Star BusinesS

DHAKA WEDNESDAY JANUARY 21, 2004 E-mail: dsbusins@gononet.com

ICC-B plans to set up int'l arbitration centre

Int'l confce called for development-friendly global economic governance: Mahbubur Rahman

STAR BUSINESS REPORT

International Chamber of Commerce-Bangladesh (ICC-B) plans to set up Bangladesh International Arbitration Centre (Biac) in Dhaka aiming to resolve disputes over trade and economic issues.

"We are ready in all aspects excepting the finance. Now we are looking for some assistance from international agencies," ICC-B President Mahbubur Rahman told a press briefing at Dhaka Sheraton Hotel yesterday.

The briefing was organised to inform the press about the outcome of the just concluded International Business Conference on 'Global Economic Governance and Challenges of Multilateralism' that ended in Dhaka on Sunday.

Rahman said the Biac will have all modern facilities for arbitration and business people will find a time saving and less expensive way to solve their problems.

The ICC-B will fund around 20 percent of the total cost of around $850,000 estimated for setting up the centre and is trying to arrange the rest from assistance.

Rahman termed the present corporate dispute settlement system a complicated, time-consuming and expensive one. Once this centre is set up, other countries may also think to shift their cases to Dhaka to save cost, he hoped.

The ICC-B president said the centre will also give relief to the local courts. Citing an example, he said a local bank has around 2,500 cases pending with the courts.

Presenting the outcome of the two-day international business conference organised by ICC-B, he said the conference stressed the need for development friendly global economic governance and called for restarting the Cancun process on an urgent basis.

"Most of the speakers laid emphasis on the need for regional integration to stimulate stronger intra-regional investment flows which will strengthen regional economic inter-dependence and accelerate the regional integration process in the Asia-Pacific region, thereby making it more attractive and competitive for FDI flows," he said.

The speakers noted that the Cancun failure has caused a weakening of the move towards a deepening of globalisation and has increased concerns towards the process of the multilateral trading system, Rahman mentioned.

The ICC-B president quoted EC Trade Commissioner Pascal Lamy as saying in the conference that the EU had a full-fledged revised position in all of the issues. "They wanted to offer the rich countries access at zero duty for 50 percent of their imports from poor countries and want a special safeguard for food security."

The participants in the conference felt the market access, which is very important issue for the LDCs, should be addressed very clearly and clear choices should be made for further development, Rahman said.

"They underscored the urgent need for establishing of venture capital investment company in order to facilitate young entrepreneurs who have new ideas but need financial support to realise their investment ideas," he added.

Over 400 delegates from 37 countries and international agencies joined the largest business meet since the WTO ministerial in Cancun.

Post-MFA outlook is not as bad as depicted for Bangladesh

ICC-Bangladesh Banking Committee chief talks to The Daily Star

Mamun Rashid (MR) is the chairman of ICC Bangladesh Standing Committee on Banking Techniques & Practice. He is also the CEO of Citibank, NA, Bangladesh. Rashid is known for his expertise in and understanding of foreign exchange and foreign trade throughout the business community. He is also the vice president of Bangladesh MBA Association and life member of Bangladesh Economic Association. The Daily Star's (DS) Inam Ahmed spoke to him to extract his views on some of the more pertinent issues to the Bangladesh economy like corporate governance, post-MFA impact on export, FTA and impact on the foreign investment for allowing trade union in EPZs. Following are the excerpts:

DS: Around the world and in Bangladesh poor corporate governance has become a hindrance to market growth. What are your views on this and what do you think needs to be done going forward?

