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Want of bilateral trade deals frustrating export to India

Non-tariff barriers seen as big hurdles

By Inam Ahmed

With the absence of any bilateral trade agreement and turning of the South Asian Preferential Trading Arrangement (SAPTA) into something more of a mere paper deal, businessmen in Bangladesh are now finding exports to India increasingly difficult.

Whenever they want to export any item under SAPTA-stated concessional terms, the Indian customs authorities impose non-tariff barriers on them.

On several occasions, the Indian customs have denied access of different Bangladeshi products to their markets under the pretext that these did not conform to the stated HS codes, which define the types of products.

The most glaring example is perhaps when Bangladesh exporters wanted to send potato chips. On this very occasion, the Indian authorities declined to okay entry, saying that those were not potato chips. The customs authorities even wanted to conduct chemical tests of the Bombay Sweets chips.

In another development, the Indians tried to stop export of automotive batteries from Bangladesh on various grounds. When Rahimafrooz, a local battery manufacturer, opted for exporting its battery, the Indians at first disapproved their concessional excess. However, after overcoming the initial hurdles, Rahimafrooz finally managed to start exporting its products. But three months later, the Indian customs stopped eight consignments of the company on the ground that it was under-invoicing its items.

"This was the most unfortunate thing for us because we had been exporting our items at same rates for three months. So, this sudden allegation of under-invoicing was totally baseless," said Niaz Rahim.

The Indian customs later released the products under the condition that Rahimafrooz would justify the price within a month, failing which would mean the end to further exports.

Currently, Rahimafrooz cannot export its items through the Benapol border because of the conditions slapped by the Indian customs, and is carrying out its export activities through Shiliguri border. But this has shot the company's carrying costs to a significant height, eroding the price competitiveness substantially.

As trade barriers got too tall for making any meaningful two-way exchange of goods, the commerce secretaries of the two countries gathered in New Delhi on May 10-11 and decided that a committee comprising officials of the National Board of Revenue (NBR) and Indian Central Bureau of Revenue (CBR) would meet once in every six months and solve issues relating to non-tariff barriers.

Similarly, the Indians had introduced licence system for raw jute from Bangladesh and imposed strict conditions for obtaining these. This was done mainly to dissuade the Indian importers from buying Bangladeshi jute. The licensing conditions were, however, abolished following protests.

But one of the problems that still remains to be solved is the Indian objection to allowing trucks inside its territory. Bangladesh permits the Indian trucks into its territory and okays unloading of goods at the customs sheds. However, India declines to reciprocate this by offering the same facility to Bangladeshi trucks, making these disburden goods in the no man's territory. This makes the Indian importers face big hassles in carrying goods inland.

"For us, Indian market is the most important in the long-term," said MCCI President Latifur Rahman. "The issue of unilateral preferential access to markets should be taken up at the highest level of the government as was done in the cases of the Ganges Water Sharing Treaty and Chittagong Hill Tracts Peace Pact. I personally believe that we should get such preferential duty-free accesses for 10 years, which will allow market equalisation of the two countries. After this, both the nations should allow duty-free entrance to each other."

Dwelling upon his demand, Rahman said that even the European Union had given special lead-time to weaker member countries like Spain, Greece and Portugal to help them get to an acceptable level for market integration.

"Preferential access is important for Bangladesh because once we get that facility, new industries, which we cannot even think of now, will grow here to cater to the needs of the huge market," Rahman observed. "We have a 1800-mile border with India and so, India cannot afford to have a nation battered by poverty as its neighbour."

Govt to take steps to bolster jute sector: Kibria

Finance Minister Shah AMS Kibria has assured the raw jute exporters of all possible government steps to bolster the sector as he said it still has a bright future, reports UNB.

The finance minister gave the assurance at a meeting with the representatives of Bangladesh Jute Association (BJA) led by its Chairman Alhaj Sharif Fazlur Rahman.

During the meeting, held on Monday, the jute sector leaders raised a three-point demands for revival of the sector.

The demands are incentives on raw jute export, waiving interest on bank loans of July-December '98 and reduction of interest rate on loans for raw jute export.

Responding to the demands, the Finance Minister agreed that in view of the damage caused by the severe floods in 1998, the interest accumulated on bank loans during the period should be waived.

"But, it is banks which can take decision in this regard. I advise the concerned authorities to look into the matter and take necessary steps."

However, the minister rejected the idea of providing incentives on raw jute export.

"Incentives is only for export of finished goods, not for raw material," he told the association leaders.

The exporters argued that as incentives are being provided for export of jute goods, the same should be extended to raw jute export.

Regarding the plea for lowering bank loan interest to 9 per cent, the minister asked the concerned authorities including the central bank, commercial banks and the association leaders to sit and take specific steps.

