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Bangladesh should seek free access to US: Economists

Move to avoid negative impact of new US law on exports

Star Business Report

Bangladesh should highlight the possible negative impact of the newly introduced Trade and Development Act (TDA) 2000 by the US on its exports and ask for duty and quota-free access of its apparels to the world's largest economy, a policy paper suggests.

The report prepared by Dr Debapriya Bhattacharya and Dr Mustafizur Rahman of the Centre for Policy Dialogue (CPD) said the TDA 2000, which came into effect from yesterday, is a digression from the spirit of WTO and the three ministerial meetings which have traditionally looked at the interest of LDCs as a homogenous group.

Under the TDA 2000, 72 countries of Sub-Saharan Africa (SSA) and Caribbean Basin will get duty and quota-free access, especially for the textiles and apparel sectors, to the US market from this month.

CPD economists who looked into the pros and cons of the act advocated that Bangladesh should negotiate with the US government on a bilateral basis to extend the zero-tariff and quota-free facilities.

Since the TDA 2000 already considers the least developed countries as a distinctive group, there is a strong case for Bangladesh to argue that the US should extend similar preferential treatment to all the LDCs.

"At least, Bangladesh should strengthen its argument for quota expansion to 30 per cent in the US market from the existing 17 per cent as envisaged under the second stage of multi-fibre agreement phase out plan," they said.

Currently, Bangladesh garments contribute over 70 per cent of the total export earnings of the country. Being a major player in the US market, the new act could go to its disadvantage.

The Sub-Saharan Africa (SSA) and Caribbean Basin includes 33 of the 48 LDC countries. This left out 15 LDCs belonging to Asia-Pacific region.

This region includes countries such as Bangladesh, Nepal and Vietnam which have strong interests in apparel sector.

"Bangladesh can argue that the LDCs are a recognised group in international fora and making a division amongst the members of the group, as US TDA in effect does, is against the spirit of this recognition," the economists said.

The total customs value of apparels exported to US market from Bangladesh was $1.6 billion in 1999. On the other hand, the total customs value of apparels exported from Caribbean Basin and sub-Saharan Africa countries was $ 8.8 billion and $ 584.38 million respectively.

They also said that quota utilisation rate for categories of importance to Bangladesh are very high for both Bangladesh and the major competitors from the Caribbean Basin.

"This would mean that under a quota-free regime for Caribbean Basin countries when Bangladesh will be constrained in future by quota limits, these countries will have an opportunity to expand their exports to the US market," said Dr Bhattacharya and Dr Rahman.

They said the quota utilisation rate also reflects that for a number of categories, Bangladesh fulfils the quota limits by catering mainly to items which have relatively low unit prices. Quota utilisation rate by the competitors show that the exporters from this countries are catering to the relatively high-priced items within the same quota categories with relatively less utilisation rate in items with lower prices.

Under a quota-free regime the exporters may be expected to move to the latter group of items within the same categories where Bangladesh's export performance has traditionally been robust.

It said that investigations into disaggregated levels of unit prices indicate that Bangladesh has moderate advantage in terms of price over competitors such as Guatemala, Honduras, El Salvador and Dominican Republic.

Once these countries are allowed access to the US market at zero-tariff, the comparative advantage situation can be expected to undergo important changes. The zero-tariff will allow Bangladesh's competitors from the region to access the US market at lower price.

Minister for Commerce Md Abdul Jalil addresses as chief guest a seminar on consumer protection laws organised by the Dhaka Chamber of Commerce and Industry (DCCI) under the DCCI-CIPE, ERRA Project at the DCCI auditorium yesterday. DCCI President Aftab ul Islam, Senior Vice-President AM Mubash-Shar, Vice-President Muhammad Golam Mustafa and Co-ordinating Director of the DCCI-CIPE, ERRA Project MH Rahman are also seen in the photograph. – DCCI photo

Cell to check consumer rights violation soon: Jalil

The government is actively considering to open a cell soon in the Ministry of Commerce to monitor any violation of the consumers' rights in the country, says BSS.

Commerce Minister Abdul Jalil said this while addressing as chief guest a seminar on Consumer Protection Laws at the auditorium of Dhaka Chamber of Commerce and Industry (DCCI) in the city yesterday.

DCCI President Aftabul Islam chaired the seminar and Dr Anwar Hussain of Dhaka University presented the keynote paper. Former President of DCCI MH Rahman spoke on the occasion.

