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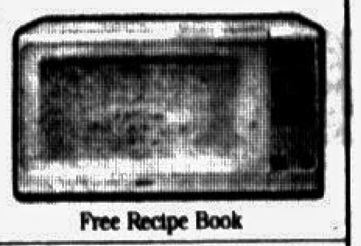

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BUSINESS
DHAKA MONDAY, AUGUST 18, 1997

HYUNDAI
CARS THAT MAKE SENSE

BGMEA claims the industry can do without zero tariff from EU while there's talk of compromise solution

Buyers say Bangladesh can't beat others if GSP goes

By Toufique Imrose Khalidi and Govinda Shil

While exporters claim they can do without GSP, their buyers in Europe warn Bangladesh's readymade garments industry will be out in the woods if the facility goes.

A British buyer says withdrawal of GSP will not only affect Bangladesh exporters but also lead smaller European importers into bankruptcy.

"I do not believe Bangladesh manufacturers could sustain competitiveness without GSP," says Alan Henderson of TCAS Partnerships, which acts for a major British importer of knitted goods from Bangladesh. "One of the main attractions of these goods is that they have been imported at nil rates of duty which assists in reducing the costs in a highly competitive market.

"There is no doubt that some smaller EC companies will be forced into bankruptcy if the GSP certificates are withdrawn which results in the receipt of substantial demands for duty from the EC."

He warns smaller companies will 'completely withdraw' from the Bangladesh market and larger ones will 'substantially reduce' their order books for knitted goods.

A German importer only echoes Henderson. Gotlib Charles's "feelings of frustration" originate from the fact that "three years later, we are compelled to pay duties on goods sold without taking those duties in count. That means a loss of about 14 per cent."

With an annual turnover of US$ 30 million with Bangladesh, Charles' firm Stuttgart-based Vegotex International, now finds itself in a situation it never thought of. "The result is that we worked on loss for the past three years on all the goods from Bangladesh with GSP certificates."

BGMEA's Mostafa Golam Quddus however claims the industry is strong enough to survive and do business even if the GSP or generalised system of preference, under which Bangladesh along with Laos and Cambodia get a 12.5 per cent duty waiver when exports are destined for European Union common market, is no longer there.

The Export Promotion Bureau or EPB is meanwhile studying if Bangladeshi knitwear, the kind of product which will mainly bear the brunt, can really sustain without GSP.

"We have to assess the impact of both cancellation of the certificates and loss of GSP facilities," says an EPB official. "Why cancel the certificates if Bangladesh does not need GSP?" he asks.

Officials say the EPB findings will make the commerce ministry's job easier. The ministry is yet to rule whether the 6,910 Schedule B certificates questioned by the European Commission officials should be cancelled.

It's a Catch 22 situation for Bangladesh authorities. As Commerce Secretary Syed Alamgir Farouq Chowdhury explains: "If we don't cancel those certificates, it amounts to flouting the agreement between the EU and Bangladesh. And if we do, it may raise another question: credibility of a key government agency (EPB)."

The deadline is October 2 to cancel the 6,910 disputed certificates, which according to a EU team did not comply with its rules of origin criteria.

Knitted and sweater products have to be made with locally-produced yarn under the rule. For these two categories, a three-stage transformation -- cotton to yarn, yarn to fabric and then fabric to ready-to-wear garments -- is needed to qualify for GSP. A two-stage transformation is enough for woven products to qualify for GSP. This is what the GSP rules of origin are, which mean yarn must not be imported for knitted and sweater products.

The Commission officials say there's a big difference between figures of exports and local production of such yarn.

The EU wants another 8562 certificates under Schedule C to be reveiwed. A total of 383 certificates under Schedule A were cancelled in Nov last year. The Schedule B cases were jointly investigated by EPB and EU team, which found origin of yarn unproven.

If the EPB does not respond to the EC request within the deadline, EU will ask the member states to collect duties for all 15000 certificates.

While some Bangladesh officials bank on a "lenient view" of their EU counterparts, realising the point that the exports do not really meet the rules of origin criteria, some businessmen display a rather militant mood.

They put it simply enough, "We can do without GSP. We can find buyers elsewhere." BGMEA's Quddus is one of them. Says an EPB official: "If it is so then why cancel the certificates?"