Kibria said he still believed that the jute sector has a bright future as environmentalists favour use of environment-friendly goods.

"All over the world, the environmentalist groups are on movement to stop the use of goods dangerous for environment," he said.

If the environmentalist movement becomes stronger, he hoped, jute sector would have every chance for a comeback.

"Until then, we will have to keep the sector alive," he said, adding that the government would take all necessary measures for the welfare of the sector.

OPEC to raise output if prices stay high

CARACAS, May 30: OPEC President Ali Rodriguez said yesterday the cartel would increase production if oil prices remain at current levels, reports Reuters.

"We already have 10 continuous days above $28, and if this is maintained continually then the market correction mechanism will be automatically triggered with an increase in production," Rodriguez, Venezuela's energy minister, told reporters before a meeting at the presidential Miraflores palace.

OPEC in March agreed to a price target band of $22-28 per barrel for its export basket price, and to raise or trim exports by 500,000 barrels per day if the 20-day average moved out of the range.

Rodriguez confirmed he would hold talks with Saudi Oil Minister Ali al-Naimi in Riyadh before OPEC's next meeting on June 21 in Vienna.

He said Mexican Oil Minister Luis Tellez was not expected to attend the meeting but he added "It would not be strange if he did attend."

The Venezuelan, Saudi and Mexican Ministers are the masterminds behind global oil production cuts that have driven prices to their highest levels in a decade.

The three ministers met recently in Mexico and concluded that the world oil market required no additional OPEC oil in the third quarter.

Star TV ready to drop jt venture with HK phone giant

HONG KONG, May 30: Star TV said Tuesday it is ready to drop a planned joint venture with Hong Kong telephone giant Cable and Wireless HKT Ltd because its imminent merger with a local Internet investment group has made the deal too risky, says AP.

"The company (Cable and Wireless HKT) we were dealing with in January is not the same company we are contacting now," said Jannie Poon, a spokeswoman for the regional ...ellite television operator, a ... of media baron Rupert ...doch's News Corp.

...tar TV is concerned about the viability of some of the Internet businesses of Cable and Wireless HKT and the company's prospects after the planned merger, Poon added.

Internet upstart Pacific Century Cyberworks Ltd won a bid in February to buy Cable and Wireless HKT against Singapore Telecommunications Ltd, which was backed by Murdoch.

The merger is expected to close in July, pending approval by regulators and shareholders.

Mahathir urges ASEAN to reconsider AFTA

KUALA LUMPUR, May 30: Malaysian Prime Minister Mahathir Mohamad urged fellow ASEAN members today to reconsider their strategy for a free trade area, saying carmakers like Proton would be hit when the auto sector was fully opened to imports, says AFP.

Mahathir said Malaysia and some other members of the Association of Southeast Asian Nations were already having second thoughts about opening up their markets under the ASEAN Free Trade Area (AFTA) due to come into force in 2003.

On May 1, ASEAN trade ministers agreed to Malaysia's request for an extension of the deadline for tariff cuts on cars and certain other regional imports. They agreed to extend it to 2005.

"We are saying, well can we delay a little bit especially the auto industry, because what we have seen is people moving into other ASEAN countries and setting up plants to produce cars and calling them products of that country," Mahathir said. "And they are having the privilege of exporting to other ASEAN countries by paying little tax and competing with car manufacturers like Proton."

Mahathir, quoted by the official Bernama news agency, was speaking at a Europe-Asia Business Summit.

The premier, the force behind the emergence of Perusahaan Otomobil Nasional Bhd (Proton) in 1983, said it was not just an assembler like other regional companies but was producing its own cars.

As such it had to buy technology and many components which pushed up costs.

Anthonio de Souza Menezes, Ambassador of the European Commission in Bangladesh, speaks at the monthly luncheon meeting of the Foreign Investors' Chamber of Commerce and Industry (FICCI) held at Dhaka Sheraton Hotel yesterday. Seated on his left are Chamber President Waliur Rahman Bhiyan and Secretary Jahangir Bin Alam and on his right is FICCI Committee Member David Rees. — FICCI photo

Asian oil refineries face tough battle for survival

KUALA LUMPUR, May 30: Asian oil refineries are paying the price for reckless investment during the region's boom years and face an increasingly tough struggle for survival, experts warned today, reports AFP.

Despite a resurgence in Asian demand for oil, refining capacity has far exceeded demand growth and the overhang is expected to worsen over the next two years, the experts said at the Asia Oil and Gas Conference here.

David Isaak, president of US-based Delta G Research, told AFP the refinery boom since 1996 was largely due to foreign companies wanting to gain a presence in Asia.

