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'Delhi not averse to duty-free RMG imports from Bangladesh'

From Pallab Bhattacharya

NEW DELHI, May 24: India is not averse to allowing duty-free import of garments from Bangladesh and Sri Lanka as such an arrangement would be beneficial for the South Asian countries, a top official of Indian textile ministry has said.

Textile secretary Shyamal Ghosh told reporters here yesterday that there was no reason for India to worry over Bangladesh's plea to consider duty-free import of garments from that country.

He said this would only help strengthen the "factor endowment" of the region, boost trade among SAARC countries as well as exports outside the region.

Ghosh said it would also increase export of Indian fabric to garment manufacturing units in Bangladesh and Sri Lanka.

He said allowing duty-free import of garments from Bangladesh and Sri Lanka would promote the idea of South Asian Free Trade Area and would be in keeping with the World Trade Organisation norms.

Ghosh's remarks assume significance as they came two days after the visiting Bangladesh Commerce and Industries Minister Tofael Ahmed had proposed, during his talks with Indian Commerce Minister R K Hegde here that India could permit duty-free import of garments from Bangladesh to help narrow the Indo-Bangla trade balance heavily weighed against Dhaka.

Sri Lanka also favours a similar concession from India and the issue figured recently in the efforts of the two sides to implement the historic Indo-Sri Lanka Free Trade accord signed early this year.

Ghosh said SAARC can arrive at such an arrangement as the idea was to "synergise" the exportise available in the countries of the region for their mutual benefit.

DCCI course on L/C begins

Star Business Report

A 5-day training course on "Letter of Credit: Implications for Export and Import Operation" has begun at the DCCI Training Centre.

Organised by the Human Resource Development Programme (HRDP) in collaboration with Business Advisory Service project of DCCI, the course was inaugurated on Sunday, says a press release.

In all , 30 participants attended the course.

The course aimed at familiarising the participants with topics like — Definition, Design and Contents of L/C, International Trade Policy and Procedure, Incoterms and Mode of Payment of Export Bills and L/C, Pre-shipment, Export Financing Scruting Lodgenet Retirement of Import Bills and Uniform Customs and Practice for Documentary Credits.

The Director of the Dhaka Chamber of Commerce and Industry (DCCI), Md. Mazharul Islam, said letter of credit (L/C) is indispensable in international business and it is equally important to the exporters and importers.

The BAS Project Manager Md. Emdadul Haque also spoke on the occasion.

Thailand to auction off $40m finance firm assets

BANGKOK, May 24: Thailand's Financial Sector Restructuring Authority said Monday it will auction off 1.5 billion baht ($40.5 million) in property and other tangible assets of closed finance companies from June 18 to June 20, says AP.

FRA chairman Amaret Silaon said at a press conference that of the total, 1.37 billion baht ($37 million) represents the aggregate benchmark price of 125 pieces of property located in various parts of the country.

Included are golf club memberships worth an aggregate benchmark price of on baht ($540,541).

Many of Thailand's banks and finance companies found themselves insolvent or at the brink of bankruptcy in 1997 after years of overlending to property developers.

The developers created a glut in all sectors of the real estate market. Unable to sell their developments, they couldn't repay their loans, sending the finance companies into distress.

As part of its $17.2 billion bailout of the Thai economy, the International Monetary Fund required the government to shut down the insolvent finance companies and auction off their assets.

Amaret said he believed the FRA would be able to sell all the items at the June auction since his agency has cut the benchmark price of each item by half from the time of the last sale.

To promote the auction, the FRA will organise an exhibition from June 1 to June 18 to put on show examples of some of the items to be offered at the auction.

This year's revised allocation to excel original figure

Tk 15,500cr outlay for next fiscal's ADP

By Inam Ahmed

The Planning Commission has finalised a Tk 15,500 crore outlay for the next fiscal year's Annual Development Programme (ADP).

This shows a moderate increase of 14 per cent from the size of the current fiscal year's original development expenditure of Tk 13,600 crore. The ADP witnessed an increase of 11.5 per cent this fiscal over that of the previous fiscal year.

For the first time in the history of Bangladesh, this year's revised ADP will excel its original outlay, according to sources.

Historically, the government's expenditure capabilities are always handicapped by various malaise including poor project implementation capacity. But this year, the original ADP will witness a rise by Tk 400 crore to Tk 14,000 crore.

This will be so mainly due to the relocation of funds from development projects to flood rehabilitation programmes. Some Tk 419 crore had been relocated to new post-flood projects during the year.

Both the ADP for the next year and the revised ADP will be placed before the Executive Committee of the National Economic Council (ECNEC) meeting set for Wednesday.

