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CCCI against frequent hartals

CHITTAGONG, May 19: Chittagong Chamber of Commerce and Industries has called upon all quarters including political leaders not to enforce frequent hartals regionally in the port city, reports UNB.

CCCI President Kamal Uddin Ahmed, in a statement on Tuesday, said the hartals called regionally on May 11, 13 and 17, have left a negative impact on the economy of the commercial city.

He said that the city suffered a loss over Tk 50 crore per day and urged all to refrain from calling hartals for the sake of the development of the area.

LC opening up 19pc in 9 months

Import LCs worth Tk 27160.93 crore (5666.79 million US dollars) were opened by authorised dealer banks during nine months of the current fiscal (1998-99), reports BSS.

According to a Bangladesh Bank press release issued yesterday, it reflects an increase of 18.75 per cent in terms of Taka and 11.74 per cent in terms of US dollars from the level of the same period of the previous fiscal.

The increase was mainly due to substantial increase in opening of LCs for import of food grains and capital machinery, the press release said.

To facilitate planning by importers, information on some major commodities such as rice, wheat, sugar, pulses, milk food, crude and refined edible oil, oil seeds, rape seeds, raw cotton and synthetic fibre, yarn, textile fabrics and accessories for garments and drugs and medicine was furnished.

WB okays $400m loans for Indonesia

WASHINGTON, May 19: The World Bank approved $400 million in loans for Indonesia yesterday and said an additional $1.1 billion could be agreed later this week, reports Reuters.

The credits will help ease poverty in urban areas, improve irrigation and pay for banking and social sector reforms. They are part of the bank's $4.5 billion contribution to a $43 billion international rescue package for Indonesia.

The World Bank said one of the two loans approved on Tuesday — a $100 million urban poverty project — would "improve the quality of life of some five million people ... who were most affected by the financial crisis."

A second $300 million credit would also pay for reforms in the water sector, ensuring water resources were managed well and improving the efficiency of public irrigation schemes.

"These loans are an important part of our programme of support to Indonesia," Country Director Mark Baird said in a statement. "The Urban Poverty Project is so important because it is all about building communities and empowering people."

Indonesia, the world's fourth most populous country, has been recovering more slowly than the other victims of Asia's contagious economic flu. But analysts and international lenders say the worst is finally over for the battered economy.

The International Monetary Fund now expects the Indonesian economy to grow by up to 2 per cent in 1999-2000, up from earlier forecasts of zero growth.

Yuan devaluation to hit Japan hardest: OECD

PARIS, May 19: A devaluation of the Chinese currency that spilled over into other Asian emerging markets would trim growth in industrial countries, particularly Japan, the OECD said yesterday, reports AFP.

"A further unexpected reduction of economic growth might prompt the (Chinese) authorities to devalue the currency in an attempt to stimulate exports," the Organisation for Economic Cooperation and Development said in its six-monthly Economic Outlook report.

This in turn could lead to a depreciation of currencies in neighbouring countries as they tried to restore their competitiveness with lower-priced Chinese exports.

A 20 per cent devaluation of the yuan and the Hong Kong dollar would have a "hardly noticeable" impact on the 29 OECD economies, but it would be a different story if such a devaluation led South Korea, Singapore, Thailand, Taiwan, Indonesia and Malaysia to allow their currencies to fall 10 per cent, the report said.

If such a scenario played out in mid-1999, Japan would lose 0.8 percentage points off its gross domestic product by 2001 and the OECD area's current account as a whole "could deteriorate by around 29 billion dollars," the report said.

The US economy would lose 0.4 percentage points of growth, the European Union 0.2 percentage points and the industrial world as a whole 0.4 percentage points.

5pc cash incentive on exports, withdrawal of AIT demanded

Garments exporters call for green channel in port

Star Business Report

The country's garments exporters have appealed to Prime Minister Sheikh Hasina to help introduce green channel in the port for quick handling of their commodities.

They also demanded withdrawal of the advance income tax and introduction of five per cent cash incentive on RMG exports.

Explaining their demands, President of Bangladesh Garments Maufacturers and Exporters Association (BGMEA), Anisur Rahman Sinha, later at a press conference said "unless the problems are solved immediately, the readymade garments sector will further sink into troubles."

