

Bangladesh RMG won't get major shock in US despite China threat

US textile expert tells newsmen in webchat interview

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With the phaseout of the MFA, increased Chinese exports to the US in the first instance could hurt Bangladesh exports and there may be some decline in US imports from Bangladesh but it will not be to a large extent, said a leading US textile expert.

Bangladesh exports to Europe are likely to increase, thereby it will offset the decline of exports to the US. It is possible that with the end of the MFA, eventually the textile and apparel industry in Bangladesh may get smaller. In the short run, it places a very high burden on the workers, said Howard Rosen, executive director of the Trade Adjustment Assistance Coalition (TAAC).

Rosen was expressing his views on post-MFA scenario from Washington DC to a group of journalists through a live webchat organised by the American Center in Dhaka yesterday.

Quota-free era offers Bangladesh an opportunity to move its workers into high productivity and high wage jobs. Bangladesh has a choice, they can try to win the low

cost competition at the cost of its workers. The other choice is to begin moving up the value-added chain of production, he observed.

By producing higher value-added products more efficiently, Bangladesh apparel industry will be able to pay its workers more, he observed.

With the termination of the multi-fibre arrangement (MFA), there is going to be a tendency to favour the lowest cost producers. In that regard, China and India tend to be the lowest cost producers, he said.

"Bangladesh is also a low cost producer, so we can expect to see intensified competition between Bangladesh and the other low cost producers. We can clearly expect to see some increased competition from places like China and India in the short to medium term."

"Again, the challenge to Bangladesh is to acknowledge the new realities in the textile and apparel industry. And adopt policies to foster movement into more productive sectors. If Bangladesh is successful in making these adjustments, over the longer run this can make Bangladesh workers better off."



Howard Rosen

It is not clear whether competing against China and India on cost alone is a good strategy for Bangladesh. It might not be in a position to win that competition. Bangladesh needs to look forward, not backward, he felt.

Rosen noted large buyers do not always go to the cheapest producers. They tend to avoid purchasing all their supply from one producing country. So, it is true that US buyers have been expanding in certain markets.

"We can expect this trend to

continue until we have a good idea of what the new trading regime in textile will be. It is very hard to know at this point what will happen beyond this year."

"We need to see how Europe and the US respond to the MFA removal. It is very possible that, in the short run, the domestic industries in these countries may press for some kind of protection."

"Immediately after expiration of the MFA, I don't expect any major changes to happen in the short term. Especially, since there are considerable lag-times in developing supplier relationships."

The MFA provided a false impression that competition was static. In fact, competition is always changing, the apparel expert said adding the textile and apparel industries in Bangladesh are certain to undergo change. But they, most likely, will not disappear.

Highly competitive environment, productivity is the key to success. Bangladesh should diversify its production into those things it can produce most efficiently, he said.

The old model of trade is to compete on the basis of cost and the new

model is to compete on the basis of efficiency. Bangladesh should analyse its strengths and weaknesses and determine which industries it can be an efficient producer not the cheapest producer, he recommended.

Under a special agreement, the US can restrict some textile and apparel imports from China. "So, Bangladesh do have an opportunity to fill the gap between increased demand in the US and China's limits on exports to the US."

Trade and Investment Framework Agreement (TIFA) have proven to be an excellent way to enhance trade relations between two countries, Rosen said. "TIFA is a good way to begin harmonising policies. A TIFA can become the foundation for more far-reaching trade agreements," he said.

Rosen established TAAC to provide technical assistance and support to workers and communities experiencing pressures due to changes in international trade and investment. In 2001, he drafted the provisions in the Trade Act of 2002, which significantly reformed and expanded the US Trade Adjustment Assistance program.

Taka tumbles further against greenback

STAR BUSINESS REPORT

In the face of increasing demand for paying import bills, dollar price continued to rise against Bangladesh currency reaching another record high at Tk 63.7 per unit yesterday, dealers said.

Dealers had to pay as much as Tk 63.70 for a dollar in the inter-bank foreign currency market against Tk 63.47 on Tuesday and Tk 63.43 on Monday.

With the increasing trend, nationalised commercial banks (NCBs) also sold greenbacks at higher prices. The rate at Sonali Bank yesterday was Tk 62 and at Agrani Bank Tk 63.50.

The NCBs, the holders of the government's huge foreign currency, on Tuesday crossed their Tk 61 per dollar level and settled a few deals at as high as Tk 63.25 per dollar with foreign banks.

The dollar on last Wednesday crossed Tk 63 level hitting all time high at 63.20 on an 'uneven demand' from importers while some

banks faced lower remittance inflow.

The demand for the US dollar remains strong for a long time and the price sharply rose further as some corporate importers paid a substantial amount of dollar against their import of capital machinery and edible oil.

The country's foreign currency reserves fell to \$3.04 billion at the end of January from \$3.22 billion in December last year (2004). Forex reserves of the country stood at \$2.59 billion in January, 2004.

