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The Daily Star BUSINESS

DHAKA WEDNESDAY, JULY 29, 1998

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Dhaka to receive \$85m soft loan from Spain

Bangladesh will receive 85 million US dollar soft loan from Spain under a financial cooperation programme, reports UNB.

An agreement to this effect was signed at the Spanish capital Madrid.

The soft loan with a minimum grant elements of 50 per cent was the first ever of such kind from Spain to Bangladesh.

ERD Secretary Dr AKM Mashiur Rahman and Secretary of the Spanish Ministry of Economy and Finance, Elena Pisonero Ruiz, signed the agreement on behalf of their respective governments, said a handout here yesterday.

Under the cooperation programme, various development projects will be implemented in the country over 1998-2000 period.

20,500 tonnes of rice arrive at Ctg Port

Two ships carrying 20,500 metric tons of rice reached the Chittagong Port and was being unloaded, reports BSS.

The ships MV Ikalastary and MV Belair carried the rice to Bangladesh under an agreement signed between Trading Corporation of Bangladesh (TCB) and the ministry of food on July 21, a TCB press release said here yesterday.

Under the agreement, TCB will supply 30,000 metric tons of rice to the ministry of food. The rest of the rice to be carried by MV Al Shams is expected to reach Chittagong Port soon, the press release added.

EBL workshop Efficient cash management for better service stressed

Star Business Report

The Chairman of the Board of Directors of Eastern Bank Limited (EBL) Nurul Husain Khan stressed the need for efficient cash management for providing prompt and personalised customer services. The banking sector needs more and more training for developing human resources," he added.

The Chairman said this while inaugurating a workshop on 'Cash Management' for the officers of the Cash Department of EBL at the bank's training academy yesterday, says a press release issued on the day.

Directors M Aminuzzaman and Mir Nasir Hossain and M Khairul Alam, Managing Director were also present in the inaugural session. All the cashiers including the Joint Custodian Cash of Dhaka-based branches participated in the day long workshop.

Strategic Location Boon for business with Bangladesh

When it comes to doing business, the Bay of Bengal perhaps provides the best common feature to both countries. But Myanmar's own geography adds another angle to the prospect of bilateral business relations.

The Arakan Mountain range separates western Myanmar (Rakhine and Chin states) bordering Bangladesh from the rest of Myanmar. These two states are endowed with rich natural resources including limestone, timber, bamboo, marine products and many different kinds of minerals. Besides millions of tonnes of limestone deposits in the Rakhine state, to give you one glaring example, there is a single patch of bamboo forestry stretching over 7,000 square kilometres producing 2.2 million tonnes of single species of bamboo, equivalent to 8,00,000 MT of pulp.

Let me calculate what it does mean if we are guided by wisdom. Just take our Karnaphuli Paper Mill (KPM) for a case, whose annual production capacity is only 30,000 tonnes. At least 25 (twenty-five) such KPMs can be fed with these resources, which have remained largely unutilised.

Because of the geographical proximity, Bangladeshi businessmen could be the logical, ideal partners of Myanmar for harnessing these resources to the mutual benefit of both. The hinterland of the Chittagong port hinterland could well be stretched up to the foot of the Arakan Yoma.

The fact that the two countries stand on the borders of two regional blocs is something for us to seriously ponder. The two together can make the most out of the proposed ASEAN Free Trade Area (AFTA) and South Asian Free Trade Area (SAFTA).

For instance, a joint venture manufacturing unit based in Maungdaw with raw materials from the western Myanmar states immediately qualifies to benefit from the AFTA. A similar venture in Teknaf or Cox's Bazar has the chance to exploit the proposed SAFTA.

Adding to the prospects is the perfect location for better, cheaper communication. Sittwe, the capital of the state of Rakhine, is a day's sea voyage from Chittagong, compared to four days from Yangon.