MR: It is evident that lack of effective corporate governance is hindering the market growth. In Bangladesh, poor laws and regulations and even poorer implementation of the existing system is one of the main reasons for ineffective corporate governance. Weak corporate governance regime results in lack of accountability and transparency, having multiple effects on shareholders and investors' confidence, thereby impacting the overall economy of a country. In Bangladesh, the supervisory authorities of business, most importantly the Registrar of Joint Stock Companies, which play the most vital role, needs to be modernised and equipped with adequate and effective enforcement tools. The regulatory authorities should adopt policies in a pragmatic manner incorporating new ideas that aim to solve the current problems and creating room for improvement. There is a general lack of knowledge and awareness in Bangladesh of what corporate governance actually is. Programmes should be adopted in order to educate and increase awareness especially among the small and medium business sectors. In the banking sector, the influx of new private commercial banks is having a positive impact on the market from a corporate governance point of view. On account of efficient regulation by the Bangladesh Bank, these banks in turn require their customers, including the small and medium entities to maintain a minimum level of corporate culture and governance. Resultantly, the smaller businesses in the country having no alternative than to avail the facilities of the banks, are bound to gear up their governance structure and business methods. Establishment of independent anti-corruption commission and strengthening the public financial management and procurement system will also help in this regard.

Bangladesh Bank, in the recent days has done a commendable job by bringing in discipline and accountability in the country's banking sector. More needs to be done, in order to usher in the results through proper enforcement. I see a serious role to be played by Securities and Exchange Commission with regard to the listed companies as well as companies willing to get listed, thereby indirectly bringing discipline to the whole corporate sector, like SEBI did in India.

DS: There has been a lot of discussion on the post-MFA (multi-fibre arrangement) challenges for the export of Bangladesh, especially the RMG sector. What are your views on this?

MR: Bangladesh has made the transition from being primarily a jute-exporting country to a garment-exporting one within two decades. This transition has been dictated by the country's resource endowment, characterised by the extreme land scarcity and a very high population density, making economic growth dependent on the export of labour intensive manufactures. About 75 percent of our country's export earnings come from RMG sector. It is believed that the world will have two primary areas of concentration from where future garments exports will originate -- China (including Cambodia and Vietnam) and the Indian subcontinent (including Bangladesh, Sri Lanka and Pakistan). The primary issues that Bangladesh has to target in order to reduce the adverse effect of the expiry of MFA are quality control, cost, delivery and lead-time. I think quality control should be given utmost importance, not only in order to create better market reputation and thereby longer term business relationships, but also to create scope for moving into the upper end of the RMG sector with price competitiveness. Other factors that have to be addressed are improvement of the port facilities, infrastructure (telephone, electricity etc) and the overall law and order situation. Effective port facility is very important. The US government and the World Bank are ready and keen to invest resources to improve the port facilities. We are also witnessing big investments in the power and communication sectors at the moment. Businesses are being encouraged to diversify. We can see the hype in the agricultural products-based business and the investment going into it. This will create new employment opportunities and generate export opportunities in that new field. Considering all that I have mentioned, I feel that we will be able to sustain the post-MFA regime in 2005. Things will not be grounded to zero from the beginning of 2005 itself, therefore if we invest in our competitive advantages i.e. where there is an advantage for us, explore new markets at the same time diversify, we can plough it on. Approximately 30 percent of our export is quota dependent. Quota is volume increase restrictive. However, in some categories, where we have an advantage as mentioned, we can increase export, if quotas are withdrawn. At the same time, there are possible threats from China in certain lower categories, if quota is withdrawn. Keeping all this in mind we need to prepare ourselves for stiff competition and improve the required infrastructure including back ward linkages to face the same.