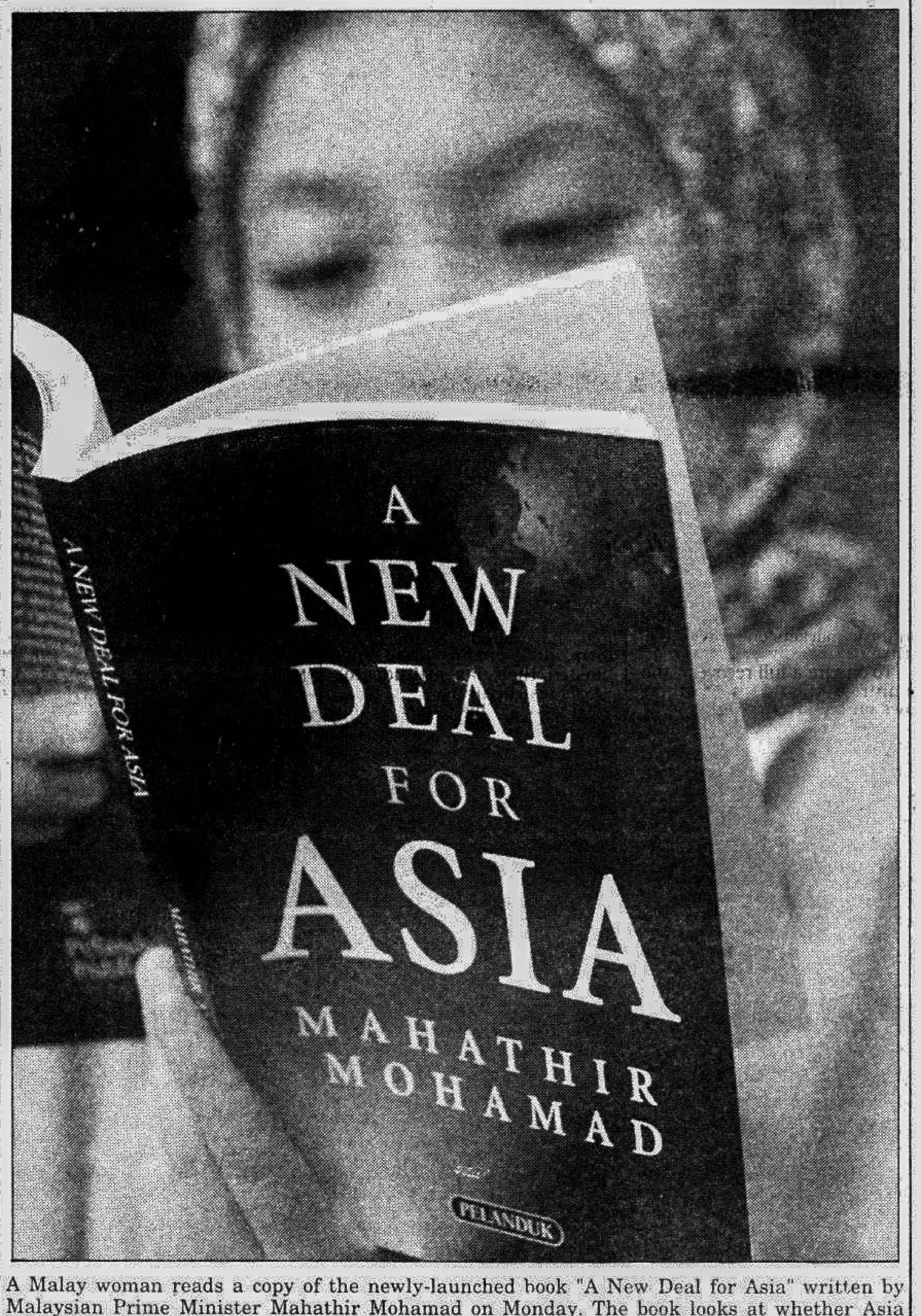
According to sources, the new ADP will have a local component of Tk 9,074 crore and foreign financing of Tk 6,426 crore.

This means that the government's own funds for the development programme has been raised to over 58 per cent. This is a significant increase considering that the country is financing 46 per cent of this year's ADP from its own resources.

On the other hand, the revised ADP has been recalculated to contain a local component of Tk 8,226 crore.

But whatever may be the size of the revised ADP, implementation capabilities still remains to be the real challenge for the government.

According to sources, the ADP implementation rate till March was only 53 per cent, which is quite low and about five per cent less than last year's execution figure.