There are other elements that promise potentials to Bangladesh-Myanmar co-operation. Myanmar has borders with as many as five countries, including China. Goods produced by joint ventures have thus immediate, easy access to these markets.

Today's geo-political realities, think of what's happening around the world -- a world that is increasingly looking towards the Indian Ocean region, hold both opportunities and challenges. Does anyone of us here have any doubts that the IOR countries together are poised to emerge the most prospective growth zone in the coming millennium? And then, consider the internal changes in China. The global trend of opening up has also forced China to rethink its business strategies. Until the 1990s when China opened its doors, most industries were located deep inside the country. Now that the fear is gone in this era of peace treaties, they are moving to the coasts pretty fast -- so fast that the coastal regions are virtually overtaking the old industrial bases, which is creating a kind of inter-regional disparity within the vast country. What does that mean? A natural outlet for these manufacturing hubs is the need of the hour. The logical option for the Chinese states bordering Myanmar is to try to have an access to the coasts across Myanmar. In fact, there is already talk of connecting Mandalay, the Myanmar district near the Chinese border, with the state of Rakhine along the Bay of Bengal.

What it all boils down to is clear and simple. There are challenges ahead of us in terms of competitiveness. We already

First-ever Myanmar private sector delegation in Dhaka

'Trade more, tap resources in Rakhine'

Star Business Report

The minister said that Bangladesh could export fertiliser and petrochemical products to Myanmar.

Inviting Myanmar businessmen to invest in Bangladesh, Tofail said the country was offering the best package of incentives in Asia for the overseas investors. He said the leaders of both countries should find out why bilateral trade was still so low even after signing of a border trade agreement.

The border trade agreement was signed in 1994 and implemented in 1995, but the two-way trade was still as low as US\$ 8 million a year.

The symposium titled *The Prospects of Bangladesh*

Myanmar Economic Co-operation was organised by Board of Investment and Dhaka Chamber of Commerce and Industry (DCCI).

The Myanmar private sector delegation, first ever to Bangladesh, is exploring the possible areas for setting up joint venture projects and multiply exports and imports both ways. The team has representative from manufacturing, printing, construction, breeding, agriculture, timber and marine sectors.

Bangladeshi cosmetics had long ago won the minds of Myanmar people while Burmatis are still popular among the Bangladeshis.

The leader of the team, Aik

Htun, hopes to make the best out of the trip. "I firmly believe that the visit of Myanmar business and investment delegation will establish a strong framework for bilateral relations and a successful partnership between our countries," he told the symposium.

Htun said as many as 22 countries have invested in Myanmar an amount of US\$ 6642 million so far in 11 different sectors.

But Bangladeshi entrepreneurs pointed to a long-standing problem -- an inefficient financial transaction system in Myanmar.

Due to its command economic system and absence of free market banks, opening of

Lcs and payment of bills were making things difficult.

"This is the main problem in bilateral trading," said Syed Mahmudul Huq.

Farooq Sobhan, the BOI executive chairman, said improved communication system and better banking facilities were needed to boost bilateral trade.

Sobhan gave a multi-media presentation on investment prospects in Bangladesh and said the economy was close to making a breakthrough.

DCCI president Rashed Maksud Khan said the ceiling for current level of border trading would be increased to US \$ 10,000 from the existing US \$ 5,000. He said the existing level

of trade was much lower than the economic potentials.

Khan, who led a DCCI team to Yangon last month, said Myanmar importers had shown interest in Bangladeshi melamine, ceramic products, toiletries, electric and electronics products and construction materials.

Talking to The Daily Star, Myat Kaung, an agro-processor based in Yangon, said infrastructure on the Bangladesh side is "perfect" to do business. "We should review the whole thing as to why the relations did not flourish yet," he said.

He said that export processing zones at any point of the Bangladesh-Myanmar border would help both the countries.

Myanmar leader admits impact of Asian crisis

YANGON, July 28: Myanmar leader Lieutenant General Tin Oo has admitted the impact of the Asian economic crisis on his country to some extent, reports Xinhua.

