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Leather sector exports may fetch Tk 1,700cr this fiscal

International Leather Fair 2004 begins tomorrow

STAR BUSINESS REPORT

Exporters hope to earn at least Tk 1,700 crore by exporting leather and leather goods this fiscal as they organise an international leather fair in Dhaka from tomorrow aiming to promote their products and expand export market.

Bangladesh Finished Leather, Leathergoods and Footwear Exporters' Association (BFLLFEA) chairman Rezaul Karim Ansari yesterday said exporters expected increased earning since the world market is recovering from the September 11, Iraq war and Sars (Severe Acute Respiratory Syndrome) shocks.

Ansari was speaking at a press conference on the eve of the three-day 6th Dhaka International Leather Fair 2004 at Sonargaon Hotel. Invited buyers from different countries are expected to visit the fair to see the Bangladeshi leather goods.

Bangladesh earned Tk 1377.72 crore last fiscal (2002-03) from the leather sector, Tk 90.97 crore down from previous fiscal. The BFLLFEA attributed the slump in earnings to the adverse global situation.

"We expect to get $10 million spot orders in the fair," the BFLLFEA chief said. Last year, the exhibitors got $7 million spot orders.

The BFLLFEA chief said the fair has been organised to display the latest developments of the country's leather sector, which is the third largest export-earning sector after ready made garments and frozen foods.

The BFLLFEA leaders urged the government to provide cash incentives to crust and finished leather exports. Now, exporters get 15 percent cash incentives on leather goods export.

"If the sector gets policy support from the government, leather and leather goods can fetch Tk 4,000-5,000 crore a year," the BFLLFEA chairman said.

He also urged the government not to restrict crust leather export before the relocation of Dhaka's Hajaribagh-based tanneries to new leather industrial estate at Savar, which will be complete by 2005.

The prime minister on January 26 last year announced the establishment of leather estate -- Chamra Shilpa Nagari -- at Savar at a cost of Tk 177 crore.

A total of 70 leather firms including 24 foreign companies will participate in the fair. Major participating countries are the US, UK, India, Italy, Germany, South Africa, the Netherlands, Switzerland and Spain.

Prime Minister Khaleda Zia is expected to inaugurate the fair jointly organised by the BFLLFEA and Bangladesh Tanners Association (BTA).

Various types of finished products like footwear, bags, belts, travel kits, leather garments and wallets will be put on display at the fair. Besides, chemicals and accessories for producing leather goods will also be displayed.

A fashion show, managed by Dream Entertainment, also will be held on Wednesday, second day of the exhibition.

Bawa Jute Mills goes private

BSS, *Dhaka*

State-owned Bawa Jute Mills in Narayanganj was formally handed over to a private entrepreneur at a function at the Privatisation Commission here yesterday.

Chaired by Commission Chairman Enam Ahmed Chowdhury, the handing over function was addressed, among others, by State Minister for Jute Lutfor Rahman Khan Azad as the chief guest.

The state minister said that the present government was pledged-bound to make the privatisation programme a success and urged the buyer to keep the production process unhindered for development of the country.

Afzal Hossain, joint secretary of the jute ministry, and buyer of the industrial unit M Shahjahan signed an agreement on handing over of the documents, a press release of the commission said.

PHOTO: STAR

(from left) Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Annisul Huq, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) First Vice-president Kamaluddin Ahmed, FBCCI President Abdul Awal Mintoo, Metropolitan Chamber of Commerce and Industry, Dhaka President Kutubuddin Ahmed and immediate-past BGMEA President Quazi Moniruzzaman at a meeting on law and order situation in Dhaka yesterday.

Bank holiday on Saturday

BSS, *Dhaka*

Bangladesh Bank (BB) and other scheduled banks will remain closed on Saturday (March 27) on the occasion of the Independence and National Day, a press release of the BB said here yesterday.

Australia focuses on two-way trade deals amid stalled WTO talks

AFP, *Sydney*

Australia has abandoned its position as a global free trade pioneer to pursue one-off deals with its major export partners as negotiators meet in Geneva this week to revive stalled World Trade Organisation (WTO) talks on agriculture.

Flushed with success at negotiating a free trade agreement with the United States, Trade Minister Mark Vaile said he was determined to pursue a similar deal with China and other partners.

Vaile said free trade deals with other major trading countries such as Japan, Indonesia, Malaysia and Gulf nations including Kuwait and the United Arab Emirates were also in the pipeline, although he admitted some would be hard to achieve.

Vaile dropped his previously optimistic attitude to WTO attempts at freeing up agricultural trade in talks Monday in Geneva.

