

Star BUSINESS

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Political unrest to hurt investment climate

Says ADB quarterly update on Bangladesh

STAR BUSINESS REPORT

The current political unrest in Bangladesh will hamper the country's competitiveness and investment climate, Asian Development Bank (ADB) forecast in its quarterly economic update on Bangladesh that was released in Dhaka yesterday.

The bank said, 'Besides slowing production and growth momentum, the political disruption here would affect competitiveness and investment climate.'

ADB predicted several risks of the country in near to medium term, which included possible political disruption, infrastructure constraints and external volatility in oil prices.

The report estimated that output of aus, the first rice crop of the year

would be 24 million tonnes lower than it was in the previous year. It, however, expects higher aman harvest this year compared to the previous year as farmers have brought more lands under aman cultivation, though they experienced scanty rainfall and fertilizer crisis.

"Bangladesh faces several downside risks to its near to medium-term prospects. These include possible political disruption affecting the economy in the run-up to the general election in January 2007 and infrastructure constraints, including power and transportation, which are critical impediments for moving on to a higher growth path."

The report further said medium sized and large manufacturing output rose by 14.8 percent during

the first two months (July and August) of FY2007. The manufacturing and service sector continued to maintain steady growth, it said.

The point-to-point inflation rate declined to 6.9 percent in September 2006 from 7.5 percent in June 2006, the report said, adding that although declining, inflation remains high because of the expansion of domestic credit and the rise in commodity prices.

The ADB suggested phasing out subsidies in petroleum prices saying that 'these subsidies need to be phased out to divert resources to more productive uses in building physical and social infrastructure'.

It also recommended for intensifying tax efforts along with supervision and monitoring to support human capital development and

implementation of poverty reduction programmes.

Tightened monetary conditions, according to the ADB suggestions, would grow broad money and reserve money in line with Bangladesh Bank's monetary programme targets and contain inflationary pressure.

It said the main challenges facing the thriving garment sub-sector are emerging social compliance issues including labour unrest and infrastructure constraints rather than the adverse effect of abolishing MFA quotas.

It said although Bangladesh significantly improved its business-friendly environment for sustaining higher GDP growth, infrastructure needs to catch up with other competing countries.

Telecom giants gather in HK for world expo

AFP, Hong Kong

Executives from the world's leading telecom companies are gathering in Hong Kong this week for the industry's largest trade show with digital connectivity fast becoming an integral part of everyday life.

This edition of the three-yearly International Telecom Union (ITU) Telecom World show will be the biggest yet and is where the sector's power-brokers will come to strike deals and meet government regulators.

Among the guest speakers are John Chambers, chief executive of Cisco Systems, Mark Hurd, chairman and chief executive of Hewlett Packard, Richard Li, chairman of Hong Kong's PCCW and Edward Zander, chief executive of Motorola.

China's top legislator, Wu Bangguo, was to start the event late on Sunday as guest of honour at a gala opening ceremony, while the trade deals and speaker events kick off on Monday and end on Friday.

The ITU Telecom World is also where the leading brands unveil new designs and technology. Some 600 of the world's leading technology companies from 40 different countries will exhibit including Microsoft, Agilent, Sony Ericsson and Mitsubishi.

The event coincides with the release of an ITU report Sunday that showed digital technology had permeated almost all aspects of our lives thanks mainly to the spread of mobile phones, which are now owned by about two billion people worldwide.

"We're in the midst of a digital revolution," said Lara Srivastava, one of the authors of the report entitled "Internet Report 2006: Digital Life".

One person in two on the planet is expected to be a mobile phone user within two years, said the report.

"Around one in three people on the planet own a digital mobile phone today and they're hard pressed to be separated from it," Srivastava said.

The ITU estimates that Internet and communications technology markets -- consumer electronics, broadcasting, telecoms, computers and services -- are worth about 3.13 trillion dollars or 7.0 percent of global Gross Domestic Product.



Hong Kong Chief Executive Donald Tsang (L), the Chairman of the Standing Committee of the National People's Congress of the People's Republic of China, Wu Bangguo (2-L), the ITU Telecom World 2006 Secretary General, Yoshio Utsumi (2-R), and the Nobel Prize Laureate and Managing Director of Grameen Bank, Professor Muhammad Yunus, attend the opening ceremony of the International Telecommunication Union (ITU) in Hong Kong yesterday. The ITU Telecom World 2006 is the biggest telecom exhibition for the global industry which starts from the 4th to the 8th December.

Ethiad's 6 flights a week to KL from Jan 15

Ethiad Airways, the national airline of the United Arab Emirates, has announced that from January 15, 2007 it will operate a six flights-per-week service to the Malaysian capital of Kuala Lumpur.

According to executives at the Abu Dhabi-based airline, strength of demand for the new route indicates that it will have a significant impact on both the corporate and leisure sectors in the Asia-Pacific and Middle East, says a press release.