The commerce minister said the present government has been making the best efforts to restore discipline in the overall economy especially in the consumer's market to the greater benefit of all through creating an enabling situation throughout the country. "In fact we want to establish a conducive atmosphere leading to a healthy economy to reach the fruits of our hard-earned independence to every nook and corner of the country," he said.

In view of the changes in the global market due to freemarket economy, he preferred a business friendly environment in Bangladesh since the government launched reforms in key areas to meet the requirements of private sector and consumers to optimise efforts of all concerned to raise their contribution towards rapid progress in the economy.

In this respect, he rather stressed on the need for proper attention of all concerned upon tolerable prices of goods as well as their quality as the government was sincere enough to see the rights of consumers protected in the country on all accounts. "Government's pious wishes and endeavours must be strengthened with pragmatic ideas and resolutions of the private sector like the DCCI," he observed.

For a satisfactory economic growth of the country with a sound consumer market, Abdul Jalil favoured increase foreign investment, enhanced exports and rising demand among the consumers in an efficiently-managed market in Bangladesh.

He also suggested a justified relation between quality and price of goods with provision for protecting consumers from any eventual health hazard and false advertisement.

In his summing up remarks, DCCI President Aftabul Islam referred to the outdated provisions of the country's Consumer Protection Laws, not able to uphold economic, health, environmental or other interests of the consumers. "Even it does not cover the whole spectrum of the economy," he observed.

He said these outdated provisions were too weak and the law enforcing institutions were also the same weak to detect the cases related to violation of consumer' interest. "DCCI is ready to work together with the government closely to protect consumers' interest by ensuring an enabling atmosphere in the country," he said.

Pakistan, ROK agree to boost trade ties

ISLAMABAD, Oct 1: Pakistan and Republic of Korea have agreed to strengthen their trade and economic ties and enhance cooperation in science and technology as well as in the cultural field, reports AP.

Foreign Secretary Inamul Haque and Vice Foreign Minister of the Republic of Korea Ban Ki-moon led their respective delegations in the Third Round of annual Bilateral Consultations between the two countries here.

Issues of global, regional and bilateral importance came under discussion during the talks. The two sides reviewed the overall bilateral relationship, the situation in South Asia, Pakistan-India relations, the Kashmir dispute and recent developments in the Korean Peninsula.

The two sides noted with satisfaction that bilateral trade has registered a significant increase in the past 18 months. They also agreed to strengthen cooperation in the international fora.

Ban later called on Foreign Minister Abdul Sattar. The Foreign Minister underlined the importance Pakistan attaches to strengthening of cordial and friendly relations with the Republic of Pakistan.

The Foreign Minister also expressed Pakistan's support to the ongoing dialogue between North and South Korea.

AB Bank launches new savings scheme

Arab Bangladesh Bank Ltd. has launched a new scheme for the small and middle income group, says a press release.

