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Garment manufacturers urged to face would-be challenges

Speakers at a seminar yesterday suggested garment manufacturers to make their products fully indigenous to add more value to the exportable and face tough challenges to be posed by phaseout of quota in the Western market, reports UNB.

With the successful conclusion of Uruguay Round of multilateral trade negotiation, readymade garment manufacturers have to make indigenous their products to compete in the world market, said M Morshed Khan, a renowned industrialist and Special Envoy to the Prime Minister.

Stressing the need for evolving a strategy and approach to attain generalised system of preference (GSP) by the garment sector, Morshed Khan cautioned the manufacturers are likely to face difficulties due to phaseout of multi-fibre arrangement (MFA)

"We must take the advantage of the GSP, which is a bilateral approach in trade negotiation," Khan said.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) organised the seminar on "Marketing and Product Development of Bangladesh Apparel" at a local hotel as part of the BATEXPO that began in the city yesterday.

Finance Secretary Nasimuddin Ahmed and BGMEA President Redwan Ahmed MP, Nadim Shafiqullah of Comtrade Apparel and Christopher Fischer, an American buyer, also addressed the seminar. Kazi Mahmud, Lecturer, North South University, was the keynote speaker.

He also called upon the BGMEA members to create some kind of awareness against these "detrimental activities" hindering growth of export-oriented garment industry.

Emphasising the need for gearing up the activities of country's missions abroad towards promoting the market for Bangladeshi products, he mentioned that the ambassadors of Sweden, Norway and Denmark in a meeting with Prime Minister Begum Khaleda Zia said they are not much informed about the Bangladeshi products as the activities of the missions are not up to the mark.

The Special Envoy requested the garment manufacturers to hold exposition in the Scandinavian countries to expand market of their products.

Talking on the role of Export Promotion Bureau, Khan said a strategy planning cell should be created in the EPB to monitor the latest world trade situation and pinpoint necessary actions.

He also noted that the lending rate in the country is still high compared to other counties and said although the current account had been made convertible, further liberalisation in the foreign exchange regime was needed.

July festival to spotlight Bangladesh in London

Bangladesh will be on the spotlight in the city of London in early July when a festival will be held there focusing on the country's cultural and commercial prospects, reports UNB.

The festival of Bangladesh, as it is being called by its organisers, is expected to be one of the largest-ever celebrations. It will be held July 1-3.

Besides giving a positive portrayal of the country's image, the three-day spectacle will coincide with a Trade Fair designed to highlight the prospects of trade and investment.

London's Spatalfields Market, one of the largest covered arenas, has lent its premises for holding the Trade Fair in which, organisers said, 50 Bangladeshi companies will take part. The fair will give the Bangladeshi entrepreneurs the opportunity to further exploit the British market.

In a message, John Major, the British Prime Minister, welcomed the Bangladesh Festival in London and wished its every success. He also felicitated the Festival on winning a significant award from the Arts Council's highly competitive International Initiative Fund.

He said the Bangladesh population in east London had established its identity and become the latest in a line of migrant settlers who began their residence there, just as Huguenots and Jewish settlers did before them.

"Spitalfields has become an historic springboard for people of different nationalities and backgrounds to immerse themselves into the rich mix of British society", the British Prime Minister said.

A Rob Chowdhury (L), President, DCCI, and Samir Kumar Ghosh (R), President, BNCCI, India are seen signing a memorandum of understanding in the city yesterday.

DCCI, BNCCI sign MOU

The Dhaka Chamber of Commerce and Industry (DCCI) yesterday signed a Memorandum of Understanding (MOU) with the Bengal National Chamber of Commerce and Industry (BNCCI), Calcutta, reports UNB.

A Rab Chowdhury, president of DCCI and Samir Kumar Ghosh, president, BNCCI, signed the MOU on behalf of their respective organisations. The MOU comes into force with immediate effect.

The MOU resolves to exchange market information to further increase the existing volume of trade and economic ties between the members.

DCCI and BNCCI, MOU says, will assist visits of commercial and economic delegations between members of both the chambers.