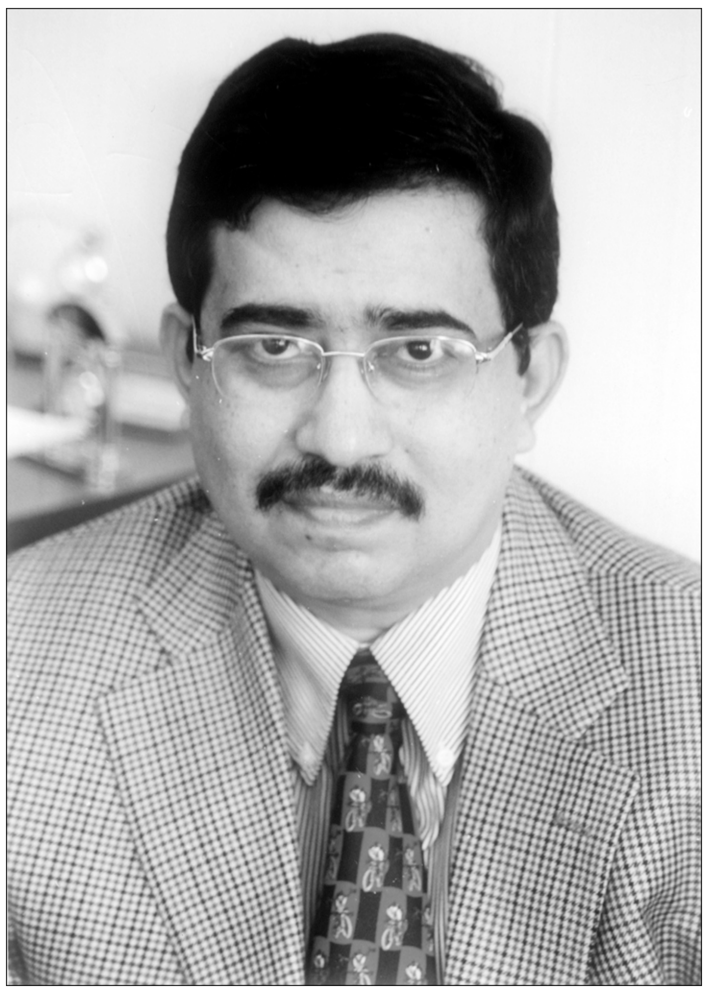
DS: Post-MFA regime should concentrate on negotiation with US, EU and other importing countries regarding tariff and trade as well FTA with the SAARC countries. What are your views on the outcome of these?

MR: The major challenge with the expiry of the MFA after 2004 would be to explore new market access, including Asia. Our neighboring country Sri Lanka in its bilateral free trade agreement with India has been able to secure some access to the highly protected Indian apparels market and the share of Sri Lanka's exports has increased. Bangladesh has also made some progress in this regard but to sustain the business, we need to diversify our product base and increase our access to existing as well as other markets. We need to look into the opportunities available with countries like Canada, Australia and EU and reduce the dependency only on US market (42 percent of total RMG export). Existing relationship of the Bangladeshi exporters with large players is long standing. As such, this relationship and orders are expected to continue for sometime after 2004, based on their historical performance and uncertainty relating to new suppliers. Possible US policy not to provide all the business to China after the Sars experience, our garment with low labour cost and sustained performance, is expected to survive. Given an option, to reduce dependency on China, the global garment player, will continue sourcing from Bangladesh. We can work out an FTA with India and avail the supply benefit from Indian Textile companies as well as ensure intra-regional investment in textiles sector. We can sustain our garment business while India can increase their textile business. Overall the authorities need to take steps to increase the competitiveness of readymade garment exports in the post-MFA world with a continuous strive for duty free access to the US market. I know this is going to be a pretty long time process, but our cohesive discussion should continue with the United States, from every angle of the relationship with them. A large but moderate Muslim country like ours can't be neglected every time, provided we play our cards well.

DS: There is a possible negative impact on the foreign investment if trade union activity is allowed in the EPZs. What are your views on the implications of this trade union?

MR: Foreign investors in the EPZs have long been threatening to withdraw their investment if trade unionism is allowed in the zones. Foreign investment in the EPZs is estimated at around $ 900 million. But we may try to convince the international pressure groups of a possible negative impact on the foreign investment if trade union activity is allowed in the EPZs. This may be said to be a derivative of the inefficient governance regime. Due to lack of accountability and transparency the trade unions in Bangladesh are proving to be counter productive. This impacts production and thereby income, which will adversely affect FDI in Bangladesh.