If cancelled, the key question that crops up is: Who's going to foot the bill?

The money will be realised from importers by the countries concerned, but practically the exporters here will feel the pinch. The manufacturers say the government should take the responsibility for its own act.

Henderson says certificates already withdrawn from similar imports from Laos and Cambodia left importers to pay "huge duty demands".

Quddus, contradictorily though, says European buyers of knitted products are worried about the situation. "The buyer will no longer be interested to continue business with us if they are made to pay the money. It's a huge amount."

His deputy at BGMEA Nurul Huq Sikder has a suggestion. "The government can form a panel of legal advisor to look into the disputes," Sikder told a press conference Thursday.

Sikder says EU importers have been paying a 12.5 per cent duty on Bangladeshi apparel goods since the EC inspection team visited the country a couple of months ago.

"We are calculating the duty as part of our cost and it appears that we are competitive without GSP. But the market is now fragile due to this additional cost," Sikder, equally contradictorily, added.

"But it is yet to decide who will pay," says the Commerce Secretary and adds that the government cannot shoulder the responsibility. Quddus insists the onus lies with the government.

The commerce ministry here estimates some US$ 29 million should be paid as duty to be realised by the European Customs authorities. The figure is over US$ 40 million, according to Britain's TCAS Partnerships.

According to EPB, Bangladesh's knitwear exports to EU countries stood at US$ 450 million in seven months from July 1996 to January 1997.

In the following five months, the knit exports were worth US$ 313 million when the authorities were "strict" in issuing (country of origin) certificates.

The figures far exceeded the US$ 297 million target, by an encouraging US$ 153 million, in the first seven months. In the rest five months, exports fetched an extra US$ 101 million over the projected US$ 212 million.

EPB officials believe the figures speak for themselves. "It really shows Bangladesh's competitiveness in the global market," says one.

Meanwhile, the buyers are annoyed with the EC bureaucrats for what they consider their negligence in monitoring the situation in Bangladesh which led to the crisis.

They say this is a problem which grew over years, and civil servants at the Commission just failed to do proper monitoring and supervision.

"There is some evidence to suggest that the EC was aware of the problem in 1994," says Henderson in Britain.

Another European buyer comes up with a different interpretation of the whole situation. "If withdrawal is being suggested it may well be 'arm-twisting' by the EC in an attempt to obtain agreement."

Some of them who spoke to The Daily Star believe the Commission just wants to obtain the duty on the disputed 6,910 certificates and another 8000 sent for verification. This has also been indicated by EU officials here in Dhaka.

"A compromise solution is possible," says Henderson. "I should stress that in extreme cases the EC could withdraw GSP facilities. As Bangladesh is classed as a least developed developing country, any attempt to withdraw the GSP may have a detrimental-political effect on the EC's aim of helping under-developed countries."

If these buyers are right, then Bangladesh failed at least on one count. There were room for diplomatic maneuvering, and it seems the diplomats accredited to the Union just didn't do their job.

And nothing can testify to it better than the statement of Ambassador Khairul Anam who admitted that he didn't know much about the issue. His point was that he took up only months ago (he joined in November 1996) and therefore was not properly equipped to deal with a years-old problem. 'This is something unbecoming of a professional diplomat,' says a garment exporter.

As the commerce minister Tofael Ahmed travels to Brussels next month, a section of exporters believes, there is still time to prepare grounds for what Henderson calls 'compromise solution'.

UN official says

Oil-for-food deal proves successful

BAGHDAD, Aug 17: A UN official said here yesterday that the oil-for-food accord has proved it can provide humanitarian supplies to relieve the situation in sanctions hit Iraq, reports AFP.

"In spite of many problems, I would evaluate phase one as moderately successful," Staffan De Mistura, the outgoing coordinator for UN humanitarian affairs in Iraq, told journalists.

He was referring to the first term of the oil-for-food deal, launched in December, which allows Iraq to export two billion dollars of crude every six months, two-thirds of the revenue in used to finance food and medical imports.

The deal "has succeeded in bringing 1.3 million tonnes of food and medicine," up from 86,000 tonnes in 1996, said De Mistura," its has proven it can work".

The 1.3 million tonnes is around two-thirds of the amount which Iraq was to have received, but several of its contracts with foreign suppliers have been blocked by a UN sanctions committee.