The BNCCI and DCCI in the interest of their members will exchange relevant publications on the laws and regulations pertaining to foreign trade and investments.

The both BNCCI and DCCI will assist one another in participating in exhibitions including specialised exhibitions, trade and technological fairs, seminars, symposia, conferences and other similar events taking place in the respective countries.

That both BNCCI and DCCI will assist in the amicable and friendly settlement of trade disputes arising out of business transactions between the members of both the chambers through conciliation, negotiation and arbitration wherever necessary taking into account international standards and conventions in this regard.

The BNCCI and DCCI will meet as and when necessary to have exchange of views for strengthening the business ties.

The BNCCI and DCCI with a view to fostering cooperation for improved business relations and rendering better services to their respective constituents will arrange visits of officials of both the chambers from time to time within the framework of the rules and regulations of the two countries.

Strike closes banks in India

NEW DELHI, May 5: Banks were closed across India on Thursday by a one-day strike demanding better wages and benefits, especially for employees installing and operating computers, reports AP.

India's antiquated state-run banks are finally beginning to computerize, and many workers are demanding raises to do that.

Thai-Myanmar gas pipeline route under consideration

BANGKOK, May 5: A Thai minister will travel to Myanmar on Thursday for discussions on the route of a controversial natural gas pipeline between Myanmar's Gulf of Martaban and energy-hungry Thailand, reports Reuter.

Minister in the prime minister's office Savit Bhotiwihok is hoping to finalise the route of the pipeline which is expected to carry 250 million cubic feet of natural gas to Thailand everyday, a government official said.

Cyclonic storm damage to PDB may exceed Tk 20 cr

The cost of damage to Power Development Board during Monday's cyclonic storm may exceed Tk 20 crore, reports UNB.

According to a preliminary report, PDB suffered damage to its power grid in Cox's Bazar, Ukhia, Teknaf, Chowkoria, Ramu, Moheshkhali, Kutubdia, St Martins and other places, entailing a loss of Tk 20 crore.

The power supply system in the areas were totally destroyed during the storm, said a press release on Wednesday.

The 33 KV line in Cox's Bazar-Ukia-Teknaf was severely damaged during the storm. About 400 electric poles between Ukia-Teknaf were destroyed in the cyclone.

A 12-member technical team has been formed an emergency basis to complete the repair work on the Cox's Bazar-Ukia section of the line and is expected to restore power connection partially up to UKia.

However, restoration of power supply in Ukia-Teknaf areas is not immediately possible, the release said.

The special task force of PDB has, meanwhile, restored the power supply system in Cox's Bazar city, 16 hours after the storm.

Discussions on SAARC book marketing held

Elaborate discussions were held in four sessions Wednesday for intensified cooperation at the SAARC on-going seminar on "Book production and marketing here," reports BSS.

Discussions were held on "Promotion of South Asian writing"; "Strengthening library network in South Asia: problems and prospects"; "Experience of co-publishing regionally and internationally: how policy — the Bangladesh experience, marketing and promotion of books in South Asia: present situation and future prospects" and "Role of publishers associations: prospects for South Asian collaboration."

A stall at the three-day Bangladesh Apparel and Textile Exposition at Sonargaon Hotel in the city. — Star photo

Gulf Overseas Exchange Co profits $236240

The Gulf Overseas Exchange Company LLC, Oman, functioning under the management of National Bank Limited (NBL), Bangladesh, has earned a net profit of 236, 240 US dollars during the year 1993, says a press release.

The board of directors of the company in the 12th annual general meeting held on April 7, in Muscat has declared 28 pc dividend.

The meeting was presided over by Noor Bin Mohammad Bin Abdul Rahman, chairman of the board of directors of the company. Salim Abdullah Al-Rawas, Director of the exchange company and M A Wahhab, Managing Director (Current Charge), NBL, were also present.

The LLC was established as a joint venture company with Omani partners and NBL.

Renewal of China's MFN status still attainable

WASHINGTON, May 5: The administration's top official on China cited some human-rights improvements and said renewal of China's trade status was still attainable, reports AP.