"I don't like our chances," Vaile said last week when asked if WTO talks would result in a long-awaited breakthrough on the Doha negotiations on agricultural free trade scheduled for completion by the end of this year.

Vaile said the failure of meetings in Cancun, Mexico, last year had dented hopes of securing concessions from major powers like the European Union, Japan and South Korea, which he has previously criticised for intransigence on farm subsidies.

Pak economic recovery gathers pace: ADB

AFP, *Islamabad*

Pakistan's economic recovery gained momentum in the first half of the current fiscal year and was entering a "high growth path" that could exceed its target growth rate of 5.3 percent, the Asian Development Bank said Sunday.

"Strong revenue growth so far indicates that the revenue and fiscal targets for the current year should be easily achieved," the ADB said in its latest quarterly report on Pakistan's economy.

"Robust growth in exports, as well as high level of remittances point to a comfortable balance of payments position for the year. Thus the economy seems to be moving to a high growth path."

The study said the two main commodity producing sectors -- agriculture and large-scale manufacturing -- showed substantial improvement in the first half of the 2003-2004 financial year and the outlook for the second half to June 30 was good.

"With private sector credit growing rapidly, interest rates remaining at historically low levels, and continuing double-digit growth in exports, this high growth in the large-scale manufacturing sector is expected to be sustained," the report added.

Remittance black market thrives in Asia

AFP, *Singapore*

Once a month, Nisha sends the money she saves from her job as a maid in Singapore to her family back home in Sri Lanka.

But like millions of her fellow Asian migrant workers, she does not use a bank. She gets an unlicensed remittance agent in Singapore's bustling Little India district to send the money to a collection point in Colombo.

An underground remittance market is thriving in Asia as overseas workers continue using informal channels to send money home despite governments' efforts to regulate and police the multibillion-dollar industry.

The global remittance market is estimated to be worth 95 billion dollars, much of it within Asia or involving Asian workers in other continents -- and that figure only takes into account official transactions.

Governments and financial regulators are seeking to formalise the underground part of the industry in order to promote national development and prevent criminals and terrorists from exploiting the black market.

For most of the 1990s, remittances exceeded official development assistance, the World Bank said in its 2003 Global Development Finance report.

But economists say remittances can be only be tapped effectively for national development if sent through official banking systems.

"Remittances sent through formal channels will enable the receiving person to leverage it," said Nimal Fernando, a rural finance specialist at the Asian Development Bank.

On the other hand, money transferred through an informal system is sent and received in the form of cash, usually resulting in immediate consumption.

These informal transfers involve asking a friend or relative who is returning home to bring the money along with them, or employing the services of unlicensed remittance agents or networks that act as intermediaries.

Such networks have always been worrisome to governments and financial authorities as they have often served as covers for money laundering syndicates.

In Bangladesh, the crackdown on the hundi system, as well as a reduction in the commissions on remittances, improved banks' efficiency, while incentives to workers who sent money through banks boosted the official remittance flow by 21 percent between 2001 and 2002.

While some governments are using the carrot, others are turning to the stick. South Korean migrant workers are required to remit at least 80 percent of their earnings through the Korean banking system to qualify for an exit permit.

While this has worked for South Korea, attempts by the Philippines, Thailand, Pakistan and Bangladesh to implement similar laws have failed because much of labour migration occurs outside of government influence.

But despite the various government efforts, many workers are still clinging to the underground way of moving money.

Although official remittance flows into Pakistan have increased, senior bankers in the country estimate the actual flow to be between eight billion and 10 billion dollars, geography professor Graeme Hugo wrote in a report for the International Organisation for Migration.

An ADB report on Bangladesh said the hundi system is dependable as it works on the basis of trust and goodwill.

PHOTO: STAR

Bangladesh Finished Leather, Leathergoods and Footwear Exporters' Association (BFLLFEA) Chairman Rezaul Karim Ansari speaks at a press conference in Dhaka yesterday on the eve of the 6th Dhaka International Leather Fair 2004 beginning at Sonargaon Hotel tomorrow.

Qatar kicks off largest int'l gas gathering

AFP, *Doha*

Qatar, with ambitions to be the world's largest producer of liquefied natural gas (LNG), kicked off a conference here Sunday bringing together major global players in the industry.

"We in Qatar are forging ahead on the road to industrial development according to a carefully studied strategy which will be the basis of the projects that we establish and the international partners that we choose," said Qatar's Emir Sheikh Hamad bin Khalifa al-Thani who inaugurated the 14th International Conference and Exhibition on LNG that will run until Wednesday.

Developing the emirate's gas sector was "one of the most important national priorities," he said.