"Companies invested, knowing that they wouldn't make a very good return, to get into a market," he said. "There is also investment in protected markets where people don't see what real prices are or what the demand situation is like such as in China, India and Indonesia." In 1999-2000, Isaak said, nearly one million barrels a day of new capacity came onstream in Asia alone.

"I see the industry miserable for the next one or two years. Things won't really improve until after 2002," he said.

Isaak said some 30 refinery projects in the region had been scrapped recently, including two or three each in Malaysia and Taiwan, four in Indonesia and about half a dozen in India.

"A refinery now costs about a billion to two billion dollars, so it's a very high stakes game. Nobody's going to loan you that kind of money any more and governments won't want to invest that kind of money," he said.

"The damage the industry has done to itself this time around may be enough that people can't borrow the money to finance. So hopefully, the construction will stop."

Daryl Pattison, senior vice-president of Reliance Petroleum Ltd. in India, earlier predicted a "very bleak" future for Asian refineries.

The overhang in Asia Pacific and Middle East refineries grew from 10 per cent in 1990 to 14 per cent this year and is seen to jump to 22 per cent by 2002, Pattison told the conference.

"The region's capacity has gone beyond its capacity to absorb it," he told the conference. "It is going to get much worse."

Pattison blamed "overinflated" forecasts for Asia's gross domestic product growth for surplus capacity.

ROK industrial output growth slows

SEOUL, May 30: South Korea's industrial output growth slowed to 16.9 per cent year-on-year in April from 17.6 per cent a month earlier, moderating the pace of sharp economic growth, officials said today, reports AFP.

The easing was caused by a sharp fall in automobile production and fewer working days in the month, the National Statistical Office said.

Factories were operating at 76.4 per cent of capacity in April, down from 79.8 per cent the previous month, due to a strike in automobile plants, it said.

The growth of total shipments stood at 14.2 per cent in April, down from 18 per cent in March, with inventories up 12.3 per cent compared with a rise of 11.3 per cent a month ago.

Wholesale and retail sales were up 11.4 per cent year-on-year in April, after a rise of 12.8 per cent in March.

Machinery imports grew 60.2 per cent in April from a year earlier, against a rise of 57.5 per cent in March, while domestic machinery orders were up 25.1 per cent compared to 17.5 per cent in March.

Local construction orders fell 4.4 per cent year-on-year in April, reversing a rise of 55.7 per cent a month before.

The leading indicator, which estimates economic movements in the near future, was down 0.8 per cent month-on-month in April.

China mulls reviving futures to absorb WTO shocks

BEIJING, May 30: China is thinking of reviving financial futures as a way to absorb some of the shocks it faces from membership in the market-opening World Trade Organisation, financial officials and bankers said today, reports Reuters.

The prospects of more foreign investors and greater currency volatility after entry to the global trade group has forced China to take another look at derivatives, though their launch could take some time, they said.

China scrapped its only financial futures contract, for treasury bonds, in 1995 after a price-rigging scandal.

Two years ago, China also slashed the number of futures exchanges — which trade only agricultural products and other commodities — to three from 14 to consolidate the industry.

Financial market officials said stock index futures were likely to be the first new product. The revival of bond futures would likely come later as regulators had decided to focus on the more active share market, they said.

Growing volatility in the yuan's exchange rate was also expected to create demand for hedging instruments.

"First we have to introduce stock index futures to tackle the problem of risk," said Chen Jian, deputy chief executive officer of China Guotai Fund Management Co.

"We could use other instruments too, such as government bond futures, but now the most crucial step is to have stock futures.

After China's entry to WTO, which Beijing aims for this year, foreign firms will be able to engage in fund management and underwrite domestic stock and bond issues through joint ventures.

"I think futures and other derivatives are possible," said a senior official at the Shanghai stock exchange. "We must be ready to provide more products for overseas investors, otherwise when they come into the market there will be no choices for them."

China is also considering allowing some foreign institutions to trade domestic A shares, now aimed at local investors, as a step towards opening the market, securities officials said.

"We have to begin to think wider, in fact, as to what will be the portfolio of the future," said Anthony Neoh, chief adviser to the China Securities Regulatory Commission, the market watchdog.

Neoh suggests that China create a stock index for an index-linked fund, which could serve as a vehicle for a futures product.

The 2nd "Johnson's Baby Powder" prize-giving ceremony was held at a local hotel recently. The programme was arranged by MFCL, sole importer of Johnson & Johnson — CPD in Bangladesh. Regional Sales and Marketing Executive of Johnson & Johnson Prasenjeet Chaterjee and Marketing Manager of MFCL MM Siddiqui are seen in the picture. — Adcomm photo

Singapore port operator eyes $4b from capital market

SINGAPORE, May 30: Singapore's port operator PSA Corp. Ltd. is expected to raise up to four billion US dollars when it goes public in October, a report said today, reports AFP.