A Malay woman reads a copy of the newly-launched book "A New Deal for Asia" written by Malaysian Prime Minister Mahathir Mohamad on Monday. The book looks at whether Asia can reinvent itself for the new millennium after the chaos and turmoil of the Asian crisis. — AFP photo

Bangladesh submits new list for duty-free access

India agrees to provide more tariff concessions

India has agreed to provide further tariff concessions and duty-free access of some items on a non-reciprocal basis to contribute greatly to minimise Indo-Bangla trade imbalance, reports BSS.

In an exclusive interview with BSS on his return from a five-day official visit India here today, Commerce and Industries Minister Tofail Ahmed said both sides discussed a set of issues concerning trade, transit, investment and other related matters successfully.

"Bangladesh got a very positive response and I should say the visit to New Delhi and Bangalore is very successful following fruitful negotiations with the Indian side," the minister who led a ten-member Bangladesh delegation said.

The minister said Bangladesh also gave a list of new items for zero tariff and hoped that India would consider them accordingly. Tofail, during his visit from May 19 to 24, met with his Indian counterpart Ramkrishna Hedge, leaders of trade bodies, and called on Indian Prime Minister Atal Behari Vajpayee.

Tofail said Indo-Bangla trade could be significantly reduced through Foreign Direct Investment (FDI) flow from India and added that he urged Indian investors to avail the opportunities Bangladesh offers for setting up industries.

"We also urged India to consider importing readymade garments and provide special fiscal incentives to encourage Indian investors to invest in Bangladesh," the minister said. India collaboration in the development of Information Technology (IT) Sector of Bangladesh would help boost software export.

The Commerce Minister said FDI from India would be 'mutually' beneficial to both the countries.

Regarding border trade, Tofail said both the countries also agreed to set up a technical committee comprising experts from both sides to study the scope of border trade and movement of Indian goods from one border point to another through the Bangladesh territory by its carriers.

He said the proposal for movement of goods was made in line with Article 8 of the Indo-Bangladesh Trade Agreement of 1980 and Article 12 of the SAPTA agreement.

The technical committee would look into a package of tariff concession and commodities of mutual interest and operation of concession under the SAPTA framework, he said adding that the technical committee would come up with its recommendations within three months.

Iranians keen to set up jt ventures

Iranian businessmen have expressed their keen desire to invest in Bangladesh under a joint venture, reports BSS.

The visiting Iranian business delegation led by Ibrahim Arab Judeh Jamali said, "We have diversified experience in investment in some parts of the World and we are interested to have joint venture partners in small projects especially in petro-chemicals, social security, cement industries, food and LPG."

During an exchange of views with members of the Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) at the FBCCI Bhaban here yesterday, he also said Bangladesh Government could pursue direct talks with the Iranian government about larger cooperation in oil and gas exploration in Bangladesh.

Terming their current visit here as beneficial for promoting trade and business between the two countries, Jamali said they had the advantage of technology and experience side by side raw materials which could come in a bigger way towards investing in Bangladesh either with local partners or foreign investors.

Acting president of FBCCI M A Munim briefed the delegation about incentives being provided by the present government.

Phoenix Leasing AGM held

The fourth annual general meeting of Phoenix Leasing Company Limited was held at the company's head office in city yesterday, says a press release issued yesterday.

The meeting was presided over by Deen Mohammad, Chairman of the company. M Yunus, Vice Chairman, Farhad Bin Mannan, Nasir Uddin Ahmed, M A Majid, Rafiqul Islam Khan, Md Shoeb, Evana Fahmida Mohammad, Directors, A Quadir Chaudhury, Managing Director, Kazi Emdadul Haque, Company Secretary, and Harun-Ur-Rashid, FCA, Auditor of the company, were also present.

The company declared a 25 per cent dividend for the year ended as on December 31, 1998.

India trying to boost border trade with Bangladesh

The Indian government has chalked out a detailed plan for development of infrastructures in Assam and Meghalaya to boost trans-border trade with Bangladesh, reports BSS.

Sources at the Indian High Commission in Dhaka yesterday said the Ministry of Surface Transport of the government of India has recently declared the 55 kilometre Jowai-Tamabil road, the lifeline of the trans-border trade particularly with the northeastern Indian states, as a national high way.

"The Jowai-Tamabil road is in very bad shape and our traders have been facing lot of hardships in transshipping the consignments to Bangladesh," a senior official of the High Commission said.

He added that the Indian exporters have been demanding for all-weather roads for increasing the export volumes of coal and other goods to Bangladesh.

The members of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) led by its President Abdul Awal Mintoo during their recent visits to Assam and Meghalaya also urged their counterparts for development of the infrastructures.