The fall was due to settlement of accounts with Asian Clearing Union. Bangladesh usually pays about \$200 million after every two months.

In recent days, foreign currency earnings of some commercial banks particularly private ones have reduced significantly.

Call money rates showed an upward trend ranging between six and 18 percent yesterday against 4.75 percent to 12.5 percent on Tuesday.

MIDAS to organise training course from Feb 5

Micro Industries Development Assistance and Services (MIDAS) will arrange a 6-day training course titled 'Start Your Own Business' from Saturday at its head office in Dhaka to help businesspersons in various aspects.

The course is designed on a German model called Competency-based Economies through Formation of Enterprise (CEFE) and will help participants identify and select viable business projects, prepare bankable business plans and analyze profit and loss of potential business ventures, says a press release.

The training course will be held everyday from 2:30pm to 6:30pm. Interested participants may contact MIDAS at House no 5, Road no 16 (New), Dhanmondi, Dhaka for further details.

Pakistan central bank forecasts 2004/05 M2 growth at 14.5pc

REUTERS, Karachi

Pakistan's central bank said on Tuesday it expected broad money, or M2, to grow by 14.5 percent in the fiscal year to June 30, higher than the government's budgetary target of 11.5 percent.

"The broad money is estimated to grow by 14.5 percent (360 billion rupees) mainly due to higher disbursements to the private sector," the State Bank of Pakistan said in a statement.

Earlier, in a quarterly report issued last month, the bank had estimated full-year M2 growth at 13 percent.

During the year, the government was expected to borrow 60 billion rupees for budgetary support purposes, and 5 billion rupees for commodity operations, the bank said.

"The private sector is estimated to avail 350 billion rupees against the earlier estimate of 200 billion rupees," it said.

Private sector credit expanded by 285 billion rupees in the first six months of the fiscal year, of which manufacturing sector got 52 percent.

The central bank said it had revised its credit plans "due to the need of higher monetary expansion during the next half of the current fiscal year" based on the revised estimates for growth and inflation.

The government expects Pakistan's economy to grow by over 7.0 percent this fiscal against a target of 6.6 percent, while inflation is also set to overshoot the government's target of 5.0 percent by at least two percent.

Lenovo chief outlines global plan after IBM takeover

AFP, Singapore

Lenovo Group's takeover of IBM's PC division will fast-track the Chinese firm's global expansion plans by 10-20 years and make it a global technology force, the company's president said here Wednesday.

After addressing a business forum in Singapore, Yang Yuanqing also moved to reassure US authorities who are still to give the green light to the deal that the takeover would not pose any security risks for the United States.

"Probably, there are more PCs sold a year than TVs throughout the world," Yang told reporters after a speech that outlined his plans for the new Lenovo.

"You know and I know the technology content in the PCs. Therefore, I don't think that it will pose any security threat to the US."

Lenovo, China's biggest personal computer maker, stunned the world in December when it announced the purchase of IBM's global PC operations for 1.75 billion dollars.

However the Committee on Foreign Investments in the United States (CFIUS), an inter-agency panel, is scrutinising the deal amid fears the technology transfers involved may pose national security concerns.

"So far we have not heard any word from the US government it won't approve (the deal)... we will work with the authorities to help with the process."

In his speech, Yang said the new firm would take advantage of the assets of both businesses by expanding in the emerging markets of China and India using Lenovo's expertise while consolidating IBM's reach elsewhere in the world.

Abdul Monem Ltd launches sugar refinery

Abdul Monem Limited (AML), bottler of Coca-Cola and owning company of Igloo ice cream, has recently launched a new venture in sugar refinery in Bangladesh.

Mohiuddin Monem, director of AML, formally announced the arrival of the company's new sister concern Monem Sugar Refinery Ltd (MSRL) while signing a memorandum of understanding between MSRL and SUTECH Engineering Company Ltd yesterday, says a press release.

Under the deal, MSRL, with the technical assistance of SUTECH Engineering, is likely to produce and deliver approximately 300,000 tonnes of refined sugar annually, which can be used in food processing industries, pharmaceutical industries, bakeries and confectionery units and household applications.

India relaxes rules for foreign investment in telecom sector

AFP, New Delhi

India's cabinet on Wednesday raised the limit on foreign company ownership of phone companies to 74 percent from 49 percent.

"The cabinet has cleared the proposal to hike foreign direct investment (FDI) in the telecom sector to 74 percent to meet the funding needs of the growing industry," Finance Minister Palaniappan Chidambaram told reporters after a cabinet meeting.

India has emerged as the second-fastest growing mobile phone market after China and it has an ambitious target of adding some 200-250 million by 2007, compared with about 95 million now.

This bottleneck expansion would require investments of nearly 1.5 trillion rupees (34 billion dollars), according to the telecommunication ministry.

According to US-based investment bank Morgan Stanley, India's mobile market is expected to grow at 40 percent a year until 2007.