"This non-stop service between the UAE and the Malaysian capital is set to be one of our most popular, with a high volume of traffic direct from the Middle East, and also from European Guests, looking to travel via Abu Dhabi to Malaysia on business or vacation," said James Hogan, CEO of Ethiad Airways.



Dhaka Bank Ltd opened its 32nd branch at Board Bazar in Gazipur yesterday. Deputy Managing Director of the bank Khondker Fazle Rashid inaugurated the branch.

Politics in the business class, business in the third class

MAMUN RASHID

A prosperous economy is a prerequisite for human development while a congenial environment is the precondition for economic prosperity. Despite several odds in the country, Bangladesh GDP grew by 6.7 percent in the last fiscal year with a commendable performance in exports and remittances. While there exists a debate on the distributive justice of such high growth in view of its failure to improve the standard of living of the poor and powerless, the fact that the country is passing through a growth trajectory displaying robustness in a number of macroeconomic indicators is undeniable.

But this growth trend is apprehended to be unsustainable in the face of increasing political turmoil in recent months, particularly since the assumption of power by the caretaker government. A report by the Economist Intelligence Unit (EIU) on Bangladesh has already endorsed that political unrest may cause the economy to lose around 0.2 to 0.5 percent of the possible GDP growth in the FY2007, if not more. This has been fuelled by the complete suspension of ports, transport system and other commercial activities for around two weeks. Even stock exchanges were shut on few days. In the meantime, the value of taka has slid by almost 5-6 percent against US dollar.

Though it is very sensitive to talk about political programmes staged by political parties in the country, particularly in the current situation, one has to analyse the consequences of misunderstanding and

mistrust among parties objectively. Agitation programmes and blockades lead to sufferings across class and profession. The common people and those living from hand to mouth, businesspeople and traders have suffered a severe blow during shutdown programmes now and in the past. When the World Bank and Asian Development Bank are continuously focusing on increased revenue earnings by the government, informal statistics show that the National Board of Revenue (NBR) loses around Tk150 crore in customs duty a day due to the closure of Chittagong and Mongla seaports and Benapole, Burimari and other land ports. A continued political crisis will have a crippling effect on the economy apart from day to day life of the people.

It is acknowledged that protests through processions, strikes and sit-in programmes are democratic rights. Incidentally and ironically, since the liberation, most of the legitimate rights of the people in Bangladesh were established through street agitation only. However, things have changed as the society has gone through major cultural and educational advancements. Strikes are expression of protest but in today's world it is not any more a popular method. Because, we are citizens of the world in many ways, our economy is increasingly being integrated into the global economy and thus we are exposed to competition with other players. Therefore, delay in delivery of goods and services from our end will only mean break of promise, trust and reliability to the recipient of our products and our

clients. In this context, our political parties need to think of alternatives to strikes for protest and get their demands fulfilled in a less destructive way. The practice of enforcing countrywide shutdowns by successive opposition parties over the last several years is the most potent in making the lives of the public even more miserable than they already are, and that too in the name of those very people that the parties claim to serve and whose lot these parties should be striving to improve.

On the other hand, one cannot deny that the present turmoil is the result of total mistrust of a section of people on the existing system, its operational mode and the outcome. The institutions, which are to be respected, protected and kept above all disputes and doubts have become debatable and failed to prove their good will. It is an irony indeed that these institutions are being looked down upon due to various controversial roles displayed by those. Such precarious situations of these institutions have impact on the economical, political or social development. The general people and future generations have to feel the brunt of such economic meltdown or institutional collapse irrespective of the election results.

We all must acknowledge the democratic right to protest and establish rightful demand of the people. However, we must not forget that creating obstruction in the whole growth generating process will only create barrier in providing improved living standard for all the people of the country. We have to change the culture whereby it has become almost impossible to protect

and establish the rights of the people without street agitation and other forms of protests.

We must also develop and strengthen institutions that would be neutral, transparent, accountable, reliable and sensitive to the rightful demand of people. If the growth generating process is not protected and encouraged, we would not be able to generate enough wealth to change the fate of our downtrodden people. Strong institutions should be able to guide the state to formulate policies that will ensure equitable distribution of wealth, which comes almost immediately after we talk and accept the philosophy of wealth creation.

We note with concern that neither the government nor the political parties have been sympathetic to the cause of the common people, and have merely engaged in what can only be termed as their battle to gain or retain state power. In a democratic process it is not unnatural that political parties will fight for power, but that fight has to happen within the framework of a non-violent democratic process and should not deter the mutual respect for each other's opinion. While 'we agree to disagree' is the basic preamble of democracy, each one of the power blocs must create enough space for the other to operate. In a battlefield 'retreat' is also part of a war strategy. Whoever is little mightier because of their control on the important stakeholders and access to state machineries, must not forget the other and must believe in the culture of 'sharing it judiciously' with other stakeholders. When we talk of withdrawing strikes and blockades,

we should not also forget about at times the legitimacy of putting blockades/strikes to get the 'people's message' across the deaf ears of that quarter which is influenced by only one school of thought or vested interest.