Tin Oo, Second Secretary of the Myanmar State Peace and Development Council, made the admission at an annual meeting here Sunday of the country's edible oil dealers association.

This is the second Myanmar leader to admit the impact after Minister of Finance and Revenue U Khin Maung Thain.

At the meeting, Tin Oo urged the entrepreneurs to work harder, be thrifty and avoid too much reliance on foreign goods and establish a healthy economy.

Tk 300m paper plant in private sector

Star Business Report

The Capital Paper & Pulp Industries Ltd is setting up an import substitute paper manufacturing plant at a cost of Tk 300 million.

The plant is located at Ghorasal.

The plant will have two plants. Plant-I will have the capacity to produce 25 MT of kraft paper per day while plant-II will have the capacity to produce 15 MT tissue paper per day.

The corporate finance unit of ANZ Grindlays Bank was appointed arranger and advisor for the fund raising programme. It is also the lead bank in both term debt and working capital facility consortium, says a press release.

ANZ Grindlays Bank, Eastern Bank and National Bank have extended a term loan facility of Tk 79M.

Bangladesh Shilpa Rin Sangstha (BSRS) has agreed to subscribe Tk 50M partly-convertible debenture and Pragati Insurance has agreed to subscribe Tk 5 M non-convertible debenture.

Industrial Development Leasing Company of Bangladesh Ltd (IDLCL) has already provided a lease financing of Tk 20M.

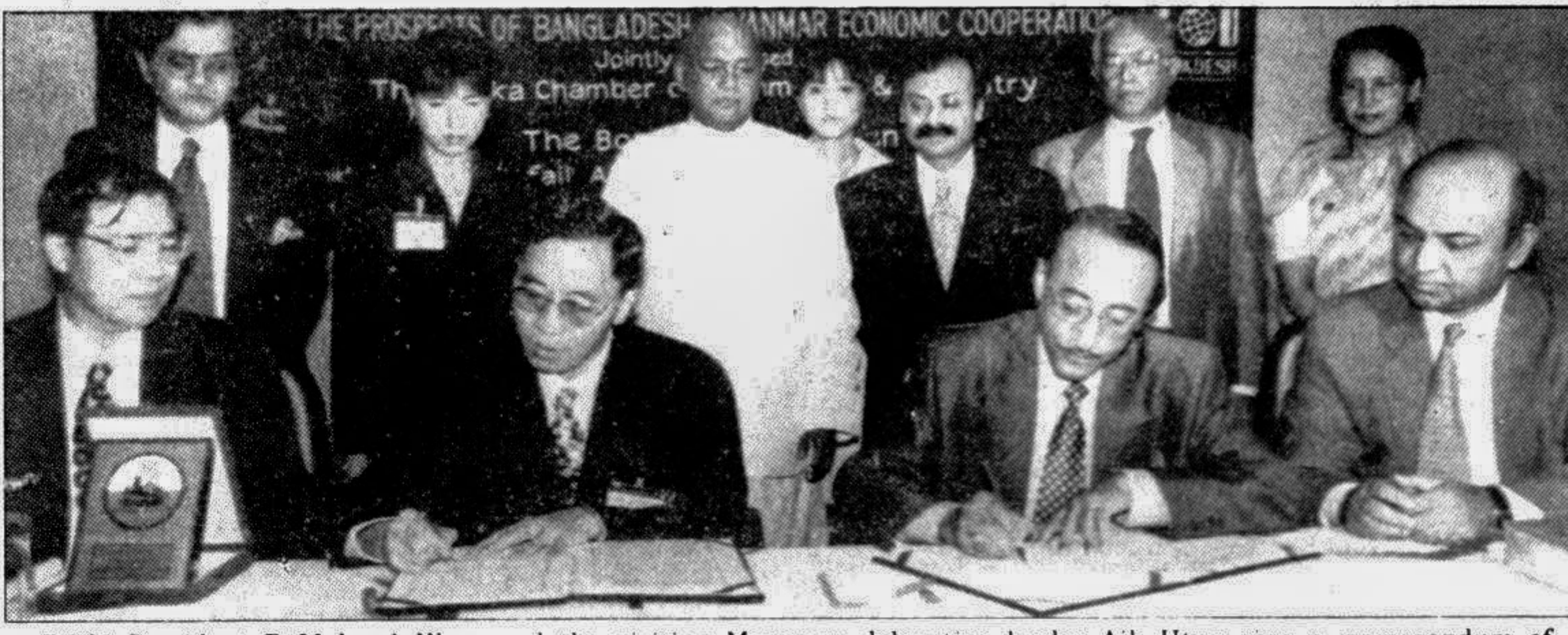
Ali Akbar Khan and Abdullah A Mahmud, Chairman and Managing Director of the company thanked the consortium lenders for their support.