De Mistura also acknowledged that only a small fraction of the medicine due to be delivered had so far arrived in Iraq, which has been under UN sanctions since its 1990 invasion of Kuwait.

Army asked to protect oil refineries in Assam

GAUHATI, India, Aug 17: A remote northeast state Sunday asked the military to protect state-owned radio and television stations and oil refineries from possible attacks by rebels, a government spokesman said, reports AP.

Separatist guerillas in Assam and other northeastern states stepped up violence as India this week celebrated its 50th anniversary of independence from the British colonial rule.

"The state government has received intelligence reports that the rebels are planning to attack the three oil refineries and radio and television stations in Assam state," said the spokesman who can't be identified under the briefing rules.

The army will move into these places later in the day, he said.

Chinese phone market grows

BEIJING, Aug 17: Revenue in China's telecommunications market was 66.98 billion yuan (8.1 billion dollar) in the first half of 1997, up 34.4 from the same period last year, an official newspaper reported Sunday, says AP.

The Ministry of Posts and Telecommunications said 7.2 per cent of Chinese nationwide have access to telephones, while the figure is 24 per cent in cities, according to the Business Weekly of the China Daily newspaper.

Foreign phone companies have been lobbying for access to the closed Chinese market, but the newspaper said the ministry gave no indication it was considering giving up its monopoly.

China is adding 20 million lines to its phone network annually, the newspaper said, citing Deputy Minister of Posts and Telecommunications Lin Jinquan.

CCCI wants PM to deal with congestion at port and punitive surcharge by Singapore-based body

BSC urged to charter ships to ferry goods

Different business groups are mounting pressure on the Bangladesh Shipping Corporation for chartering ocean-going vessels to ferry goods from Singapore to avert a punitive surcharge, reports UNB.

The pressure on the BSC came after the Singapore-based Chittagong Feeder Trade Committee (CFTC) had imposed congestion surcharge on Chittagong port from August 16 night.

Chittagong Chamber of Commerce and Industry (CCCI) also urged the Prime Minister to take immediate steps for chartering vessels for smooth functioning of export-import trade.

Meanwhile, BSC officials met yesterday in Chittagong to discuss the pros and cons of chartering vessels to counter the CFTC-imposed surcharge.

The Shippers' Council, meanwhile, in a letter to the Ministry of Shipping has urged it to bring down conference surcharge rate to the level of Feeder operators and totally withdraw the same from the Feeder operators in the mutual interest.

Following the imposition of congestion surcharge by the CFTC the US-based ANERA (Asia North America Eastbound Rate Agreement) Conference also decided to impose congestion surcharge of USD 250 per 20-foot container and USD 500 per container of other sizes passing through Chittagong port with effect from August 25.

Shippers' Council termed totally "unjustified" the ANERA decision to charge 100 dollar per TEU higher for 20-foot container and USD 200 higher for 40-foot container over those to be charged by Feeder operators.

They also said there is no instance anywhere in the world where vessel operators not using services of the port by their own vessels impose port-congestion surcharge in addition to what is actually being charged by the Feeder operators.

When contacted, SM Matiur Rahman, Secretary General of Shippers' Council, said the ANERA step was not justified after remarkable improvement of port situation following measures taken by the Chittagong Port Authority. And port condition will be back to normal soon.

When contacted, a BSC high official, preferring anonymity, said: "It will be risky for the corporation to go for chartering Feeder vessels as it will involve huge amount of money in foreign currency."

He termed the CFTC decision "unfair" because they are cargoing with age-old chartered vessels and had imposed the congestion surcharge taking the advantage of monopolistic position.

Once the BSC charters some vessels, "I am sure the CFTC will withdraw the congestion surcharge and also bring down its freight to carry out its business," he said. And then the corporation will face the real difficulties.

An official in the Ministry of Shipping, however, said the CFTC imposed the surcharge after a prolonged chaotic situation that created congestion in the Chittagong port as well as in Mongla port.

He said since January 5, 1995 till April 7, 1997, operation in Chittagong port had suffered a loss of 2002.30 working hours while it was 1380 hours in Mongla port in the same period.

Giving a breakup, the official said the Chittagong seaport had suffered a loss of 107 hours for work stoppage by CBA and other port employees' organisations since January 11, 1994 till March 15, 1997 while for political reasons the port lost 1320 hours since March 23, 1994 till March 9, 1996.

