The Paily Star DUSINESS

First with the news.

The Daily Star

Best with the views

US Senate gives final approval to NAFTA

WASHINGTON, Nov 21: On a strong bipartisan vote, the Senate gave final approval to the North American Free Trade Agreement on Saturday. handing President Clinton one of the biggest triumphs of his

first year in office, reports AP. The vote was 61-38, following 234-200 House passage on

Wednesday.

Approval capped a monthlong debate over America's role in a global economy heading into the 21st century. The agreement would create the world's largest free trade zone among the United States. Mexico and Canada:

Final approval came as Clinton was attending a trade conference with leaders of Asian nations in Seattle. In his weekly radio address, taped before the Senate voted, he declared. NAFTA is more than a trading bloc. It's a building block in our efforts to assert America's global leadership on behalf of American jobs and opportunity.

"With the passage of this agreement. Congress affirms the leadership role of the United States in this hemisphere and around the world. said Majority Leader George Mitchell.

Michigan Democratic Sen Don Riegle led the outnumbered opposition.

"NAFTA is the ultimate expression of trickle-down economics," he said, adding that President Bush had left the "poison cup" of the agreement in the Oval Office, and Clinton

decided to drink it. The measure picked up some surprising support just hours before the vote from two

Democrats with career-long ties to organised labour Edward M Kennedy of Massachusetts and Tom Harkin of lowa.

Both Senators tempered their support with words of concern for its impact on American wage earners.

"What do we says to all those workers who will lose their jobs because of NAFTA?" asked Kennedy, among labour's staunchest allies in the Senate. "It is no comfort to them that others - some faceless others - will gain jobs in larger num-

Harkin, whose unsuccessful bid for the 1992 Democratic presidential nomination was fueled by labour support, said his decision was a close one -"perhaps 51 per cent in favour and 49 per cent Against.

In a break with the Clinton administration, organised labour and many of its Congressional allies have vigorously opposed the accord: The decisions by Kennedy and Harkin to embrace NAFTA underscored the unusual coalitions that have sprung up.

The accord would affect virtually every industry, phasing out tariffs over a 15-year period.

Supporters say it would open a vast new market in Mexico to American goods. Opponents say Mexico, with its cheap labour costs and lax environmental standards, would become a magnet for American factories

NAFTA was the principal unfinished business of the 1993 session of Congress.

customs union or common market like EC. No economic or political union of any kind is in-

The North American Free

Trade Agreement (NAFTA) has

just been approved by the US

congress. It has important im-

plications not only for the USA.

Canada and Mexico, the three

members of NAFTA, but also for

many other countries of the

world. Here in Bangladesh a

question is being asked if

NAFTA will have any adverse

effect on exports from

Bangladesh, particularly ap-

parel exports, to the USA and

eral and multilateral economic

cooperative agreements in dif-

ferent parts of the world.

There have been many bilat-

The most successful of eco-

nomic integration has been the

European Community (EC).

Many trade and investment

barriers between the 12-mem-

ber community have been re-

among the members has in-

creased sharply. The multina-

tional of the US, Japan and

NICs are vying with each other

to increase their businesses

and or penetrate into the single

States and Canada have had

the world's largest bilateral

trade, each being the other's

largest trading partner. Despite

this unique trade relationship.

each partner thought that if the

existing tariff and non-tariff

barriers could be removed

trade between them would in-

crease substantially. Therefore

they agreed to form the US-

Canada Free Trade Agreement

designed to phase out the tariff

barriers and other non-tariff

barriers like quotas, embargoes,

and restrictions on financial

services. The US and Canada

formally entered a free trade

agreement (CFTA) in 1989.

However, it is be noted that the

agreement was not to form a

pleted by March 31, 1994.

"We have completed all sorts

of formalities to get material

help under the project, which is

now almost suspended." Fasiul

Alam said, adding: "We have

been excluded from other reha-

bilitation programmes because

leader said that his organisation

would go for street agitation if

the project were suspended, but

did not immediately plan any

present at the briefing - from

Chittagong, Cox's Bazar.