The company is expected to start commercial production by the 2nd quarter of next year.

Seminar on banks' micro-finance postponed

The seminar on "Micro Finance Programmes of Commercial Banks," scheduled to be held on Thursday, has been postponed due to unavoidable circumstances, says a press release yesterday.

The new date will be announced later on.



DCCI President R Maksud Khan and the visiting Myanmar delegation leader Aik Htun sign a memorandum of understanding in the city yesterday to form Bangladesh-Myanmar Business Promotion Centre. Commerce and Industries Minister Tofail Ahmed, State Minister for Foreign Affairs Abul Hasan Chowdhury, BOI Executive Chairman Farooq Sobhan and Managing Director of Myanmar-Bangladesh Fisheries Ltd, Syed Mahmudul Huq look on.

Special EPZ in Teknaf likely MOU to form Bangladesh-Myanmar Business Promotion Centre signed

Possibility of a special export processing zone (SEEPZ) in Teknaf will be explored under a memorandum of understanding (MOU) signed between Bangladesh and Myanmar business leaders here yesterday, reports UNB.

The proposed SEEPZ will exclusively be for establishment of industries based on raw materials from Myanmar under joint venture between Bangladesh and Myanmar for export to third countries.

Dhaka Chamber of Commerce and Industry president R Maksud Khan and chairman of

Olympic Group and vice chairman of Asia Wealth Bank U Aik Htun signed the MOU to form Bangladesh-Myanmar Business Promotion Centre (BMBPC).

The centre will dedicate to the promotion of bilateral trade and investment cooperation between the two countries, set up joint venture projects and form sub-committees for conducting feasibility studies of both backward and forward linkage industries.

According to the MOU, the area of the industries included bamboo extraction and manufacture of pulp and mining lime

stone and manufacturing of clinkers for export to Bangladesh and third countries.

The BMBPC will also work to set up hydroelectric power plants in Myanmar for consumption in that country and export the surplus to Bangladesh, foster joint venture business and promote border trade between the two countries.

Under the MOU, both sides will exchange regularly market information to explore the possibility of increased trade and economic cooperation.

They will exchange visits of commercial and economic delegations and extend maximum possible assistance and cooperation to each other for furthering business contacts.

Both sides agreed to utilise all available opportunities within their competence to promote, strengthen and expand trade, investment and other economic cooperation for mutual benefits, said the MOU.

The visit of Myanmar business delegation and signing the MOU was followed by a visit of representatives of the DCCI to Myanmar June 14-17.

Entering the Golden Gate of Asia

Syed Mahmudul Huq complains that both Bangladesh and Myanmar have failed to exploit opportunities the next door

have giant India along our borders. With China coming into the picture, an effective partnership between Bangladesh and Myanmar could give us the strength to face the challenges. While we prepare ourselves to deal with these challenges, I believe, this partnership could also turn these challenges into opportunities. We must not forget that these two countries also offer vast markets for us when we know for sure that free flow of goods in the envisaged borderless world of trade is just a matter of time.