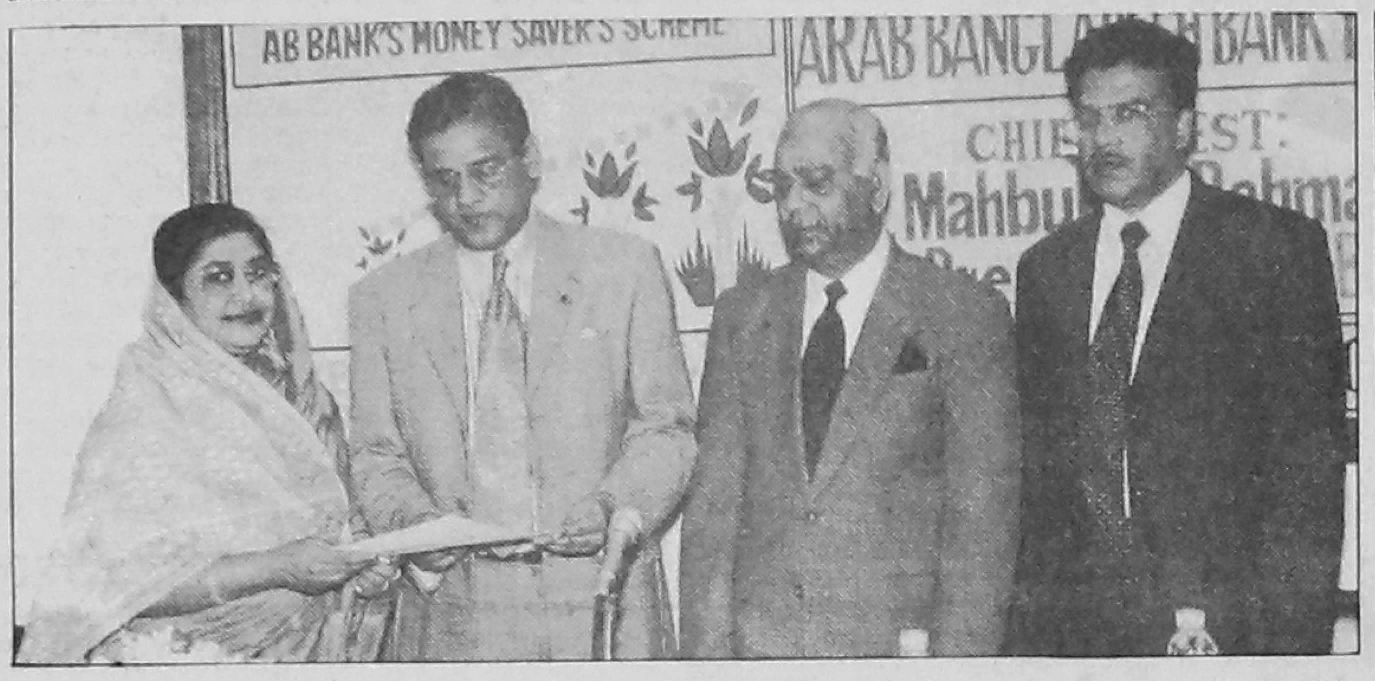
At a ceremony held on September 28 at the BIAM conference hall at Eskaton the scheme was formally launched. The ceremony was attended by among others Mahbubur Rahman, President, International Chamber and Commerce – Bangladesh, Hamida Ali, Principal, Viqarunnesa Noon School and College, C.M. Koyes Sami, President and Managing Director of Arab Bangladesh Bank, Abu Haniff Khan, Joint Managing Director of Arab Bangladesh Bank, and other senior executives of the bank.

The salient feature of the scheme stipulates that an individual can become an owner of an instrument by paying only 20 per cent of its face value. The mechanism of the scheme allows the owner to avail of 80 per cent in the form of a loan, which will be repaid in monthly suitable installments.

Mahbubur Rahman, chief guest in the ceremony, said for economic development the role of banks and financial institutions are immense and the banks should be in a position to take a leading role. Rahman, shared with the audience a few statistical features which indicate that in this subcontinent and also in the region, the per capita savings in Bangladesh is the lowest.

Rahman argued that the banks in particular failed to induce the general mass by introducing any attractive and most importantly cost efficient savings-cum-credit scheme.

C.M. Koyes Sami, President and Managing Director of AB Bank, said that AB Bank has been and will continue to be a trend setter in many respects.



CM Koyes Sami, Managing Director and CEO of AB Bank, hands over the papers of the bank's Money Saver's Scheme to Principal of Viquarunnesa Noon School and College Hamida Ali who is the first recipient of the scheme while Mahbubur Rahman (3rd-L), President of ICC - Bangladesh, and Abu Haniff Khan, JMD of AB Bank, look on at a function held in the city on Thursday. — AB Bank photo

Govt importing 15,000 tons of composite fertiliser

The government is importing 15,000 tons of synthesized Nitrogen-Phosphorus-Potassium-Sulphur fertiliser with a view to popularise the use of composite fertiliser in the country, reports UNB.

The consignment is coming shortly to the local market alongside adequate amount of TSP (triple super phosphate) and di-ammonium phosphate being imported through private channel.

This was disclosed at a meeting of the fertiliser advisor committee held in the conference room of the Agriculture Ministry yesterday.

M Anisuzzaman, Prime Minister's Advisor on Food and Agricultural Affairs, chaired the meeting which was attended by Industries Minister Tofail Ahmed and Agriculture Minister Matia Chowdhury.

The meeting was informed that sufficient amount of fertiliser is now in stock and prices remained stable at retail level.

"To meet the annual demand, arrangements have been made to import 4 lakh tons of urea and the imported fertilisers have already started reaching here," the meeting was told.

The meeting expressed confidence that the government would be able to supply sufficient fertilisers to the farmers in the peak season starting from December.

Bangladesh Fertiliser Association (BFA) leaders told the meeting that sufficient amount of TSP and DAP fertilisers are now in stock to meet the requirement of the current season.

The meeting expressed satisfaction over the current situation of fertiliser production, import, supply, stock, price and sale.