"The country's trade balance mostly depends on RMG export, which is now witnessing a sluggish trend. The sector had enjoyed 15 to 25 per cent growth over the past few years," said Sinha at the conference at a city hotel yesterday.

During his meeting with the prime minister Sinha explained to her the current problems facing the sector. He requested her to take some immediate measures to help the RMG exporters overcome the prevailing crises.

"We explained our problems to the Prime Minister today and she has asked the finance and commerce ministers to look into these issues immediately," Sinha told reporters.

It is very unfortunate that the RMG exporters are paying 0.25 per cent advance income tax (AIT) when neighbouring countries like India and Sri Lanka have lifted tax on export earnings, the BGMEA president added.

He said that the country's RMG products were losing their competitive edge. High bank charges, port mismanagement, hefty charges on terminal handling and container services, old customs management system, additional peak hour charges for power consumption and high insurance rate are the main reasons behind this degradation.

Besides, the RMG exporters are facing the crunch of heavy devaluation in the South Asian countries, he noted.

"If it is not possible to devalue our currency for the greater interest, we appeal to the government for a five per cent cash assistance on FOB value as an alternative support to secure competitive edge."

But he added that it was necessary to have a competitive exchange rate.

Introduction of the dual exchange rates can be a solution, he said, adding that the government could buy foreign currencies at a higher rate from the exporters like in Sri Lanka, Taiwan, South Korea and Pakistan.

He said: "Our currency is overvalued. If taka is valued at Tk 56 to 60 against US dollar, it may prove an effective exchange rate."

The BGMEA president maintained that there are reasons to be worried about non-tariff barriers like eco-labelling, workplace code of conduct, social accountability and human rights issues, which are now being imposed by the exporters.

Sinha sought government cooperation to relocate RMG industries outside the capital so that exporters can maintain international standards at their units.

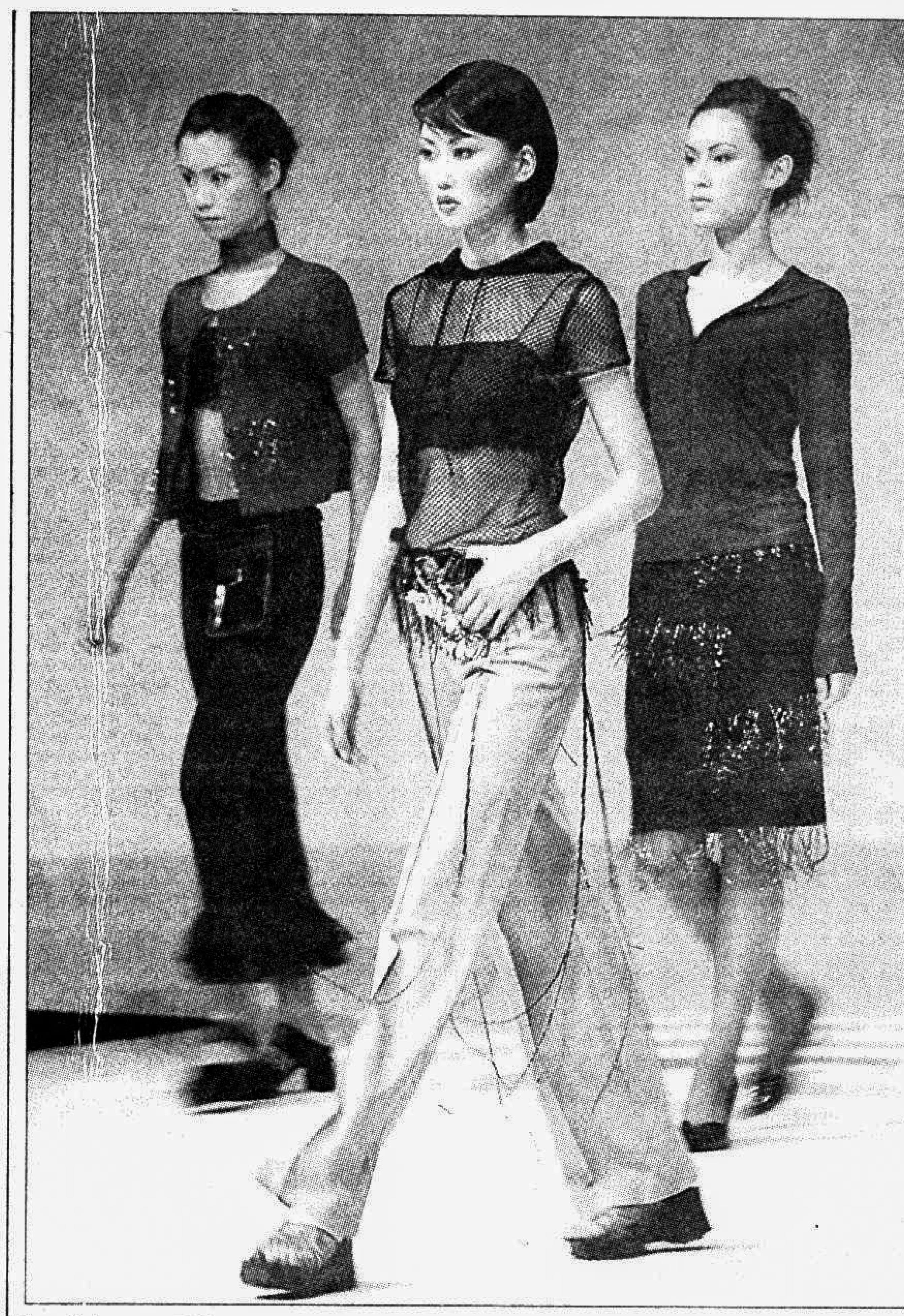
Replying to a question, he said that all the textile and garments-related associations were now working together to bail out the sectors from the present crisis.