Strike by the dock workers, C&F agents, road transport and port security employees, and go-slow policy of the unions also ate up another 500 working hours.

The ministry sources said apart from heavy rain, inadequate port facilities, including shortage of modern equipment, was also responsible for clogging the ports.

Two participants enjoy themselves as hundreds of thousands of techno fans with fancy hairdos and colourful costumes replaced sober-suited bankers in central Zurich on Saturday, turning the Swiss financial capital into a huge rave party. 'Lovemobiles' bearing names such as "Delirium", "Adrefamine Generate" and "Temple of Madness" wound their way through city streets vibrating with the latest rave and house music. — AFP/UNB photo

Malaysians urged

Take advantage of drop in ringgit

KUALA LUMPUR, Aug 17: The Malaysian trade minister urged manufacturers Sunday to take advantage of the recent drop in the ringgit, the nation's currency, to market their products and boost exports, the national news agency Bernama reported, says AP.

"There is vast potentials and opportunities for us to expand our export markets especially to countries where our products are at cheaper rates when quoted in US dollars," International Trade and Industry Minister Rafidah Aziz was quoted as saying.

The ringgit has dropped nearly eight per cent from 2.52 to the US dollar six weeks ago to about 2.72 to a dollar.

Rafidah also called on exporters and manufacturers to inform the government if they face trade restrictions abroad.

India will decontrol farm business

NEW DELHI, Aug 17: Indian Finance Minister P Chidambaram said yesterday the government planned to liberalise the over-regulated agriculture sector in a bid to boost economic growth, reports AFP.

The minister also called for injecting further competition in the services and infrastructure sectors and warned that only hard hitting steps would help banish endemic poverty.

"The agriculture sector is subject to severe controls, and this year we must devote attention to liberalising this sector," he told a meeting of the Confederation of Indian Industry (CII) here.

Chidambaram said the sector suffered from restrictions on farm produce, lack of credit facilities, a ban on corporate sector involvement and absence of technology flow.

"Farmers should have the right to move, sell, export and determine the price for their produce," he said.

India's food grain production is poised to total a record 198 million tonnes for the fiscal year which ended in March 1997 according to estimates here.

The output was 185 million tonnes in 1995-96 and 191.50 million tonnes in 1994-95, experts say demand for food grain could touch 301 million tonnes in 2025.

Chidambaram said despite various constraints, agriculture had contributed heavily to national growth.

He said the Indian economy grew by 6.8 per cent last year mainly because of a sudden spurt in agriculture. "It made up for the poor performance of the infrastructure sector, particularly coal, power, road and petroleum."

Chidambaram, a strong advocate of free-market reforms, also called for deregulation of the services sector and further opening up of coal, petroleum, power and roads " to introduce competition and make them more efficient."

"Whenever competition existed, the (concerned) sector has performed splendidly," he said, adding he was disappointed that the insurance industry in India was government owned and lacked competition.

"India has the ability to sustain a growth of seven per cent ...We have to abolish poverty and if we cannot do it in the next 25 years, it will be a sad chapter," he said.

Indians, the minister added, did not lack in anything.

A fine of shame

By Cameron Kennedy

Urmi Limited and HRC Products Limited risk legal action if they don't register their milk products soon, as required by the 1984 Breast-Milk Substitute Ordinance.

"They'll have to submit their papers within a month, or we'll inform them," says Md Siddiqur Rahman, an officer with the Institute of Public Health and Nutrition who enforces the ordinance.

Distributers can expect more tough talk as the government cracks down on those who promote breast-milk substitutes, after years of neglect.

Though Bangladesh passed the Breast-Milk Substitutes (BMS) ordinance in 1984, the government waited almost 10 years to form the advisory committee to ensure companies followed the rules.

"Nobody bothered to find out what the milk importers were doing," says Dr A I Begum, coordinator of the Bangladesh Breastfeeding Foundation. "Nobody thought regulation was their job. 'Cracking the Code' really opened the eyes of top officials here".

The Integragency Group on Breastfeeding Monitoring published 'Cracking the Code', earlier this year. It examined the marketing of BMS in Bangladesh, Poland, South Africa and Thailand; and found the country had very few code violations, especially in the media.