Winston Lord, the assistant secretary of state for East Asian and Pacific affairs, spoke Wednesday to a Senate panel less than a month before President Clinton must decide whether to renew most-favoured-nation trade status. That decision could affect billions of dollars in trade with China.

Clinton is under strong pressure from US businesses, backed by a growing list of lawmakers, to end the link between human rights and trade.

On the other side, human-rights groups are pressing the administration to live up to its policy, crafted a year ago, to revoke MFN after a year if China does not make progress in seven specific human rights area.

Human Rights Watch-Asia Washington Director Mike Jendrzejczyk told the Senate Foreign Relations subcommittee that China has intensified its crackdown of dissidents in recent months because Beijing is convinced Clinton will settle for minimal human-rights concessions.

Since a February report issued by the group, "the human-rights situation has deteriorated further" with religious believers imprisoned, peaceful advocates of independence in Tibet arrested, film directors banned from working and dozens of activists detained for "ideological crimes," he said.

Lord acknowledged some backsliding since Secretary of State Warren Christopher visited Beijing in March.

Foreign investment in Bangladesh, Vietnam: Why the difference?

By Matthew Morey

By comparing foreign investment in Bangladesh and Vietnam many of the problems that Bangladesh is facing in attracting foreign investment can be more clearly illustrated.

Despite both Bangladesh and Vietnam recently opening themselves to foreign investment and having many similar characteristics, it is a well-known fact that Vietnam has received much more attention from foreign investors.

According to the Bangladesh Board of Investment, and using generous exchange rate conversions, over the period 1988-1993 there was nearly 200 million dollars of sanctioned foreign direct investment in Bangladesh. However since only about a third of the sanctioned investment has been actual invested in Bangladesh, the actually amount of foreign direct investment is probably closer to 70 million dollars, and indeed, according to some Bangladeshi academics, this figure is too high. None the less, this figure is useful for comparison, for in Vietnam, there have more than 500 foreign companies sign up for 7.5 billion dollars in foreign investment projects over this period of time. Only an estimated two billion dollars has been actually received so far, yet the prospect of future investment can only increase as the US embargo has been lifted.

What is the reason for this difference? From the outside both countries do seem to be quite similar. Both countries are considered among the poorest in the world, each having per capita income in the neighbourhood of 200 dollars. They are both delta-like countries with rice as their main food product. They each have very large populations and thus represent large domestic markets for an investor to cultivate. Further, they each have had their share of socialism and hence each one still has an extremely tortuous bureaucracy. Moreover, although both countries have port facilities, they each have poor infrastructure systems. And lastly, and may be most importantly, both countries are still not that much politically stable.

This article intends to provide an answer to the above question by making five points: 1) that there is a difference in labour productivity between the two countries; 2) there is a significant difference in the image the outside world has of the two countries; 3) that there are geographic and natural resource differences; 4) the domestic performances of the two economies have been quite different after the reforms have been implemented, and 5) foreign investors may perceive a difference in the respective country's commitment to economic reforms. Finally, the article gives some comments on the future prospects for foreign investment in Bangladesh.

Labour Productivity

There is a significant difference in labour productivity between Bangladesh and Vietnam. In Bangladesh, although nominal costs of labour are among the lowest in the world as evidenced by the growth of garment industry, there has historically been low labour productivity. **Even among neighbouring South Asian countries, Bangladesh's productivity is considered low. Part of this low productivity certainly comes from the fact that the labour force is so poorly skilled; only 23.8 per cent of the population over five is literate. While another part is that the country's nutritional levels are so poor that the workers simply cannot work as hard as they would like.** Combine these factors with poor management, inefficient infrastructure and machinery and one easily sees why productivity is so low: This low labour productivity combined with the frequent interruptions in work days as a result labour or political unrest, makes Bangladesh greatest assets — its vast supply of unskilled labour — not as attractive to investors.