Areas of Co-operation and Opportunities

I would like to present some ideas for consideration of leaders of both countries. Based on my experience and long association with the people and government of Myanmar as promoter of the lone joint venture, I have always believed that potentials are plenty. Today, I feel even more confident as we are hosting the first-ever private sector delegation from Myanmar. As far as I understand, such a high-powered team, and such a large one at that, has rarely undertaken such trips to a foreign country. One important point to note that the delegation is sponsored by a private bank and led by its vice chairman, which itself is a manifestation of the fact that they mean business.

Presently, we hear only about border trade between the two countries, which has been appallingly low. Normal trade, again insignificant in value and volume, is mostly routed through Singapore, a fact that only points to our lack of initiative to explore opportunities the next door.

For about a decade during which I dared set up a business in Myanmar, my interaction with government functionaries on both sides has convinced me that there also exists a tremendous amount of goodwill among them to pursue a long-lasting economic co-operation. For those who would like to give it a try, let me point out the areas of co-operation and opportunities.

For the moment, the focus has been on border trade. But the important element is, infrastructure and administrative machinery being put in place will also take care of normal trade across Teknaf and Maungdaw. There are also due provisions in the existing banking arrangements, which colleagues in the business community should take note of.

Single country exhibitions in Yangon, once in 1995 and again in 1996, gave us the impression that there's a good deal of demand for Bangladeshi products. In Teknaf, we see goods of Thai and Chinese origin. It is the price incentive that is bringing in these products into Bangladesh from far-flung areas. There's no reason why we can't match them.

In fact, shops in Maungdaw and Sittwe have in their shelves a great many of Bangladeshi products -- such as medicines, toiletries, cookies, cement to name a few -- which are mostly procured through the informal channel. In a similar manner, marine products from Myanmar make it to processing plants in Cox's Bazar.

Formalisation of such transactions can be done in no time. Benefits come on two fronts. First, our goods become cheaper for Myanmar consumers by some 25 per cent because of VAT exemption on exports and duty draw back facility on imported

raw material for such products. Secondly, greater imports from Myanmar will also improve their purchasing power to buy our products. However, we need to evolve a simplified procedure and a low tariff structure to attract the traders from the informal into the formal fold.

Based on the feedback from the Yangon exhibitions, we understood that getting-to-know each other, especially each other's products, remained the key, which gave birth to the idea of setting up permanent display-cum-sales centres of the two countries' products in Maungdaw and Teknaf. I would visualise certain specific facilities that could best serve the purpose: for instance, shops displaying products of other countries, office space for banks and traders, and restaurant and accommodation for business travellers. (Tourism automatically becomes another area of business; the only addition to be made are some entertainment/amenement facilities).

While the Bangladesh Government is planning to construct an inland port at Teknaf, other facilities including bonded warehouses are expected to be taken care of by the private sector. You will be happy to know that, only last week, just ahead of this mission, an inter-ministerial meeting at the Commerce Ministry cleared the proposal.

Presently, we export jute goods, pharmaceutical products, chemical products, crude rubber, fertiliser and cosmetics etc. Our imports from Myanmar include rice, pulses, maize, betel nuts, pulp, logs minerals etc. Myanmar is interested to import more items from Bangladesh. They are particularly interested in melamine, ceramic products, electronic/electrical products, construction and house-building materials, batteries for automobiles and industries, newspaper, toiletries, soaps, detergent etc. If we look at the product mix, imports into Bangladesh are mostly primary products which are usually processed into finished products or used as raw materials. On the other hand, our exports are generally consumer goods; but the market for us is small. Therefore, our imports will always be much more than our exports. In order to optimise the benefits of bilateral trade, a special economic zone at Teknaf, I would say, sounds a brilliant option. The special zone offers unique opportunities for joint venture manufacturing units based on raw materials from Myanmar. Our own markets aside, exports will definitely find third-country destinations. Here, I would like to remind you of what have already been pointed out: the potential benefits from the two countries' being part of proposed SAFTA and AFTA. A new-found prospect also lies in BIMST-EC, the latest grouping that brings together Bangladesh, India, Myanmar, Sri Lanka and Thailand.