But, it's statistics suggested about 13 per cent of Bangladeshi mothers surveyed still received negative messages from companies trying to promote infant formula, with Milco topping the list.

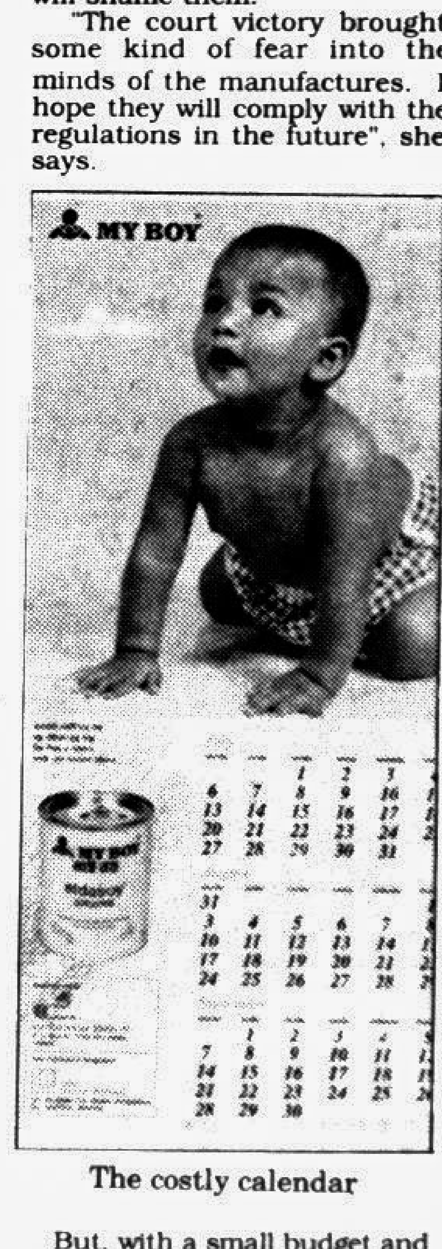
Despite a good record, breastfeeding advocates are pushing for tighter controls. Begum says the advisory committee meets about every six months and Dr Sudarshan Karmakar, director of the Institute of Public Health and Nutrition, has the power to take legal action against companies who contravene Bangladesh's BMS code, with the help of a lawyer.

The authority has already won the first battle. The committee filed a case against Lalmai Limited, a distributer of the BMS 'My Boy', which is produced by Coberco Omefa in the Netherlands. It sent a calendar to hospitals depicting a 'My Boy' container beside an infant.

The BMS code forbids promotion of substitutes by any medium, and companies cannot use pictures of infants on packaging or instructions. The company pleaded guilty and was fined Tk 1,500, about 34 US dollars.

While Begum agrees the fine is a token amount for companies who make millions, she says it's still a good deterrent. "It's a matter of disgrace. Companies won't do anything that will shame them.

"The court victory brought some kind of fear into the minds of the manufactures. I hope they will comply with the regulations in the future", she says.



The costly calendar

But, with a small budget and few staff, Begum admits it's a challenge to keep tabs on all the milk companies' advertising campaigns.

However, this could change when the committee expands it's network of 'informants'. Begum says the 64 civil surgeons at the district level have been trained about the benefits of breastfeeding and the BMS ordinance, and hopes the programme will eventually expand to the thana level, as well.

Benazir pleads for Asian unity to face economic colonisation

Benazir Bhutto

KARACHI, Aug 17: Former Pakistan prime minister Benazir Bhutto yesterday called for closer cooperation among Asian countries to meet the looming threat of economic colonisation, reports AFP.

After the Cold War "a trade war has started," she said adding, "We (Asians) are divided, we are confused and we do not even know what the new world order is about."

"If we want to prosper we have to bargain, Asia has to bargain with the non-Asians on an equal footing," the two-time prime minister told AFP in an interview.

There has to be an "equal playing field" in the markets for "multinationals of the East and the West," she said.

Benazir said the future would not be Asia's if its countries "permit a fresh form of economic colonalisation to dawn."

But only strong leaders from Asia with global stature could bargain on equal terms, she said.

"We should think as Asians, act as Asians and adopt policies which are pro-Asian."