Our hard earned brand image gained over the last 35 years of 'Despite, we deliver' gets seriously hurt with continuous political uncertainties. On the supply side gets disturbed the export side is must to get influenced and lost out to our competitors. Jittery political environment gives rise to indiscipline and deteriorate law and order situation contributing again to economic impasse. Reports are already there that the buyers of garments are pushing for air lifting to keep the targeted shipment schedule while international shipping companies are reluctant to take on Bangladesh bound/out bound goods, due to extra ordinary time they may need to lose at the Chittagong Port, unless time is chartered with increased prices.

Multinational company seniors, prospective investors are canceling their scheduled visits. This is no good. Therefore, all the parties must come to senses and create space for other operators. "Take it all" might help one party/quarter to eat it all, but will take the future of the country nowhere. In today's world chances seldom come twice. Politics taking the place in the business class in an aeroplane and business being continuously pushed to third class in a train is not at all a good signal for an emerging economy like Bangladesh.

The writer is a banker

India's textile firm plans to partially shift denim unit to Bangladesh

OUR CORRESPONDENT, New Delhi

India's leading integrated textile manufacturer Arvind Mills plans to partially shift its denim unit overseas, including Bangladesh.

Besides Bangladesh, Sri Lanka and Egypt are among the countries the Indian company is looking at for shift of part of its denim capacity.

Bangladesh, however, seems a more favoured destination as it has a large demand for denim -- an estimated 200 million metres per year, sources in the company told The Times of India newspaper.

An added incentive for Arvind Mills to consider is that Bangladesh is also a major apparel manufacturing hub.

Arvind Mills accounts for around 92 percent of India's total denim demand of 120 million metres. It

has denim manufacturing units in and around Ahmedabad in the western state of Gujarat.

Arvind Mills Chief Finance Officer Jayesh Shah told the daily that "we are examining various alternative sites like Egypt, Bangladesh and Sri Lanka but nothing has been concretized yet" and indicated a decision on this could be taken in January.

He said the company's denim units in Ahmedabad are operating at 80-90 percent capacity due to oversupply in denim market globally.

If the shift is materialised, the smaller denim manufacturing unit producing 20 million tonnes would be relocated in phases and the present unit would continue to make other products like garments, shirting and knits fabrics.

Europe calmly looks at sliding dollar

AP, Berlin

With the European economy on the upswing, companies and governments are shrugging off the dollar's renewed slide against the euro this week a phenomenon once dreaded as potential poison for the continent's many exporters.

Companies appear to have made their peace with a stronger currency for the time being, especially in export champion Germany, helped by stronger growth at home, currency hedging and increasingly globalized production practices.

The euro reached \$1.3257 in European trading Thursday, up from \$1.3156 in New York late Wednesday, a 20-month high. The pound hit \$1.9644, its strongest since September 1992, with analysts saying the British currency could reach \$2 by the end of the

year.

Stronger currencies hurt a country's exports by making their goods more expensive in foreign markets. But European policy makers except for the French have issued a large, collective yawn.

"I am not concerned," said Dutch central bank head Nout Wellink. Bernd Pfaffenbach, Germany's deputy economics minister, said the stronger euro "reflects the strength of the European economy" but conceded it was not particularly helpful for exports.

European Central Bank President Jean-Claude Trichet, who decried the dollar's slide in 2004 as "sudden and brutal," did not bother to try to talk the euro down. He declined comment on the exchange rate after a speech Wednesday.

Unilever, CARE to create business opportunities for rural women

Unilever Bangladesh Ltd and CARE Bangladesh signed an agreement yesterday to create sustainable business opportunities for thousands of rural women in the country under a project styled 'Aparajita', says a press release.

Sanjiv Mehta, chairman and managing director of Unilever Bangladesh, and Hasan M Mazumdar, deputy country director of CARE Bangladesh, signed the deal on behalf of their organisations.

Unilever Bangladesh already has a project styled 'Joyeeta', an initiative through which opportunities are provided for nearly 2000 women in rural Bangladesh for sustainable self-employment.

On the other hand, CARE Bangladesh has experience of working with rural women in different areas of the country through 'Rural Sales Program', which creates income and employment opportunities for the rural poor women through linking them with market.

Under this new rural sales project, Unilever and CARE will be able to reach 20 more upazilas of the country's northern and eastern districts.

Nausad Karim Chowdhury, brands and development director of Unilever Bangladesh, and Asif Uddin Ahmed, economic empowerment coordinator of CARE Bangladesh, were also present.

Iran to supply LNG to China

AFP, Tehran

Iran's state-owned gas exports company has agreed to supply Chinese company PetroChina with about three million tons of liquefied natural gas (LNG) a year, news agency Shana said Sunday.

The supply will be for 25 years beginning in 2011, the report said.

"According to the agreement, three million tons of LNG will be exported (annually) by Pars LNG project for a 25-year period to the Chinese market starting early 2011," NIGEC official Majid Zamani was quoted as saying.

In April 2004, Iran awarded the 1.2 billion dollar Pars LNG project to French oil giant Total.



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