Laxmipur, Feni, Noakhali and

other coastal districts - in-

cluded Anwarul Islam, Maniru-

zzaman, Motaleb Hossain and

They also alleged that pira-

cies in the Bay were now ram-

pant but no authoritative mea-

sures were being taken to check

The other committee leaders

The fishermen's cooperative

of this Japanese project."

demonstrations.

Nurul Islam.

Historically, the United

largest market of the world.

duced or removed. The trade

Canada.

Soon after the agreement was signed. Mexico proposed the concept of NAFTA, an alliance of Canada, USA and Mexico. Until mid-eighties, Mexico had a very strong public sector which was inefficient. It applied a high tariff walls against imports. After Mexico joined GATT in 1986, Mexico started reforming its economic structures by privatizing many of its state-owned enterprises and liberalizing the trade sector by substantially reducing the

tariff and no-tariff barriers.

incidentally. Mexico and the US maintain good economic relations. In 1991, the US exported 33.3 billion dollar to Mexico. And Mexico exported US 31.2 billion dollar during the same period. Mexico is the third largest trading partner of the USA. Under a bilateral agreement between the US and Mexico operationalised in 19791, the US firms enjoy unprecedented opportunity of production rationalization through the establishment of what the Agreement calls: MAQUILADO-RAS'/In-bond companies/Twin Plants. The Maguiladoras located throughout the northern borders of Mexico (closer to US borders) allow the US firms to assembly their components into finished products more cheaply. using Mexican labour, than would have been possible in the United States, and provide employment for Mexicans. Under this bilateral agreement, components manufactured in the USA are shipped to Mexico duty free assembled by the Mexican workers, and the finished products are reexported to the United States

Professor Hafiz G A Siddiqi

NAFTA unlikely to have adverse effect on Bangladesh

under favourable tariff provisions. Through this offshore "twin-factory" operation the US firms have been able to successfully compete with Japanese products in the USA.

NAFTA will create a single market for 360 million people with a six trillion dollar GNP. This will be a market larger than EC. The supporters of NAFTA predict that the trade within NAFTA will increase substantially beyond the combined pre-agreement trade of 237 billion dollar. The Department of Commerce estimates that each one billion dollar of trade creates over 20,000 jobs. Although Mexico is a developing country, it is not as poor as Bangladesh, India or Pakistan. With a population of 86 million having per capita GNP of 2.337 dollar, it forms a large market for most US and Canadian

products. As Mexico prospers, it will grow as a market for US and Canadian goods and services, just as the United States and Canada will become larger markets for Mexican goods. However, it is to be noted that

when NAFTA will be in place, it is likely to create problems for many US businesses. For example. California and Florida orange growers will face stiff competition from Mexico when the 35 per cent tariff at the US border is dropped. Canned tuna and sugar, two havily protected industries of the US, will definitely be hard hit. In the USA. industries, such as apparels. that rely on unskilled and semiskilled workers will also be hard hit. But one should note even without Mexican low-cost labour. US unskilled labour is vulnerable to the competition

generated by other nations with

low-cost labour. A study of the Washington based Institute of International Economics (IIE), forecasts that NAFTA and trade liberalization measures already undertaken by Mexico will increase US exports to Mexico as well as US

imports from Mexico. They fore-

cast a net gain of 171,000 jobs

for the USA.

The Economic Strategy Institute of USA estimates that the net job losses for the USA will range from 32,000 to 220,000 over the next decade, based on an assumption that foreign investment in Mexico would increase by 63 billion dollar during this period, much of it coming from the USA. It also forecasts that more American companies now operating in Mexico will shut down their

Mexican facilities and move

those jobs back to the USA be-

cause of the reduced tariff bar

Whatever might be the arguments for and against it. NAFTA will benefit all the trading partners. It may be pointed out that since Mexico is way below the other two partners economically, technologically, and politically, realistically speak ing, it is likely to gain more than the USA or Canada from

The case of Bangladesh

NAFTA.