Besides, it stressed the need for converting the existing fine urea fertiliser factories to granular urea production units in order to bring more effectiveness.

"Granular urea is production and environment-friendly," official told the meeting.

The meeting also reviewed the institutional allocation of locally produced TSP fertiliser and appointment of dealers.

At the end of the mini-peak season (August-September), a total of 438.604 tons of urea remained in stock in 6 factory warehouses and 29 buffer godowns.

Against the requirement of 1.52 lakh tons for October, the country will have a total of 619.604 tons of urea, including the current stock, ongoing production and imports in pipeline.

As a result, some 467,276 tons of fertiliser will remain surplus after meeting the requirement in October. This year's production target for six urea factories is 18 lakh tons

Agriculture Secretary Dr AMM Shawkat Ali, Industries Secretary Al Amin Chowdhury, BCIC Chairman M Anwarul Haque, Additional Secretary MA Quader, Director General of the Agriculture Extension Department M Enamul Haque and BFA President Kafil Uddin Ahmed also attended the meeting.

BB T-bill auction held

The 108th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills were held here today (Sunday), reports UNB.

Some Tk 1066.50 crore, Tk 8 crore, Tk 3 crore, Tk 14.50 crore, Tk 23 crore and Tk 0.80 crore were offered for the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year bills, respectively.

Of these, Tk 1066.50 crore, Tk 5 crore, Tk 13.50 crore, Tk 23 crore, and Tk 0.80 crore in total of Tk 1108.50 crore of 28-day, 91-day, 364-day, 2-year and 5-year bills were accepted respectively.

The range of the implicit yields was 6.05-6.20 per cent, 6.35-6.40 per cent, 7.50-7.56 per cent, 8.50 per cent and 11 per cent per annum respectively.

The bids offered for the 182-day bill were not accepted, said a Bangladesh Bank press release.

Due to maturity of the bills, the total amount of Tk 1014 crore will retire during the current week.

Flora seminar on new communication technology held

A seminar on 'New technology on communication and personality development' was held at Asset International's Motijheel centre on Thursday, says a press release.

The seminar was organised by Flora Systems, an IT company with a 28-year experience in Bangladesh.

Md. Nurul Islam Mollah, General Manager of Janata Bank, and Jaglul Karim, Dy General Manager of Sonali Bank, were present at the seminar as judges.

Tapan Kanti Sarker, Executive Director of Flora Systems, dwelt upon the company's activities in disseminating IT education.

He said that due to providing different types of high-end world-class computer training, Flora has tied up with the multinational company Aptech Limited and Asset is the high-end technical training p arm of Aptech Limited.

Engineer Tareq Khan, a student of Asset, speaks at the New Technology Seminar organised by Flora Systems Ltd in the city on Thursday. The picture also shows (from left to right) Noor Hossain, General Manager (Software), Tapan Kanti Sarkar, Executive Director of Flora Systems Ltd., Md. Nurul Islam Mollah, General Manager of Janata Bank, Jaglul Karim, Deputy General Manager of Sonali Bank, and Engineer Md. Golam Mostafa, Head of Asset. – Flora Systems photo

India converts Telecom Dept into new telecom co

NEW DELHI, Oct 1: The Indian government Sunday converted its monopoly fixed line telephone service provider into a new telecom company that would compete with private enterprises, domestic news agencies reported, says AP.

With an equity capital of 50 billion rupees ($1.08 billion) and 400,000 employees, Bharat Sanchar Nigam Limited will be India's largest state-owned company. The government will continue to have 100 per cent equity in the new corporation, the United News of India said.

The formation of BSNL from the department of Telecom Services invited strong protests from telecom department employees and a three-day crippling telecom strike last week.

Labour unions see the move as a first step toward privatisation and fear job losses. The government has said their jobs will be protected as well as their current pension and benefit levels.

Communications Minister Ram Vilas Paswan, who inaugurated the new telecom body, said BSNL would benefit both the consumer and the employees.

"I will continue the dialogue with employees' representatives over the next 10 years and all pending issues will be sorted out," Paswan was quoted as saying by the Press Trust of India.

Is the world heading for a third oil shock?

HONG KONG, Oct 1: As oil prices hit 10-year highs, sparking street protests around Europe and prompting the US government to dip into strategic oil reserves, the world's marketplaces are beginning to talk of a "third oil shock," reports AFP.

"It can be argued that a third oil shock began in March 1999 and is now gaining momentum," said economist Philip Verleger in the journal International Economics Policy Briefs.