At present, the RMG exporters are using 10 to 15 per cent local fabrics in their production, he said.

Sinha asked the government to request the European Union to extend the time limit of the rules of derogation.

Replying to another question, the BGMEA president said the exports of knitwear and woven products fell by 16 and 4.1 per cent short of target during the current fiscal year.

BGMEA President Anisur Rahman Sinha explains the problems of RMG sector at a press conference held at a city hotel yesterday. — Star photo


Top Chinese models wear various casual outfits by a Chinese designer at the '99 Shanghai International Fashion Culture Festival in Shanghai on Tuesday. — AFP photo

Bid to pull brake on forgeries

Govt mulls over cancelling free garments export quota system

By Rafiq Hasan

The government is considering cancellation of the free quota system for garment exports to the US and Canada, according to sources in the Ministry of Commerce.

"It is very much likely that there will be no 'free quotas' from the next year," said a high official of the ministry.

He said that the free quota system was introduced in the '80s mainly to encourage new entrepreneurs in the garments sector. "But now it is no longer urgent, as a huge number garments industries have already been established in the country over the years," he observed.

Besides, corruption involving the free quota system has also marred the image of the country abroad.

The main purpose of the free quota cancellation is to control quota trading and forgery in garments export, the source said.

There are as many as 3,600 garments factories operating in the country. Many garments owners exported their products abroad forging quota documents, which was later detected by the importing countries, he alleged.

"If the free quota system is cancelled quota forgery and quota trading will decline," the official hoped.

United States and Canada are the major buyers of Bangladeshi garments products and they impose limits on imports from Bangladesh every year. The Export Promotion Bureau (EPB) distributes the limits called as 'garments quota' among the exporters.

Of the total quotas, five per cent remains as reserved 'free quotas' for new exporters. The free quota is supposed to be distributed among the garments owners with no previous record of exporting apparels to these countries.

Five per cent of total free quotas, are kept as reserved for the Trading Corporation of Bangladesh (TCB).

But a section of unscrupulous traders submits false documents and gets free quota allocations.

After winning the allotment, they hand it over to genuine exporters for in exchange for money. On that basis, a kerb market has developed in the garments sector for exchanging quotas among the exporters, said the source.

"Free quota system is the main source of quota supply to the kerb market, said a high official of the EPB.

As many as 2629 garments owners applied for quota allotment this year. Of these, 281 applications were rejected and 2,348 garments factories got allocations for exporting various categories of garments and apparels to the US and Canada.

Of the factories, 1920 are located in Dhaka and 423 in Chittagong. The applications were rejected by the Quota Distribution Committee mainly for not fulfilling necessary preconditions, EPB sources said.