Besides, I may refer to Holzman, the then US ambassador to Bangladesh in 1999, who was talking of `freedom of association' not a trade union type of thing as per Bangladesh definition. It was also talked of Worker's Welfare Council (WWC), which most of the RMG factories have complied with, apart from their stringent compliance requirements from the major buyers. However, I also feel that Bangladesh has made unnecessary delays in understanding and executing this issue at hand. We need to quicken our pace to outline the parameters in this regard and catch up for the lost time. We cannot afford to waste precious time and let competition catch us unaware with respect to any concern.



Mamun Rashid

US trade show begins today

STAR BUSINESS REPORT

The three-day US Trade Show 2004 begins in Dhaka today to showcase and promote American products and services in Bangladesh.

Foreign Minister M Morshed Khan will inaugurate the 13th version of the exposition at Dhaka Sheraton Hotel orgnaised by the American Chamber of Commerce in Bangladesh (AmCham) and US Embassy in Dhaka.

US Ambassador to Bangladesh Harry K Thomas and AmCham President Aftab ul Islam will also be present at the inaugural function.

A total of 75 companies are taking part in the fair in 116 booths.

American Center in Dhaka will showcase its products and services at the fair. Staff from student advising centre will be available at its stall to answer questions and give out materials on higher study in the US. It will also provide information on TOEFL, SAT, GRE, GMAT, USMLE, student visa processing and financial assistance for students interested in pursuing higher education in the US.

The show will be open to the public from 10am to 8pm during January 21-23. The entry fee is fixed at Tk 10 a person.

US embassy rejoinder

The US Embassy in Dhaka has contradicted certain quotes used in two reports run on the Business Page of The Daily Star yesterday.

In a rejoinder, it said the embassy official did not state that China, Thailand and India are becoming more competitive than Bangladesh, as the report headlined, 'Gradual decline in exports to US raises alarm' says.

It also said embassy official Dundas McCullough never said, "High scale of corruption, weak enforcement of intellectual property rights and dillydallying in taking policy decisions have resulted in declining US investment to Bangladesh."

The embassy said its officials did not urge Bangladesh to take decision on gas exports and trade unionism in the EPZs, as mentioned in another report headlined, 'Three-day US trade show begins tomorrow.'

In the photo caption of the related news item, the name of Andrew Fawthrop, vice-president of American Chamber of Commerce in Bangladesh, was mistakenly printed as Karl Fritz, public affairs officer of US embassy in Dhaka. In fact, Karl Fritz was not present in the press conference. In the case of Fritz's presence, the reporter however derived the mistake from his nameplate kept on the table. We regret the mistake.

Call money rate steady

BSS, *Dhaka*

The call money rate was steady in inter-bank money market yesterday, as pressure on banks' liquidity was very low, fund managers of different commercial banks said.

The call money rate touched its intra-day high at 7.50 per cent and intra-day low at 4.00 per cent yesterday in line with its previous day's range, fund managers of some leading banks said.

PHOTO: STAR

International Chamber of Commerce-Bangladesh (ICC-B) President Mahbubur Rahman speaks at a press briefing organised at a local hotel yesterday to inform the press about the outcome of the just concluded International Business Conference.

Two Lexus cars hit local market today

'Toyota Motor Show' in Dhaka tomorrow

STAR BUSINESS REPORT

Navana Limited, sole distributor for Toyota and Hino vehicles in Bangladesh, is going to introduce two new sophisticated cars from Lexus in the local market today.

Commerce Minister Amir Khosru Mahmud Chowdhury will formally launch the vehicles at a function at Bangladesh China Friendship Conference Centre in Dhaka.

Navana Limited, a concern of Navana Group, is also organising a daylong 'Toyota Motor Show' tomorrow at the same venue.

