the capacity to generate 1,000 MW, out of which 50 percent will be supplied to the national grid and the remaining to be used by the proposed fertilizer plant. Hence, Tata's new proposal is now comprised of investment in steel, fertilizer, power and coal mining sectors in the country.

The government had several rounds of discussions with Tata with regard to its new investment proposal. Discussions and meetings between Tata and the government started from May 8, 2005. Consequently, five more rounds of meetings were held on June, July, October of last year and in January and February of this year. There had been many arguments, both for and against Tata's investment plans in Bangladesh. We have already seen arguments against this investment from a section of society, especially civil society through newspapers. But we

should remember while US \$ 3 billion has been invested in Bangladesh till date, in the last 35 years of its independence, Tata is contemplating to invest US \$ 2.5 billion alone in the country. An in-depth analysis and discussion therefore is required to explore the possible benefits (or even down side) of this significant investment in Bangladesh. The most talked about issues regarding Tata's investment proposal include the impact of competition to the local industries, the price for coal and gas, Tata's request for tax holiday, financial incentives, participation of Tata in the capital market, purchase of land and infrastructure development. Not to mention the price of each unit of electricity to be supplied to the national grid from Tata's powerplant.

According to newspaper reports, the capacity of the proposed steel manufacturing plant is 2.4 million tons. Many local steel factories feel threatened due to the presence of Tata in this sector and apprehend the local steel industry will be adversely affected. But to my opinion, it is not completely true because first of all, increased productions of steel will cause the prices of steel products to decline due to basic demand and supply factors, although, many companies in the industry will be under significant pressure to be competitive. As a simple law of market, only the efficient producers in the market will be able to achieve scale of economies and pass the benefits to the consumer. Secondly, Tata will manufacture only flat steel as opposed to long products manufactured by the re-rolling mills in the country. Thus, Tata is not directly competing with the local players and hence will not affect the local market players. On the contrary,

Tata's manufactured steels will help the country to reduce the reliance on other countries for steel imports and relief the pressure on the already constrained foreign exchange reserve. There is a huge demand for long steel products in the country and almost all is imported from other countries.

Another issue regarding the investment plan is the sale of gas. Many have expressed their concern at Tata's interest of buying the gas from the government at a much cheaper rate. Many have opined that local companies will face stiff competition due to government's decision to provide gas at a subsidized rate to Tata. Karnaphuli Fertilizer Company (KAFCO) has tied the gas price with the international export price of fertilizer and effectively pays US \$ 2.54 (with a highest ceiling of US \$ 2.85) for each unit of gas consumption. The government should price the gas in line with the international market, taking into account the comparative advantage prevalent in each country or in line with the price, it pays to Chevron Texaco (Unocal) or Cairn Energy for each unit of gas which is approximately US \$ 2.70 per unit. Alternately the pricing of gas may be based on overall benefit nation may derive out of Tata's investment, based on total transparency. If KAFCO is the only baseline example, one should not forget, it is 43 percent owned by the govt of Bangladesh and is now giving attractive dividends to the govt for its investment. To my opinion, the guarantee for uninterrupted supply of gas for 20 years is more important than the price since our ability to produce and supply of gas is quite doubtful and the manufacturing plants are already suffering with supply of gas.

Tata has requested tax holiday for its fertilizer, power, steel plants and coal mine. Many countries around the world usually provide such incentives to attract foreign direct investment in their countries. Two rounds of meetings and discussions have already been held with senior officials of Tata and government. The government has previously allowed tax concessions and holiday to foreign companies investing in the country's fertilizer sector. All private power plants companies are already enjoying tax concessions and holiday for a period of 15 years. Companies that are working with coal mining in the country are also enjoying various tax concessions from the government. Therefore, we expect the same for Tata to receive financial benefits in the form of tax incentives from the government for its power plants and coal mine operations. Tata has a proven track record of strictly adhering to its policy in filing tax returns on time and run business in a compliant manner. Unlike most of the local businesses, Tata has no philosophy to evade taxes. Thus, the government is likely to earn higher revenue in the national exchequer from taxes, even if financial incentives are given to Tata.

Weak balance sheet (Profit of BDT 50 million against a sales revenue of BDT 20 billion). Lack of required resources, Tax evasion, Lack of experience in developing specialized businesses, Poor corporate governance, and Lack of social responsibility are few of the negative causes why our local companies may not be able to enjoy benefits and financial assistance from world-renowned financial institutions, as compared to Tata.

There has been a proposal for Tata to raise funds from the local capital market. However, few issues are to be looked very carefully here. Tata is a global company and world-class financial institutions are very much aware of Tata's balance sheet and good credit ratings. Tata will need to take loans from various financial institutions for its investment plans in Bangladesh and in order to gain access to these loans (during the initial period), Tata's ownership in these plants are required. On top of that, investments in coal, steel and power plants will take some time to yield profitability. For this reason, Tata should contemplate its options of raising the fund in the local market after the first few years to achieve investors' confidence. However, they may be given a condition to go public after 3 to 5 years of inception.

Tata's investment will have a significant impact on the country's investment climate. Economic Intelligence Unit, a joint collaboration venture between world famous Economist and Financial Times have recently studied the impact of Tata's investment on Bangladesh. According to the study (though can be debated), Tata's investment will contribute to the enhancement of GDP by 1.9% (approx.). Furthermore, such investments will help in the creation of 25,000 direct employments and 100,000 indirect employments in the country. Tata has also expressed its interest to work closely along with the government for the development of infrastructure in various territories where they have identified to set up their plants. Once this investment plan is implemented, it will be the biggest investment on the part of Tata beyond the boundaries of India.

Development in the roads and railway sector will bring significant

improvements in the infrastructure scenario of the country. Supply of 500 MW of electricity to the national grid will solve the problem, to an extent, of ever-widening demand gap for power in the country. Apart from this, Tata's investment will have an overall favorable influence on the economy of the country since it will send favorable signals to other foreign conglomerates for investment in Bangladesh.

One thing we must remember is, Tata is a world-renowned business group and it has made its name and earned recognition in the international arena. Thus Tata's investment in Bangladesh will also promote the image of the country to others. Bangladesh enjoys a sweet and sour relationship with its neighboring country, India, where the sourness prevails quite strongly. Many believe that the investment by India's largest conglomerate, Tata, in Bangladesh will help to foster and develop excellent ties between these two countries. Moreover, the benefits derived from joint collaboration with a larger neighboring economy are beneficial than being indifferent to the growth of the economy. Therefore, it will be an imprudent decision on our part to forego such an opportunity aimed towards the development of the economy. Of course, the whole matter should be mutually beneficial to both the parties. Apart from collective and valid reasons, if we do not accept Tata's investment proposal, then it will cast a cloud of doubt on the capability of the country's policy makers and investment climate in the country. We should consider the ultimate gain and prospects of our country above any individual or political gain.

The writer is a banker.