There are 21 quota categories for exporting garments to the US market, while Canada imposed quota on 10 categories.

Out of a total of 31 categories, two were awarded to two exporters' associations — Terry Towel and Specialised Textile Manufacturers. The category numbers are 363 and 369-s.

Members of BGMEA and BKMEA will not receive allocations from those two categories because they do not produce those items, EPB source said.

The Quota Disbursement Committee asked the EPB to check out whether the garments factories, which got allocations, renewed their bonded warehouse licences and EPB registrations before giving final approval.

HSBC unveils new branch design

Hong Kong and Shanghai Banking Corporation (HSBC) Limited on Tuesday unveiled its first branch in Asia to use the new HSBC signage together with a new branch design that is being introduced across the HSBC Group, says a press release of the bank issued in city yesterday.

Aman Mehta, Chief Executive Officer in Hong Kong, said: "One of the HSBC Group's main objectives is to strengthen our relationships with customers, particularly in areas of wealth management. The new branch design allows for more seating in a comfortable environment, which we hope will encourage customers to sit down and talk to our staff about their financial needs."

The new premises, located at Whampoa Garden, Hung Hom, Kowloon, has a total floor area of over 5,500 square feet.

The branch comprises a select personal financial centre, a full financial services banking hall and a number of self-service banking terminals including instant balance readers and instant deposit, passbook updating and automated teller machines.

"We are moving towards splitting our bigger branches into separate areas to make banking more convenient for our customers. More banking halls, for example, will incorporate a select personal financial centre to provide customers with more sophisticated financial services including insurance, investment planning, unit trust and pension funds. Additionally, self-service areas provide a wide range of automated banking services 24 hours a day," added Mehta.

Dearth of qualified workers costs Silicon Valley billions

SAN FRANCISCO, May 19: A lack of qualified workers is costing Silicon Valley billions of dollars annually and threatening its position as a global high technology centre, management consulting firm AT Kearney warned yesterday, reports Reuter.

The region's shortage of high-tech workers means that one in three jobs requires special recruitment efforts, or goes unfilled, leading to a loss of over $3 billion a year, a study by the firm concluded.

The shortage of workers in the high-tech sector led to an expansion of visas to let more foreign workers into the United States last year. In arguments to raise foreign worker quotas, the Information Technology Association an industry group, said there were 346,000 unfilled high-tech jobs nationwide.

But a local economic development group, Joint Venture: Silicon Valley Network, which funded the new study, said visa expansion is only a stop-gap measure that will do little to staunch the region's longer term decline.

"Our study confirms that the area's high tech industry is not growing as fast as it could be because there simply are not enough skilled people to fill the jobs," said Ruben Barrales, President and CEO of Joint Venture: Silicon Valley Network. "If Silicon Valley wants to remain the capital of high tech, we need to become the top producer of qualified high tech workers."

The report said 160,000 high tech positions — or one-third of available jobs — are "filled by recruits from outside the region or by long-distance commuters, or go unfilled."

Filling that gap costs companies between $6,000 and $8,000 per employee in lost production and extra recruiting, or an annual total of $3 to $4 billion.

"The shortage of qualified workers adds literally billions of dollars each year to the cost of doing business in Silicon Valley," said Ben Smith, a Principal with AT Kearney. "How long employers will continue to be willing to pay this premium is an open question."

The number of unfilled jobs will grow to 200,000 by the year 2010, the study said.

The group cited a lack of interest among local high school students in high tech careers as one reason for the shortfall.

Abdul Khalique, executive Vice President of United Commercial Bank Ltd (UCBL), addresses as chief guest the certificate-awarding ceremony of the course on "Banking Law and Practice" at the UCBL Training Institute Tuesday. AHM Nurul Islam Choudhuri, Principal of the institute, is seen on his left. — UCBL photo

WTO Dispute Settlement Body may meet June 3

US seeks green light to slap sanctions on EU

GENEVA, May 19: The United States has requested a special meeting of the WTO's Dispute Settlement Body on June 3 at which it will seek the green light to impose $202 million of sanctions against the European Union in the beef hormone row, a US spokesman in Geneva said yesterday, reports Reuter.