As I have already mentioned, small and medium scale industries offer good returns if we exploit the huge, abundant, unexplored natural resources in the Rakhine state. Pulp and paper are the major, capital-intensive areas of investment using bamboo from just the other side of the border. On a smaller scale, chop sticks, toothpick, handicraft are some of the items that can be explored. Another good example is cane -- Bangladeshi entrepreneurs can tie up with Myanmar businessmen to try furniture and handicraft. Besides, Bangladesh

jewellery exporters could consider value added jewellery exports inlaid with precious stones like ruby and sapphire to be imported from Myanmar.

Myanmar's liberal policy on leasing out lands for agro-based industries is indeed tempting. On a commercial basis, cultivable, fallow or waste land is available up to 5,000 acres for plantation crops, 3,000 acres for orchard and 1,000 acres for seasonal crops. For aquaculture, the limit is 2,000 acres. For livestock, there are three categories: 5,000 acres for buffalo, cattle and horse, 1,000 acres for sheep and goat, 500 acres for poultry and pig. Depending on the type of ventures, exemption from land tax is also offered for a period from two to eight years. There are also provisions for income tax waiver for a minimum period of three years from the date of commercial operation. The vast fallow but fertile land in Myanmar could also be used for cultivation of fish, mushroom, sugarcane, bamboo shoots, pineapples, cashew nuts etc. For processing industries, the proposed special economic zone undoubtedly offers the right environment.

Our cement industry relies on imported clinker. The vast limestone deposit in the Rakhine state provides the raw material for joint venture clinker factories in Myanmar with a ready market in Bangladesh where most factories only grind it into cement.

The road which once linked Chittagong and Akyab (Sittwe) is still there. It does not go to Akyab any more, but the old habits die hard. The people of the area still call it Arakan Road. Rehabilitation of the road that today bears the burden of the heavy traffic between Chittagong and Teknaf can make it worthy of business traffic up to Akyab again. This will help re-establish the old land surface link between Ghumdhum on Bangladesh side and Tumbro in Myanmar, the traditional trade route. It will also ensure that the planned Asian Highway will not be far away from both Bangladesh and Myanmar. Keeping this in mind, Ghumdhum and Tumbro may also be allowed to be used for trade by road, in addition to the existing designated points at Teknaf and Maungdaw which are solely dependent on riverine traffic.

As we envisage increased trade, telecommunication link between Maungdaw and Teknaf, the two key points, should also be a priority.

A joint business promotion council with private sector representatives may be set up to monitor and help bilateral trade and investment.

There are immense opportunities for expansion of tourism between the two countries. This is another area in which joint ventures are a safe bet.

A credit line can be opened in line with the arrangements now in place in case of trade between Bangladesh and CIS countries. An amount of US\$ 30 million can be earmarked for this purpose.

A Coastal Shipping Agreement can facilitate small and medium scale transactions. In fact Sittwe, closer to Chittagong than to Yangon, can work as a feed port of the Chittagong port. As I have already pointed out, Sittwe is only a day away by sea from Chittagong, compared to four days from Yangon.

So the need of the hour is quick and effective action from the decision-makers of both sides. The quicker, the better. The rest of the world is not going to wait for us.

The writer is Managing Director of Myanmar Bangladesh Fisheries Ltd, a joint venture between Cox's Bazar Sea Food and Myanmar Department of Fisheries. The article is an abridged version of a presentation he made yesterday at a symposium on Prospects of Bangladesh-Myanmar Economic Co-operation marking the visit of a first-ever business delegation from Yangon.