Verleger's comments came ahead of October crude soaring to levels not seen since the 1990 Gulf War, hitting 37.80 dollars a barrel in New York on September 20. This was more than a threefold rise from lows of 10 dollars a barrel in December 1998.

But as world leaders begin to cut fuel taxes, dip into reserves, trim growth forecasts and warn of inflation, does the latest spiral warrant the label of a "third oil shock?".

Oil shocks – as seen in 1973 following the Arab-Israeli war and in 1979 after the Shah of Iran's fall from power – occur when oil prices spiral high enough to cause a worldwide recession, or significantly dampen global growth, which economists say occurs when projected GDP growth falls by two to three percentage points.

Between 1973 to 1975 oil prices rose fourfold to 12 dollars a barrel, and threefold between 1978 to 1981 to peak at 34 dollars a barrel, according to the US-based Energy Information Administration (EIA). The rise sparked global inflation, spurring workers to demand higher wages, and dampening growth.

According to the US government, the 1979 oil hike alone led to a 3 per cent drop in world GDP.

By all accounts, the rationing and panic-buying fuelled by truckers demanding lower fuel taxes in Europe, the dipping into reserves and the calls by heads of state on OPEC to take action, suggest the world is re-entering the hysteria marking the first oil shocks.

But analysts argue that much of the current posturing is rhetoric, since oil today plays a diminished role in a more energy-efficient and flexible service-dominated global economy, compared to 1973 and 1980.

The current climate, they suggest, has been politically hijacked by strong oil-reliant unions in Europe and by a US government seeking to cede its leadership to presidential candidate Al Gore, six weeks ahead of the US election.

In addition, the economy has changed, with oil consumption now making up a far smaller share of GDP. While crude oil made up 6.3 per cent of US GDP in 1980, it makes up 1.4 per cent now, a quarter of its share 20 years ago.

In fact, economists argue prices would have to rise almost twice their current levels – around 68 dollars a barrel – to trigger a repeat of the 1973 shock.

Meanwhile "for a repeat of the post-1979 environment, oil prices would have to rise to around 120 dollars a barrel," according to HSBC Securities global economist Stephen King.

This is a far cry from the current oil prices of around 30 dollars a barrel. Especially given that historical highs reached in 1981 equate to 70 dollars a barrel in today's money John Cook, director of IEA's petroleum division, told the US Senate in July.

The likelihood of oil prices topping even 68 dollars a barrel is remote. The London-based Centre for Global Energy Studies said it expects Brent crude to average 31 dollars a barrel in the fourth quarter of this year.

And with more efficient labour markets, a "new economy" which boosts productivity without tripping inflation, and over 70 per cent of workers in developed countries employed in the service industry, workers are not demanding a rise in wages as they did in the 1970s, economists add.

"The recent behaviour of labour markets suggest that the inflation effect of even a 20-dollar rise in the oil price would be short-lived and the impact on growth even more muted," King added.

Additionally, the manufacturing sector, where oil is a major input, has diminished over the last two decades, so that the impact of any oil price shock will be much smaller today.

Indeed, economists assess the impact of today's price rise on growth as "muted." The International Monetary Fund's chief economist, Michael Mussa said mid-September that if oil prices remained around current levels, global growth could fall by 0.25-0.50 percentage points in 2001 to roughly 3.75 per cent.

And as long as energy costs do not jump further and wage rises remain "compatible" with price stability, inflation should remain under control, the European Central Bank said in a monthly report September.

But despite optimism that the current prices are sustainable, oil-reliant and less, developed Asian countries will be hit harder by oil price rises, economists warned.

Asian Development Bank chief economist, Yoshihiro Iwasaki, said if oil stayed around 35 dollars a barrel for a year, growth in the Asian economies would be hit twice as hard as in the rest of the world.

ICMAB team meets SEC chairman

A delegation of the Institute of Cost and Management Accountants of Bangladesh headed by its President M Abul Kalam Mazumdar, FCMA, called on the Chairman of the Securities and Exchange Commission (SEC) Manir Uddin Ahmad at his office on Thursday, says a press release.

The President of the institute appraised the SEC chairman of cost and management accountants' role and activities in various sectors of the national economy. He also mentioned that Companies Act 1994 has made provision for cost audit in manufacturing, mining, distribution and service sectors.

"If implemented, cost audit can help restore confidence of peoples to invest in the share market and it will help the management in diagnosing the operational inefficiency at all levels and suggest remedial measures, he said.