Energy Minister Abdullah bin Hamad al-Attiyah said Qatar has earmarked 30 billion dollars in the near term for investment in LNG production, port expansion, and the building of huge sea carriers to transport LNG and receiving terminals in consumer countries.

Algerian Energy Minister Chakib Khelil highlighted the promise for growth in LNG consumption in markets such as North America, China and India.

But he warned this growth is threatened by unilateral moves in consumer countries to liberalise their gas markets by switching to spot pricing rather than long-term contracts, as the European Union did a few years ago.

"We consider with other producing countries that the change of the legal framework governing the gas markets should be done through consulations and implemented progressively.

"Dialogue is the best means to achieve this objective while preserving the stability of the commercial transactions."

Top executives from the BG (British Gas) Group, Shell and Total were to attend later Sunday working sessions on creating new market and commercial opportunities for LNG.

Japan and South Korea are currently the biggest consumers for LNG followed by France and Spain.

Qatar, which boasts the world's third largest gas reserves, is aiming to ramp up annual production of LNG to 60 million tons by 2010 from the current rate of 18 million tons, according to Attiyah.

ROK considers restricting car use to protect oil reserves

AFP, *Seoul*

The South Korean government plans to restrict the use of passenger cars next month if oil prices rise further, in a bid to maintain reserves, reports said Sunday.

The plan calls for car owners to leave their vehicles at home one in every 10 days, Yonhap news agency said.

Restrictions may follow a meeting by the Organisation of Petroleum Exporting Countries (OPEC) in Austria on March 30, Yonhap said.

The oil cartel is mulling whether to cut output to compensate for seasonal drops in demand or to keep it steady and profit from high prices.

"If they take actions that further raise prices, the country will have to cut back on spending," an unnamed government official told Yonhap.

The government is also considering requiring companies to refrain from lighting billboards or the outsides of buildings after certain hours to save energy, it said.

South Korea has up to 106 days' worth of emergency oil reserves and plans to increase the reserves so that international price fluctuations would not hurt the domestic market, it said.

S'pore banking on more than 5pc growth in 2004

AFP, *Singapore*

Singapore appears on track to turn in stronger growth this year as the export-led economy rides on a global upturn, with most economists tipping expansion of more than five percent barring a major shock.

Last year, gross domestic product (GDP) grew 1.1 percent, faster than the preliminary 0.8 percent estimate but slower than in previous years except in 2001 when the economy was stalled by a recession.

Fuelling the growing confidence is the latest trade report card showing non-oil domestic exports (NODX), a leading indicator, growing a solid 25.7 percent in February, exceeding even the most optimistic market projections.

SingTel expects up to $562m from Belgacom share sale

AFP, *Singapore*

Singapore Telecommunications (SingTel) expects to book a net gain of 900-950 million Singapore dollars (532-562 million US) from the public listing of European telecoms group Belgacom, Southeast Asia's biggest phone company said Sunday.

It will record these gains in its fourth quarter to the March earnings report card.

The divestment of its 11.72 percent stake in the European telecom carrier is part of the company's plan to concentrate on building its business in Asia where it already has significant investments in many mobile phone service providers, it said in a statement.

"SingTel's divestment of Belgacom is in line with the company's intention to rationalise its investments outside the region," SingTel president and chief executive Lee Hsien Yang said.

Exports from EPZs rise 12pc in first six months

BSS, *Dhaka*

Enterprises located in the export processing zones (EPZs) exported goods worth of about $ 622.25 million during the first half of the current fiscal.

Export earnings during the corresponding period of last fiscal was $ 556.25 million, showing nearly 12 percent increase, according to a Bepza (Bangladesh Export Processing Zones Authority) release issued yesterday.

Of the total, Chittagong EPZ exported $ 324.82 million, Dhaka EPZ $293.43 million, Comilla EPZ $ 2.35 million and Mongla EPZ $ 1.60 million.

The export items include garments and accessories, electrical and electronic goods, leather goods, textile products, sweaters and knitted garments, paper and plastic products, different types of towels, toys, caps, tents, fishing reels and gold equipment, furniture, metal products and agro-based items.

The countries which have so far imported goods from the EPZs include the US, UK, France, Germany, Italy, Belgium, Denmark, Sweden, Argentina, Brazil, South Korea, China, India, Japan, Malaysia, Pakistan, the Netherlands, Singapore, Thailand, UAE, Switzerland, Panama and Nepal.

A total of 192 industrial units are in operation in the EPZs. Of these, 118 units are operating in Chittagong EPZ, 66 in Dhaka EPZ, 4 in Comilla EPZ, 3 in Mongla EPZ and 1 in Uttara EPZ.