The US trade delegation in Geneva submitted its notice to the World Trade Organisation (WTO) in a letter on Monday, according to the US spokesman.

A WTO spokesman confirmed its receipt.

Meanwhile, US Agriculture Secretary Dan Glickman told reporters in Washington he would personally convey the United States' strong feeling on the issue when he meets with EU Commissioner Franz Fischler this week.

Both ministers are schedule to speak on the same panel on Thursday at the World Meat Congress meeting in Dublin. Glickman and Fischler will also meet separately to discuss the dispute.

"I'm sure that I will again be reasserting our right under the WTO," Glickman told reporters hour before departing for Ireland. "It's not a negotiating session, but I think it's import that the US assert its position."

The Dispute Settlement Body was likely to meet on June 3, as requested, for the WTO's 134 member states to consider the US request for authorisation to retaliate in the transatlantic dispute.

But the EU has said it will challenge the amount, setting the scene for WTO arbitration which could last until mid-July.

The US spokesman said the United States had informed the trade watchdog it would seek formal permission on June 3 to impose duties on $202 million of EU goods. However, the letter did not spell out the targeted European goods.

The United States announced last Friday would seek 100 per cent punitive duties after the EU refused to lift its decade-old ban on imports of hormone-treated beef by May 13, the deadline for complying with a WTO ruling which found it illegal.

"At the Dispute Settlement Body we will be asking for permission to lift (trade) concessions on European products coming into the United States," the US spokesman in Geneva told Reuters.

S'pore cautiously optimistic about economy

SINGAPORE, May 19: Singapore voiced cautious optimism today after posting a modest 1.2 per cent growth in gross domestic product (GDP) in the first quarter of 1999 over the previous year, reports Reuters.

The Ministry of Trade and Industry (MTI) cited the twin dangers of potential inflation in the United States patchy regional economic recovery as reasons for caution ahead.

"There are latent risk," Ho Meng Kiat, deputy secretary of the trade ministry told a news conference on the release of first quarter economic figures.

Ho said the indicators revealed that the recovery was not broad-based with some sectors such as construction, commerce and financial and business services posting contractions.

Singapore's fourth quarter GDP growth was a negative 0.8 per cent, and full year 1998 GDP was 1.5 per cent.

Russia starts cleaning up its banking sector

MOSCOW, May 19: Russia's central bank has started the long-delayed and politically tricky process of cleaning up the banking sector, announcing yesterday it had revoked the licence of Bank Menatep, one of the country's largest, reports Reuters.

"Bank Menatep failed to satisfy creditors' demands on financial obligations and to fulfill demands to make obligatory payments," the central bank said in a statement listing 12 institutions it had decided to close on Monday.

The other 11 were minor banks.

Menatep had been one of the institutions called the backbone of the banking system, which ground to a halt last August after the government devalued the rouble and froze its treasury bills, the primary collateral in banking operations.

Many of these top banks are believed to be insolvent but only one other, Inkombank, has had its licence revoked.

The central bank move came shortly after Acting Prime Minister Sergei Stepashin said six major banks would be closed for activities linked to capital flight and vowed to make the economic system transparent and honest.

He has also said the State Duma lower house of parliament needed to pass bank restructuring legislation recommended by the International Monetary Fund and the World Bank which is necessary to unlock billions of dollars in new credits.

Analysts have also said the Fund and the Bank want at least six banks closed before offering new funds. Officials, the Fund and the Bank say Russia must shut down insolvent banks for the benefit of depositors and creditors.

But Russian banks have major political clout, despite insolvency, since expensive election campaigns ahead of December parliamentary elections are being launched.

Banks, backed by Central Bank Chairman Viktor Gerashchenko, say they should be treated carefully.

"I think the best option would be to restructure these banks or perhaps merge them. In extreme circumstances some of these banks could have their licences revoked," the vice-president of the Russian Association of Banks, Vyacheslav Zakharov said.

Russian officials and Western banking experts have said that restructuring banks was too expensive to be practical.

World Bank Moscow Representative Michael Carter said a team had arrived in Moscow on Monday for scheduled talks on banking reform.

"From our work it is clear that strong action and bank restructuring is going to be very important and this will need to include closure of some insolvent banks," he said.