Responding to the appeal from the Bangladeshi entrepreneurs as well as the Indian business leaders, the Indian government has declared the Jowai-Tamabil road as a national highway. In addition to this the Baghmara-Dalu road in Southern Garo Hills of Meghalaya has also been declared as a national highway, the sources said.

They said the Indian government has embarked on a massive infrastructure development programme as a large quantity of coal is now being imported to Bangladesh from China, as coal from China, as coal from Meghalaya is not available throughout the year because of transportation problems.

When contacted, the Economic and Commercial Attache of Indian High Commission Kulbhushan Sharma told BSS yesterday that the export volume of Indian coal to Bangladesh has dropped considerably in the last few years.

"In 1994-95 India earned Rupees 74 core from export of coal while in the last year it was only Rupees 45 crore," he said adding "coal from Meghalaya at present is catering to the needs of the brick industries in Northern and Northeastern Bangladesh."

The Director General of the Ministry of Surface Transport of India has written to the Chief Secretary of the Meghalaya government to hand over the roads to the ministry immediately for development works, sources said.

The North-Eastern Council (NEC), an organisation under the Indian Home Ministry, has also released funds for development of the Karimganj-Sutarkandi road of Southern Assam, to bail out the traders from the transportation problems. The Karimganj-Sutarkandi road is also an important transit point of border trade between the two countries, sources added.

The fourth annual general meeting of Phoenix Leasing Company Limited held in city yesterday. — Phoenix photo

Gas contracts and tasks before Bangladesh

By Nuruddin Mahmud Kamal

The Daily Star dated 20 December 1997 published the result of an opinion poll on one of the most talked about subject — hydrocarbon exploration contract in Bangladesh. According to the poll, 68 per cent people of Dhaka city think that the government should not open the whole of Bangladesh to foreign companies for oil and gas exploration now. The opinion poll was conducted between 11-13 December by the Centre For Sustainable Development (CFSD) and included 721 households. Of those surveyed, only about 32 per cent approved of the government's plan to lease out all the 15-blocks. A large majority of 68 per cent prefer a gradual approach and leasing out in sequences or in phases so that people can use natural gas over a longer period of time. About 88 per cent of the respondents think that ensuring a safe minimum reserve for Bangladesh is a must before export is allowed. Of the respondents about 90 per cent feel that the on-going negotiations with foreign companies must be transparent to avoid future controversies and complexities.

Based on the points made above, I would like to discuss and analyse the issues undernoted in the survey. My humble opinion is that had the entire process of negotiation remained transparent, these uncertainties and allegations could be avoided. The criteria for finding the responsiveness of bids in the context of model contract, the evaluation mechanism, allocation of individual or contiguous blocks (on geological considerations) needs to be understood clearly for decision making, and not changed later. At the same token some information on the Petroleum Industry would provide an insight into the problem.

The World Petroleum Industry

The petroleum industry as it is known today is only 143 years old (the first borehole was drilled by Drake in Pennsylvania, USA in 1854). Small quantities of oil were produced in Russia by 1856 and in Romania by 1857. The word petroleum is derived from the Latin 'petro' (rock) and 'Oleum' (oil), and by modern definition includes hydrocarbons found in the ground in various forms from solid bitumen, through the normal liquids, to gases. The conditions of formation and accumulation are similar for both liquids and gases. It would also be interesting to note that crude oil varies considerably in appearance, from country to country and from field to field.

During this century the petroleum industry has risen from being relatively small, through the stage of being one of many large industries, to a position where whole economics are profoundly influenced by the need for and price of petroleum products. The origins of the industry lie in the product itself.

All over the world, at various depths beneath land and sea, there are accumulations of hydrocarbons formed long ago. Most crude oils, although liquid as such, contain gaseous and solid hydrocarbons in solution. The gases come out of solution, either on the release of pressure as the crude oil is produced or during the first stages of refining and contribute to the total natural gas production. Natural gas may be found associated with crude oil as a gas-cap above the oil or on its own, unsolicited with oil.

Crude oil and natural gas are the raw materials of the petroleum industry. It is the business of the industry to find them, to retrieve them from the earth's on-shore and off-shore, to manufacture useful products from them and to sell the products in the markets of the world.

Early developments show that petroleum was used for many centuries in Mesopotamia (Iraq), Egypt, Persia (Iran), China for heating, lighting, road-making and building. In Europe, in the northern Italian town of Salsomaggiore, crest of a burning salamander was seen in 1926, a small oil accumulation was discovered in 1498. Marco polo, the great traveller, noted 'oil springs' at Baku (Russia) on the Caspian sea towards the end of the 13th century. In Burma, oil has long been used and was being produced from hand-dug wells by the end of the 18th century.