NAFTA is unlikely to have any appreciable adverse effect on Bangladesh's trade relations with the USA or Canada. If we want to find out whether exports from Bangladesh to the USA and Canada will fall as a result of NAFTA we need to examine the nature of these exports. Is there any products which both Bangladesh and Mexico sell in the USA and

Canadian markets? Will Mexico be a competitor of Bangladesh in those markets? There is only one product, namely, apparels, which may come into picture. Now the question is: Is it likely that apparels exports from Bangladesh to the USA or Canada will decrease when NAFTA will be operationalised? Will apparel exports from Mexico under free trade agreementeventually replace, partly or wholly, the apparel exports from Bangladesh? The answer is NO. It is however true that there will be some readjustments in the US and Canadian apparel imports from Mexico. To take advantage of cheap labour cost in Mexico (hourly labour cost including fringe benefits in Mexico is approximately 2.50 dollar as opposed to 14.50 dollar and 14.90 dollar in USA and Canada respectively), some US and Canadian apparel manufacturers may move to Mexico. Besides, elimination of the existing tariff barriers between these three member countries may lead to increased apparel imports from Mexico into the USA and Canada. This should not worry Bangladesh because (1) the net effect will be trade diversion/creation between the three member countries of NAFTA: perhaps Mexico will export more apparels to the USA and Canada, and US and Canada will manufacture smaller quantity of apparels; (2) the increased exports from Mexico will not replace exports from Bangladesh because Mexican labour cost is. although not as high as US and Canadian labour cost, much higher than the labour cost in Bangladesh. The Mexican labour in the ready-made

garments industry, on the

average, get about 2.50 dollar

per hour as against 0.30 dollar

per hour in Bangladesh. Even after considering the transport costs and applicable duties at US and Canadian Bangladeshi apparels of comparable specifications should not face any additional competition which can be at-

tributable exclusively to NAFTA. It is interesting to note that one can argue that NAFTA will possibly have some favourable impact on RMG industry of Bangladesh. It is generally argued that countries like Hong Kong, Taiwan, Singapore, South Korea, etc. Where labour cost is higher than that in Mexico will be adversely affected by the operation of NAFTA. There is substantial US investment in the RMG industries of these countries. Many firms of these South Asian countries are likely to move to Mexico to take advantage of lower labour costs and additional advantages offered by NAFTA. These countries may not be able to compete in the US and Canadian markets filled with Mexican apparels if they stay in their own countries. Given the relatively high wage structures in their own countries and new competitive forces released in the US and Canadian markets by the Mexican exports, these Southeast Asian countries may not have any choice but to divert investment to such countries as Bangladesh where labour cost is still low and which face less rigorous quota restrictions. If this forecast proves accurate, foreign investment in RMG industries of Bangladesh is likely to increase as a result of NAFTA.

(The author is the former Director. IBA. Dhaka University and Professor of International Business, Ohio State University, Columbus, Ohio, USA.)

BADC scheme to distribute wheat seeds at fair prices

CHAPAINAWABGANJ, Nov 21: Bangladesh Agricultural Development Corporation has undertaken a massive scheme to distribute high yielding variety wheat seeds among the farmers and dealers during current Rabi season, reports

Official source said about 18,400 metric tons of wheat seeds will be distributed at fair

prices under the programme. The seeds are produced in BADC seed multiplication farms as well as by the contract growers and these are scientifically processed and stored in processing centres of the corporation across the country.

The varieties and quantity of seeds that will be distributed are 'Kanchan' -15,562 metric tons, 'Sonalika - 8,121 metric tons, 'Akber, -1.441 metric tons and 'Agrani - 586 metric tons, the source added

Fishermen allege conspiracy to stall rehabilitation project

By Staff Correspondent

A group of fishermen from the coastal areas Saturday alleged that a certain quarter inside the government was trying to stall a Japan-financed rehabilitation project initiated after the devastating April '91 cy-

"We sense a conspiracy being hatched to divert the funds of 134 crore taka Japanese project which has been taken up to rehabilitate the affected fishermen," Fasiul Alam, convenor of the committee to protect the interests of cooperative fishermen in the coastal areas. told newsmen at a press conference at the National Press Club.