Vietnam, like Bangladesh, also has a huge surplus labour and very low nominal labour costs, however, unlike Bangladesh, its labour productivity is deemed by investors to be higher. The reason for this is due to a high literacy rate among the public (70 per cent by some estimates) and possibly the cultural identification with work that many Eastern Buddhist countries like China and Korea seem to have. Hence, although Vietnam's nominal labour costs may actually be higher than Bangladesh's, in real terms the Vietnamese labour costs are probably considerably lower, giving investors a reason for investing in Vietnam rather than Bangladesh.

Image of the country to the Outside

To the outside world, Bangladesh and Vietnam today conjure up vastly different images. **Bangladesh, sadly, is still thought of in much of the world as more of a disaster area than an area for possible investment. To the outsider, it is an area prone to famine, flood, tidal waves, cyclones, and abject poverty. Moreover, its government is considered unstable, and its bureaucracy is considered not only to be huge, but also not honest and full of red tape.** It's only when investors come to the country and see that such perceptions are not altogether true then foreign investment may improve in Bangladesh.

Vietnam, conversely, has altogether different perception to the outside. Rather than a disaster area, outsiders see Vietnam as a future economic tiger. Vietnam is perceived to share the same characteristics that have made other East Asian countries prosper so quickly; the only reason economic growth has not occurred earlier is because the communist government that has ruled the country for the past two decades has impeded such economic growth. Indeed, one of the reasons behind the US dropping its embargo against Vietnam is that American investors could enter the market before the opportunities were gone.

Besides the future tiger perception, Vietnam also has the advantage over Bangladesh. It is much more widely recognized in the outside world. The French colonization and American involvement have given Vietnam an identity to the outside world. And because of the American and French defeats there, that identity is associated with toughness and resolve characteristics that many foreign investors may indeed appreciate.

Geography and Natural Resources

Although both countries are located in Southern Asia and are for the most part delta-like countries, there are some geographic differences that have certainly contributed to the differences in foreign investment between the countries.

For example, consider their neighbours. Bangladesh lies sandwiched between India and Myanmar. Both these neighbours cannot be relied upon to provide much investment into Bangladesh. Rather, because of their similar position in economic standing these neighbours compete for much of the same foreign investment. More specifically, although India has very recently made great strides economically, the fact that the Indian rupee has recently depreciated so much against the Bangladeshi Taka, can only make Indian investment into Bangladesh for export purposes less attractive. The high value of the Taka relative to the Rupee serves to make Bangladeshi exports more expensive relative to Indian exports. Indeed, because India and Bangladesh have much the same product producing ability in garments and other textiles and since both have recently liberalised their economies, an Indian investor could stay within India rather than going to Bangladesh. Even the garment quota system, which gave Bangladesh an advantage in selling garments to the US, is in danger. With the passage of NAFTA, the end of the Vietnamese embargo, and with the Bangladesh not using its entire garment quota this past year, the quota may indeed fall, thus giving further impetus for Indian investors — and other investors for that matter — not to invest in Bangladesh. And it goes without saying that without Indian investment, Bangladesh does not receive investment for the one country that it shares a deep cultural connection with; a very important factor in terms of drawing foreign investment.

Vietnam, has quite the opposite situation. It lies right in the middle of the fastest growing region of the world in terms of economic growth. China, Singapore, Thailand, Malaysia, Hong Kong, Taiwan, Indonesia, all have been booming at or near double digit growth for some time. To investors in these countries, Vietnam represents a place close by in distance and in culture where they can invest in. Further, it is a place where labour and other costs are cheap, much as they were in these countries years ago. Indeed, the vast majority of investment into Vietnam already has come from its neighbouring countries.

In natural resources, Bangladesh and Vietnam also have considerable differences which have contributed to the foreign investment level differences. Bangladesh has little resources, besides that of agrarian production. Its does have some natural gas reserves yet not many foreign investor have taken interest in this. The new government's handling of the KAFCO investment project, which infuriated the Japanese, only adds to the negative image of investing in Bangladesh. Vietnam, conversely, has large petroleum, mining and timber reserves that many foreign oil companies have taken interest in.

(To be continued)

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