After 1900 expansion was more rapid. Mexico became a producing country in 1901, followed by Argentina in 1907 and Trinidad in 1908. An international trade developed, undertaken by US, UK and Dutch companies, and the names of Rockefeller of Standard Oil, Deterring of Royal Dutch and Samuel of Shell became well known. It would seem unbelievable that oil exploration was started in Bangladesh in 1910 by Standard vacuum Oil Company (SVOC).

The Middle East became prominent when oil was found in Iran in 1908 and exports begun in 1911. Production started in British Borneo in 1911 and in Venezuela in 1914. Throughout 1920's and 1930's demand for oil continued to grow. The US stayed far ahead in the lead and was responsible for most of the expansion in production, supplying its own needs and exporting large quantities. Russia was largely self supporting, but the rest of the world became increasingly dependent on the international trade in oil. Iraq became a producer in 1927 and Saudi Arabia in 1938.

It was in the late 1940's that the great period of oil industry expansion in absolute terms began, with world consumption more than quintupling between 1950 and 1980. The major international companies greatly developed their operations to meet this demand, including wide spread exploration and production activity.

Volume growth was one outstanding feature of the late 1940's onwards. Another key development was the formation in 1960, promoted by Venezuela, of the Organization of Petroleum Exporting Countries (OPEC), whose main aim was to secure for member countries higher export earnings. During the 1960s, the price of oil remained stable or even slightly declined in real terms.

During the years 1969 to 1973, the commercial relationship between the host countries and the oil companies changed dramatically. In October 1973 and January 1974 the price of oil rose from US $1.90/bbl to US $ 11/bbl. Then it stabilised to around eight dollars per barrel. In 1981 another peak occurred, when price/barrel rose to US $ 34. The situation is changing fast towards cheap oil again.

Bangladesh Situation In The 1970s

Let us now read the history and background of search for oil and gas in Bangladesh. The first exploratory well was drilled at Sitakund, 89 years back, in the year 1910. This effort was followed by a number of 'wildcat wells' drilled by two multinational companies including the oil major Royal Dutch Shell Oil Company. In 1955 Shell discovered the first gas well at Haripur, Sylhet. By 1971 Shell discovered most of the gas fields and were producing and operating them. By 1973, there were seven discovered gas fields, the main operator was Shell. Haripur came into focus for the second time in the history of oil exploration in Bangladesh — liquid gold (oil) was discovered for the first time in well number-7, while drilling for gas development. Unfortunately, the small oil well turned into a 'one well wonder', gradually declining the production from 350 barrels a day to a complete depletion. Per record so far 58 exploratory wells have been drilled i.e., less than one well every year. Nevertheless, the success ratio remained at 1:3.

The model that was in existence for hydrocarbon exploration until 1970, as per international practice, was 'concession' framework, which required oil and gas operators to bear full responsibility. The host Government only used to collect royalties on the percentage of reported production. This was a sore point not only in Bangladesh, but also elsewhere in the world. In 1974 Petroleum Act was framed and the then existing concession policy was repealed. The assets and properties of Shell and other companies were bought out by the government of Bangladesh. In the same year (1974) for expediting oil and gas exploration a new model (ideas borrowed from Indonesia) was framed, called Production-Sharing Contract (PSC) and 6 (six) blocks in the offshore were awarded to major state and private oil Companies like Union, Atlantic Richfield (ARCO) and Ashland of USA, Ina-Napthaplin of Yugoslavia, Japex of Japan, Canadian Superior of Canada. The first offshore commercial gas field was discovered in Kutubdia by Union in 1977 and then abandoned (the present Sangu exploration by Cairn/Shell is located in the same block).

It would be also interesting to recall how and under what circumstances internationally known oil companies participated in hydrocarbon exploration in Bangladesh in 1974. In November 1973 all oil consuming countries were hit by OPEC price hike. The oil price quadrupled overnight, shortly after launching the First Five Year Plan of Bangladesh (1973-78). The impact was disastrous. The newly born independent country and its government did not have any clue to resolving the problems waiting ahead. By early 1974 many oil hunters (exploration companies) were running around the world in search of hydrocarbon. Offshore Bangladesh attracted them. As many as 52 companies initially responded to Bangladesh Government's international call. The most critical consideration for Bangladesh at that time was to identify reputed reliable big oil companies of the world and request them to participate under PSC. Among the important ones Union oil company participated. ARCO, Ashland and Canadian Superior also joined the campaign in fact international reputation of company and its performance was considered the prime factor in the process of selection.

(The author is a former Additional Secretary and Chairman of Power Development Board)

To be continued