The public listing would be involve a stake of between 10 and 40 per cent in one of the world's busiest ports, the Business Times said quoting unnamed sources.

Temasek Holdings, the government investment arm that owns the operator, declined to comment on the report.

PSA, which handles nine per cent of the world's cargo, has stated previously it planned to be listed but gave no specific timeframe.

Yeo said the PSA also planned to issue bonds for the first time this year to raise between two billion and three billion dollars.

Temasek is expected to name three to four foreign financial institutions this week to manage the public listing, the Business Times report said.

PSA boasted earlier this year of record-breaking 1999, handling some 15.9 million twenty-foot equivalent units (TEUs), a rise of 5.3 per cent from a year ago.

Singapore competes with Hong Kong for the title of world's busiest container port, and held this briefly until Hong Kong authorities in March announced its throughput increased by 11.2 per cent to 16.1 million TEUs in 1999.

The current record share float of a Singapore government owned company belongs to Singapore Telecommunications (SingTel) which issued 1.5 to two billion shares in 1993.

14 pc first quarter growth boosts HK's 2000 hopes

HONG KONG, May 30: Private economists are raising their forecasts for Hong Kong's economic growth for 2000 to as much as eight per cent year-on-year, after first quarter gross domestic product (GDP) surged a stunning 14.3 per cent, reports Reuter.

Morgan Stanley Dean Witter (MSDW) has boosted its 2000 real GDP forecast to eight per cent growth from an earlier 5.7 per cent estimate.

Merrill Lynch raised its 2000 growth forecast to eight per cent from six per cent previously, while Dao Heng Bank sees real GDP up 6.8 per cent instead of the 5.7 per cent rise.

The figures signal robust recovery from the worst recession to hit the former British colony in a generation.

Hong Kong's GDP rose three per cent in 1999 and contracted 5.1 per cent in 1998.

"Impressive and shocking (first quarter 2000) GDP data, in our view, signals a peak of the cyclical rebound," said Merrill's north Asia economist Guonan Ma in a report this week.

"The upside surprises are across all the key GDP components, especially from a sharper/earlier rebound in investment spending and a surprising decline in service imports... Domestic demand was the dominant and principal driver for growth in (the first quarter)," he said.

The Hong Kong government said last Friday first quarter GDP rose 14.3 per cent over the same period a year ago, a 13-year high and way above market estimates of an average 10.8 per cent growth.

The government raised its forecast for 2000 to six per cent growth from five per cent, noting that the estimate took into account downside risks such as higher interest rates and a slowdown in the United States, Hong Kong's second largest trading partner.

The government lowered its composite consumer price index (CPI) estimate for the year to a 2.5 per cent fall from the one per cent fall it had previously forecast. Both MSDW and Dao Heng expected CPI to fall 3.0 per cent in 2000.

All three houses expect GDP to rise four per cent in 2001. Merrill's Ma said GDP growth would slow from 11 per cent in the first half of 200o to five per cent in the second half.

Top Chinese entrepreneur gets life term for fraud

BEIJING, May 30: China's most famous entrepreneur Mou Qizhong, once dubbed the richest man in the country, was jailed for life today after being found guilty of swindling banks of millions of dollars, reports AFP.

"Mou was sentenced to life imprisonment on charges of fraudulently using letters of credit," said an official at the Intermediate People's Court in the central city of Wuhan.

Mou, 58, was arrested in January 1999 on charges of using falsified documents to obtain bank loans totalling 75 million US dollars, which he could not repay.

The trial began in November but was adjourned after just one day. Five high-level managers from Mou's corporation, the Land Economic Group, were also on trial on similar charges.

The court official declined to give any details about their fate.

Mou's rise to fame is a classic rags to riches tale, and through his penchant for self-promotion he captured the imagination of the Chinese people.

Mou started out as a farmer with only 300 yuan (36 dollars) to his name but through a variety of businesses he built himself up to become one of the richest entrepreneurs in China.

Forbes magazine named him as the country's fourth richest man in 1994. That same year, the government named him one of China's outstanding private entrepreneurs and a Chinese publication listed him as China's wealthiest man.

Mou first became famous in 1989 when he successfully bartered Chinese consumer goods for four Russian passenger planes worth 151 million US dollars in a deal considered remarkable at the time.

Bank manager executed

An AP report says, a bank manager in southern China's Guangdong province has been executed for embezzling more than 2 million yuan ($242,000) by manipulating computer records, state-run media reported Tuesday.

Shen Weibiao, a 32-year-old former manager of a Bank of China branch in Shaoguan city Guangdong, was executed Saturday after the Supreme People's Court rejected his appeal, the Beijing Youth Daily and other newspapers reported.