He said that the project was in line with a pledge by Prime Minister Begum Khaleda Zia, who visited the coastal areas following the April 29 cyclone and promised a 150-crore taka coastal rehabilitation project.

Some 12,000 fishermen of 14 cyclone affected districts were taken under the three-year project, scheduled to be com-

Hannan visits Rajshahi Jute Mills

RAJSHAHI, Nov 21: Jute Minister A S M Hannan Shah today called upon the workers and employees to work with sincerity and dedication for boosting production in mills and factories, reports BSS.

or to other foreign markets

He made this call while visit ing Rajshahi Jute Mills here. The minister went round dif-

ferent sections of the mills. He directed the mill authority to purchase high quality of jute in the current jute purchasing season.

Hannan Shah said the loss incurred by the public sector mills is the loss of public money. The present government would not bear the public losses, he added.

He undescored the need for reducing production cost by eliminating extra expenses. Chairman BJMC

Moniruzzaman was present during the visit.

317 officers, workers and employees are now working in the mills.



The Bangladesh Jute Association accorded a reception to Finance Minister M Saifur Rahman at a local hotel in the city yesterday on his election as the Chairman of the Board of Governors of the World Bank and IMF. - Star photo

Denmark to give Tk 27.82 cr to Bangladesh as grant

Denmark would provide to Bangladesh 46.60 million Danish kroner equivalent to approximately Taka 27 crore and 82 lakh under an agreement signed between the two countries here today for the "soil testing, management and development of SRDI" project under the Ministry of Agriculture, reports BSS.

The entire amount will be given to the Bangladesh government as grant.

The objective of the project is to assist in the development of national land use, soil fertility and salinity management policies and strategies.

M Sirajul Islam, Joint Secretary, Economic Relations Division, Ministry of Finance and K K Nielsen, Charge d'Affaires, Royal Danish Embassy in Dhaka signed the agreement on behalf of their respective governments.

গণপ্রজাতন্ত্রী বাংলাদেশ সরকার নির্বাহী প্রকৌশলীর কার্য্যালয়, (সওজ)

চট্টগ্রাম সড়ক বিভাগ, চট্টগ্রাম দ্রালাপনীঃ ২২৭৪৩৯

নতুনভাবে কোটেশন আহ্বান বিজ্ঞপ্তিঃ ৩৬ (৪র্থ আহবান) ১। কোটেশন বিজ্ঞপ্তি নং ঃ

৩৬. কোটেশান (৪র্থ আহবান) নির্বাহী প্রকৌশলী সওজ, চট্টগ্রাম সড়ক বিভাগ, চট্টগ্রাম। ১৯৯৩-৯৪

২। কাজের নাম ১৯৯৩-৯৪ ইং অর্থ বৎসরে চট্টগ্রাম সড়ক বিভাগাধীন হযরত শাহ আমানত (রঃ) সেতুর কার্যাদেশের তারিখ হইতে ১ (এক বৎসর) চলাচলকারী যানবাহন হইতে

মাশুল আদায়ের নিমিত্তে ইজারা দানের বিজ্ঞপ্তি ৩। কোটেশান দাতার যে কোন খ্যাতি সম্পন্ন ব্যক্তি /ব্যবসায়ী প্রতিষ্ঠান যোগাতা

নিম্নস্থাক্ষরকারীর অনুকূলে ৩,০০,০০০/ - (তিন লক্ষ) জামানতের টাকা তফসীলভুক্ত ব্যাংক ডাফট/টেজারী চালান/প্রতিরক্ষা সঞ্চয়পত্র/৫-বৎসর মেয়াদী সঞ্চয়