The cumulative investment during the first half of the current financial year stood at $ 689.96 million. It was $ 634.04 million during the last fiscal.

Of the total, investment in Chittagong EPZ stood at $ 404.22 million, $ 282.07 million in Dhaka, $2.09 million in Comilla, $0.60 million in Mongla, $ 0.38 million in Uttara and $ 0.60 million in Ishwardi.

South Korea tops the list of investors in the EPZs of Bangladesh with an investment of $ 220.292 million in 51 units followed by Japan with an investment of $ 102.687 million in 21 units.

Bangladesh is in third position having an investment of $ 99.699 million in 45 industrial units. China is in fourth position having invested $ 92.598 million in 22 factories.

The countries which have so far invested in the EPZs are South Korea, Japan, China, US, UK, Belgium, Denmark, France, Germany, India, Italy, Malaysia, the Netherlands, Pakistan, Panama, Singapore, Sweden, Switzerland, Taiwan, Thailand, UAE and Bangladesh.

About 1.34 lakh Bangladesh nationals are employed in the EPZs.

Opec production cut strategy hurts US economy

AFP, *New York*

Opec's aggressive six month old strategy of cutting oil production, which has seen prices come near a 13-year high, is hurting the United States which faces an increasingly difficult negotiating position.

The main oil exporting group made surprise production cuts in September and February at a time when supplies in the United States and other developing countries have been drained by demand from China, a tough winter in North America and high consumption of fuel for cars.

The Organisation of Petroleum Exporting Countries "is seeking to rein in supply at a time when oil demand growth is going through one of its rare periods of acceleration," said the Centre for Global Energy Studies in its latest report.

New York's benchmark light sweet crude contract for April delivery closed 15 cents up on the day Friday at 38.08 dollars a barrel. That was just 10 cents below Wednesday's close, which was the highest since October 1990.

Brent North Sea crude oil for May delivery rose 13 cents on Friday to end at 33.26 dollars a barrel.

With Opec's target price of 22-28 dollars a barrel now a thing of the past, the cartel is showing no sign of weakening its hardline position and has even confirmed a new production cut from April 1.

The 24.5 million barrels a day ceiling will fall by one million barrels a day from April 1.

"The organisation's claims that it faces a repeat of the oil price crash of 1998 are unrealistic, since market conditions are very different from those six years ago," commented the CGES.

CGES expert Manouchehr Takin said Opec was blaming the higher prices on market speculation "and partly justifies its decision to reduce quotas on the low value of the dollar". OPEC says this is hitting revenues.

But Takin told AFP "the impact of these two factors is not as big as all that."

Experts said the unexpected boost in demand, particularly by China, which is now the world's second biggest oil consumer behind the United States, has taken the market by surprise.

"What has changed is the strong demand," said Paul Sankey, an oil analyst at Deutsche Bank.

"Opec's rational here is that the US economy is recovering, the Japanese economy is recovering and the European economy will eventually recover," added William Edwards, an independent oil industry consultant.

Deflation remains a risk in China

Government economist warns

AFP, *Beijing*

China should not ignore the risk of falling prices, or deflation, despite a trend in recent months for rising consumer prices, state media reported Sunday, citing a ranking government economist.

"Supply still exceeds demand overall in China's market," Yao Jingyuan, chief economist with the National Bureau of Statistics, said according to the People's Daily website.

Despite rising food prices, the prices of industrial products are declining, while the prices of services are stable, the paper quoted Yao as telling a forum on the Chinese economy.

A slow increase in Chinese incomes and the threat of unemployment are among the reasons why consumer prices may not rise and could even fall in the months ahead, according to the economist.

Deflation is potentially even more devastating than inflation, as the expectation of falling prices encourages consumers to delay major purchases, further depressing demand.

The deflation warning came after recent statistics showing a slowdown in the rise of consumer prices.

The consumer price index rose 2.1 percent from a year earlier, down from the 3.2 percent increase reported in January, the statistics bureau said recently.

Even more tellingly, consumer prices were down 0.2 percent in February from January, marking the first month-on-month decline since July, according to the bureau's figures.

Recent rises in the consumer price index have to a large extent resulted from higher prices of grain, which make up a large part of the typical Chinese consumer basket, Yao argued, according to the People's Daily.

"The grain price rose in the fourth quarter of 2003 mainly because of a grain shortage in the market," Yao said according to the paper.

China's grain production has been decreasing since 1998 due to a price drop, a situation that was further worsened last year due to floods and droughts, he said.

But the price rise of grain will not last long, as farmers have been encouraged by government measures to plant more grain this year, he said.