"We should not let the charges of corruption deter us from giving contracts to companies of Asia because we are not a hostage market for any one continent and we cannot continue to be a hostage market for one part of the world," Benazir said.

"We cannot permit puppet governments to come to serve our markets on a plate to one part of the world where we must have dive diversity. We must have several eggs in the basket not just one egg in the basket."

Benazir criticised the role of international financial agencies.

"They are only pained when a country becomes independent, they are only pained when they see the market is slipping away from their fingers," she said.

She feared "fiscal measures and invincible tariffs will be used as instrument to keep Asia down".

Pakistan must follow a look-East policy, Bhutto said. It should have good understanding with China, Japan, South Korea, Malaysia, Singapore and the Association of Southeast Asian Nations (ASEAN).

General Motors averts another strike

DETROIT, Aug 17: General Motors Corp. averted another strike by the United Auto Workers when it reached a tentative agreement Saturday on a local contract, reports AP.

GM and the UAW reached an agreement covering 5,320 workers at the Willow Run and Romulus transmission plants at 2.30 am, said Chuck Zurawski, president of UAW Local 735.

The union had said its members would strike if no agreement was reached by 11:59 pm Friday, but both sides agreed to continue bargaining beyond that deadline.

There was no interruption in production at either plant after the strike deadline passed, Zurawski said. A ratification vote will be held within the next 10 days, he said.

The contract for workers at the Willow Run and Romulus transmission plants would be in effect for two years, Zurawski said. But neither he nor GM spokesman Chuck Licari would discuss the agreement in detail.

Exchange Rates

The following are the **Sonali Bank**'s dealing rates (BD Tk for one unit of Foreign Currency) to public as on 17/8/97.

Buying

	TT Clean	OD Sight Export Bills	OD Transfer
US Dlr	43.9700	43.8050	43.7085
GB Pound	70.3502	70.0862	69.9318
D Mark	24.0584	23.9681	23.9153
F Franc	7.1336	7.1068	7.0911
JP Yen	31.4546	31.3365	31.2675
C.Dlr	29.0892	28.9800	28.9162
S Franc	0.3705	0.3691	0.3683

Selling

Name of Currency	T.T.& O.D.	B.C.
US Dollar	44.2610	44.3010
GB Pound	71.3940	71.4585
D.Mark	24.4744	24.4966
F. Franc	7.2565	7.2630
JP. Yen	31.9925	32.0214
C.Dollar	29.5957	29.6224
S Franc	0.3808	0.3811

A) TT (DOC) US Dollar Spot Buying Tk. 43.8875

B) Usance Rate

30 Days	60 Days	90 Days	120 Days	180 Days
43.5181	43.1517	42.7853	42.4188	41.6860

C) US Dollar sight export bill 3 months forward purchase: Same as OD sight export Bill buying rate.

Indicative Rate

	Selling	Buying
Saudi Riyal	11.8061	11.6494
UAE Dh	12.0586	11.8983
KUW DI	144.9754	143.1189
D Guilder	21.0877	20.8146
S Krona	5.5216	5.4480
Malay Ringgit	15.9327	15.7168
Sing Dollar	29.2345	28.2720

The following are the **Janata Bank**'s dealing rates (BD Tk for one unit of Foreign Currency) to public as on 17/8/97 :

Buying

Name of Currency	TT Clean	OD Sight Export Bills	OD Transfer
US Dlr	43.9700	43.8008	43.6860
GB Pound	70.3661	70.0789	69.8953
D Mark	24.0638	23.9656	23.9028
F Franc	7.1352	7.1060	7.0874
JP Yen	0.3724	0.3709	0.3699
C.Dlr	31.4616	31.3332	31.2511
S Franc	29.0957	28.9770	28.9011

Selling

Name of Currency	T.T.& O.D.	B.C.
US Dollar	44.2615	44.3010
GB Pound	71.3913	71.4718
D.Mark	24.4677	24.4952
F. Franc	7.2545	7.2626
JP Yen	0.3812	0.3816
C Dollar	31.9836	32.0196
S. Franc	29.5875	29.6208

Janata Bank's selling and buying rates in cash currency for public:

	Selling	Buying
US Dlr	44.6000	44.1000
GBP	70.3900	68.3900
S Riyal	11.8000	11.4500
UAE Dh	11.9500	11.4500
KUW DI	145.0000	140.0000