নিৰ্বাহী প্ৰকৌশলী (সওজ), চট্টগ্ৰাম ৫। কোটেশান দলিলাদি

সড়ক বিভাগ, চট্টগ্রাম/ফেনী/কক্সবাজার/দোহাজারী/ গ্ল্যানিং বিভাগ সেড়ক ও সেত্), ঢাকা/উপ-বিভাগীয় প্রকৌশলী (সওজ), সড়ক উপ-বিভাগ, চট্টগ্রাম/ ফটিকছড়ি/সীতাকুভ/১ম সারি কারখানা উপ-বিভাগ

পত্র অথবা বোনাস সঞ্চয় পত্র আকারে জমা দিতে

৬। কোটেশান গ্রহণের তত্তাবধায়ক প্রকৌশলী (সওজ), সড়ক সার্কেল, অফিস সমূহ চট্টগ্রাম/মনিটরিং এন্ড ইন্ড্যালুয়েশান সার্কেল, ঢাকা/ নির্বাহী প্রকৌশলী (সওজ), সডক বিভাগ, চট্টথাম/ফেনী/কক্সবাজার/দোহাজারী সড়ক বিভাগ, চট্টগ্রাম/মনিটরিং এন্ড ইন্ড্যাল্যেশন বিভাগ, চট্টগ্রাম

নিধারিত সময় ৮। কোটেশন বিক্রীর ২৮-১১-৯৩ ইং (অফিস চলাকালীন শেষ তারিখ

টোল আদায়ের জন্য ঃ

কোটেশান গ্রহণের ২৯-১১-৯৩ ইং দুপুর ১২৪৩০ ঘটিকা শেষ তারিখ ও সময়

১০। কোটেশান খোলার ২৯-১১-৯৩ ইং দুপুর ১২৪৪৫ শেষ তারিখ ও সময়

DFP (G) 19158-18/11 G-1603

প্রান্তির কার্য্যালয়

মোঃ আবুল খালেক মিঞা নিৰ্বাহী প্ৰকৌশলী (সওজ) চট্টগ্রাম সড়ক বিভাগ, চট্টগ্রাম

Russia won't import grain next year

MOSCOW; Nov 21: Russia will not import grain next year on behalf of the state, ITAR-Tass news agency quoted Deputy Prime Minister Alexander Averyukha as saying yesterday, reports Reuter.

Speaking at the end of a tour of the southern region of Stavropol, he said this was possible because farmers had brought in a good grain harvest this year despite financial problems.

Virtually all grain imports. mainly from the United States and the European Community, are on behalf of the state at the moment. But the government which finances imports with foreign credits, is trying to cut subsidies an encourage private trade.

Industrial fair begins in Chittagong tomorrow

CHITTAGONG, Nov 21: A week-long industrial fair will begin Tuesday at the gymnasium hall of Chittagong Zila Krira Parishad under the auspices of Chittagong Chamber of Commerce and Industries, re-

ports BSS. This was announced by the President of Chamber of Commerce and Industries of Chittagong A S M Abul Kalam, at a press conference at a hotel here this morning.

He said 75 industrial stalls would be set up at the fair by the management of different industries from Chittagong, Rangamati, Rajshahi, Dhaka, Comilla and other places. Indigenous products including handicrafts will be exhibited at the fair.



The visiting Swedish Minister for International Development Cooperation and Human Rights Issues Alf Svensson called on Foreign Minister A S M Mostafizur Rahman at latter's residence Saturday. - PID photo

Prices of coffee up, oil, tea down

LONDON, Nov 21: Coffee prices, hit by losses last week on Brazil's delay in honoring commitments, recovered their strength on the commodities markets this week following a series of auctions in Sac Paulo, reports AFP.

Gold: Stable: Prices were very little changed from the previous week, ending the week at around the 375-dollar-an-ounce mark, as the new declines in European interest rates offset the negative effect of the dollar's rise connected with approval by the US of Representatives of the NAFTA with Canada and Mexico.

The approach of Christmas, the Chinese new year and Ramadan continued to support the market because of high demand for jewelry purposes, but analysts remained cautious on the general trend in the near future because of a Chinese economic austerity programme

Platinum: Quiet. After a depressed start due to prospects of a western supply surplus of the metal this year; prices firmed a little on hopes for industrial recovery in the United States and for an improvement in the American auto market.