The four-seated LS430 sedan car and seven-seated LX470 jeep are being introduced targeting the elite class businesspeople, high officials, executives and foreign diplomats. None of these two models has been introduced in any country of South Asia.

The Lexus 4300cc sedan and 4700cc jeep manufactured by Japan's giant carmaker Toyota, will be priced at Tk 1.30 crore and Tk 1.25 crore.

"We have already got orders for five Lexus jeeps," Shafiul Islam Kamal, chairman of Navana Group, told a pre-launching press conference in Dhaka yesterday. "Both the cars will offer the highest level of comfort, reliability and safety."

There are air bags fixed in front of and beside the driver and passenger seats that automatically inflate within a moment during collision, director of Navana Group Saiful Islam Shumon, said describing safety features of the vehicles.

"These supplemental restraint system air bags save driver and passengers' chest, face and knee from being hurt in the event of accidents," he said.

The 4.3L, 32-valve V8 engine of LS430 sedan car will consume 20-25 litre fuel to run 100km while the 4.7L, 32-valve engine of LX470 jeep will consume 20 litre.

The Lexus LS430 car having both automatic and manual gear systems is also equipped with anti-theft immobiliser, said Abu Sayeed Chowdhury, chief in-charge of Lexus workshop in Navana-Toyota 3S Centre in Dhaka.

Both the vehicles have catalytic converter and wireless door-lock system, he said.

The cars are equipped with electronic multi-vision (EMV) display system with a seven-inch screen allowing easy operation of the navigation system, audio and air conditioning systems. Its multi information display also serves as a review monitor when backing into a garage or parking space and shows any kind of problem of the car.

Navana will provide one-year or 20,000km run warranty for all parts of the vehicles.

Mobil Jamuna lubes can be exported: US envoy

STAR BUSINESS REPORT

Praising the lube oil blending plant of Mobil in Chittagong, US Ambassador Harry K Thomas has said it can be a source of export income for Bangladesh.

"This is one of the finest plants in this country," he said yesterday while visiting Mobil lubricants marketing activities at a CNG refilling station in Dhaka.

The filling station, owned by Sena Kalyan Sangstha (SKS) is the seventh such station that sells Mobil lubricants in Dhaka.

Thomas said as Mobil Jamuna Lubricants Ltd has earned goodwill in blending lubes, other US companies will be encouraged to invest in Bangladesh.

Turning to Bangladesh Army, the US envoy said army troops of Bangladesh are doing very well in world peacekeeping missions.

Mobil Jamuna Lubricants Ltd is a US-Bangladesh joint venture company. Around Tk 100 crore has been invested in the blending plant set up in Chittagong in 2003.

The state-of-the-art plant uses lube oil technology from ExxonMobil. Bangladesh is the second country in South Asia after Pakistan to blend Mobil lubricants.

Officials of Mobil Jamuna Lubricants Ltd said they have already emerged as market leader in Bangladesh and hope to export lubes to other countries soon.

Azam J Chowdhury, managing director of Mobil Jamuna Ltd, Brig Gen Sayeedur Rahman, Brig Gen (Rtd) Ahmed Muktadir Arif and Lt Col Feroze were present.

Auction sees strong demand for good liquoring tea

UNB, *Chittagong*

The weekly tea sale here yesterday witnessed strong demand for few good clean liquoring tea available that generally fetched good prices.

The bulk of the teas were easier with buyers following quality closely. Poorer types were mostly neglected with heavy withdrawals.

There was some interest from Pakistan, but blenders and packeteers were less active with one major buyer remaining absent. Loose tea trade was also less active while CIS did not operate.

Dusts met with quite a good demand with select few lines of well made good liquoring types selling at firm to slightly dearer rates.

PHOTO: STAR

Shafiul Islam Kamal, chairman of Navana Group, poses for a photograph along with other officials beside a new model of Lexus car at the Navana Toyota 3S Centre at Tejgaon in Dhaka yesterday.