Johnson Matthey Group said the western surplus should rise to 190,000 ounces this year, against only 20,000 ounces last year, since supply was rising faster than demand.

Silver: Higher. Silver prices remained on the uptrend noted the previous week, rising this week to a four-month high, encourage by fears of a shortage of Russian supplies and good demand from India and Saudi

Arabia. The metal has risen by 11 per cent since the start of November.

Fears of Saudi devaluation and continued good Indian demand due to liberalisation of the local silver market continued to underpin silver prices.

Copper: Lower. Copper prices remained on a downtrend, weakened by low industrial demand and world overproduction. Even a market contraction of stocks on the LME, for the third straight week, was unable to reverse the downtrend, and prices this week lost more than 60 dollar a tonne.

Lead: Quiet. Prices fluctuated within a very narrow range of 411 to 414 dollar a tonne, and were not influence by the announcement by Britannia refined metals that it planned to cut output at several foundries. It turns out 60,000 tonnes of

lead a year. Analysts Billion-Enthoven said the world production deficit should rise to 184,000 tonnes this year, against an estimated 38,000 in 1992.

Zinc: Lower. After an initial rise on announcement of production cuts at Spanish group Asturiana de Zinc Sa, Zinc prices trended down, ending the week slightly lower than the previous Friday.

The Fin incial Times reported that Dutch Foundry Budel, responsible for five per cent of total western zinc out, might have to close by 1995 unless it reaches agreement by the end of the year with local authorities on reprocessing its waste.

LME stocks rose by 4,875 tonnes to 850,725, a new record Tin: Down. Prices fell toward

World commodity markets

4,600 dollar a tonne, affected by low industrial buying. Even the new dip in LME stocks, the third straight weekly decline, did not help the tonne. Tin stocks dropped by 205

tonnes to 19,440, their lowest

level since April. Coffee: Sharply stronger. Prices were bolstered by auctions in Brazil as part of a plan to hold coffee off the market, and the price rose by eight per cent and broke through the point of 1,300 dollar for the first time since contracts denominated in dollar were intro-

duced in March 1991. The market had been weakened the previous week by a delay by Brazil, which is the biggest producer of coffee, in meeting commitments to the Association of Coffee-Producing Countries. But purchases by Brazil this week reassured sentiment.

Sugar: Rally from a weak opening. The price of sugar, which had fallen at the beginning of the week because of uncertainty about the volume of the 1993-94 harvest, rallied when Czrnikow brokers in London increased their estimate figure for a shortfall in world output.

Czarnikow said that production would be 2.18 million tonnes short of consumption compared with an estimated shortfall of 1.81 million tonnes in August and an estimates of 1.13 million tonnes in 1992-93.

Oil: Weak. The prices of North Sea Brent crude oil. which fell the previous week to their lowest level since February 1989, remained nervous pending the opening next Tuesday of an OPEC meeting in Vienna.

A cold wave in Europe and rumours that OPEC might decide on a cut of three to five per cent, something on the order of half a million barrels a day, in its daily output brought brent prices back above the 16-dollara-barrel level late in the week.

Cotton: Quiet: The cotton price indicator firmed slightly on the Liverpool market, continuing the previous week's uptrend linked with lower estimates of the US harvest.

But analysts think prices should remain affected by world overproduction and high stocks. In India, the world's leading cotton producer, harvests should remain high in 1993-94 (September-August) at 13.5 million bales each, against 13.6

million for 1992-93. Tea: Lower Lower demand was noted at the weekly London auctions, where average prices were of to 190 pence per kilo against 200 for superior grades, to 107 pence against 122 for medium, and to 97 pence

against 103 for inferior grades. Indian analysts say the Indian harvest should hit 740 million kgs this year, against 703.9 million in 1992 and a record of 741.7 million reached in 1991.

Wool: Weak. Combed wool prices continued to decline on the Bradford market, affected by world overproduction, low textile demand in Europe, and high world stocks.