"The FDI relaxation coupled with rapid local market growth could really ignite interest in the Indian telecommunication industry," said Sanjay Mehta, a partner with Ernst and Young India consultancy.

"It sends out a very positive signal to foreign investors," he added.

India had 14 private phone companies when it opened up its cellular services in the mid-1990s. Since then, four have become dominant players - Bharti Televentures which has a tie-up with Singapore Telecom; Essar, which has a deal with Hong Kong-based Hutchison Whampoa, alongside the Sterling and Tata groups.

With the proliferation of mobile phones, the telephone penetration rate in India has shot up to eight percent from less than three percent five years ago but that is still well below the global average of around 15 percent.

UN experts urge India to step up investments in health, education

AFP, New Delhi

A panel of UN-appointed experts urged India on Wednesday to step up investments in the health and education sectors to make good on a worldwide pledge to halve extreme poverty worldwide by 2015.

"India needs to step up investments to build the infrastructure required to deliver essential health services," said Jeffrey Sachs, who led a panel of UN experts who in a report released in January accused wealthy nations of failing to cough up the money needed to reduce poverty by 2015.

The report commissioned by UN Secretary General Kofi Annan tracks country-specific progress made on the Millennium Development Goals, which include wiping out extreme hunger, making primary education universal and fighting AIDS and other deadly

diseases. The report said India needed "to make large investments in HIV prevention to forestall further transmission to the general population."

"The infection is concentrated in groups at high risk of infection, such as injecting drug users and sex workers and their clients. But it could spread to the general population without significantly expanded HIV prevention efforts," said Sachs.

India has the second largest number of HIV infections, behind South Africa, at five million people, or one in every eight of the almost 40 million infected worldwide.

In 2001, the Indian government spent just four dollars per capita on health, while out-of-pocket spending was 24 dollars per capita, said the agency.

"Not only is the total expenditure likely to prove insufficient to deliver

a quality package of essential services, the high level of out-of-pocket spending is a major financial burden and barrier to access to health services for people," said Sachs.

The ex-Harvard economist also noted that girls and women suffered discrimination in India.

"Discrimination against girls and women remain pervasive, as reflected in the systematic under-allocation of food and education to women and girls within households," said Sachs.

"Literacy rates among girls, though increasing, are much lower than among boys," he added.

India has 78 girls for every 100 boy students and only 76 percent of pupils complete primary school compared with 99 percent in the other Asian giant China, said a World Bank report.

F1 Auto Fair on Feb 11

STAR BUSINESS REPORT

A daylong automobile exhibition titled 'F1 Auto Fair' is going to be held on 11 February at the Gulshan field located behind Wondertand Park in Dhaka.

The automobile fair, the second of its kind in the country, will display a number of renowned brand cars such as classic, modified and sports cars, said SM Rafael Harun of F1, an event management and advertisement firm.

"Although the fair is mainly meant for privately owned cars that are present in the city, different reconditioned car retailers will have their stalls to showcase their attractive cars," he said while addressing a press conference in the National Press Club yesterday.

BMW will have their exclusive stall to promote their vehicles while Vox Wagon Club will also showcase their latest brands of cars in the fair, he said.

A total of 26 stalls will display automobiles and other services including car accessories, CNG conversion and auto loan facilities in the fair premises.

The F1 Auto Fair, sponsored by Prime Bank Ltd and Mobil, will be open for the visitors from 12:00pm to 8:00pm on 11 February.

The Daily Star and NTV are the media partners of the fair.

Musharraf to open Pakistan's biggest trade fair since 9/11

AFP, Karachi

Pakistan President Pervez Musharraf is to open an international trade fair Wednesday designed to attract foreign investors scared off by violence which has plagued the country since 9/11, officials said.

The five-day event in the volatile southern metropolis of Karachi, Pakistan's most populous city and its commercial hub, was being held under tight security with thousands of police and troops being deployed.

"It is the biggest commercial event here since 9/11 and is aimed at sharing our economic turnaround with the rest of the world," said Tariq Ikram, Chairman of Pakistan's Export Promotion Bureau.

Some 450 delegates from 77 countries will take part in the Expo 2005 event, including 13 commerce ministers, he added.

Pakistan's status as key US ally under General Musharraf since the September 11, 2001 attacks on America has proved a double-edged sword.

It has had billions of dollars in foreign debts wiped out as a reward but has also suffered from an increase in terror attacks by Islamic militants enraged at its stance alongside Washington.

"Pakistan's image has been tarnished since 9/11 as a country which promotes extremism and religious intolerance," said Salahuddin Haider, spokesman for the government of Sindh province, where Karachi is located.



PHOTO: STAR

An official of F1, an event management and advertisement firm, speaks at a press conference in the National Press Club yesterday. F1 is going to organise a daylong automobile fair on February 11 at Gulshan in Dhaka.

Recovery makes Kyoto targets difficult for Japan industry

AFP, Tokyo

A recovering economy has made it hard for one-third of Japanese industries to meet self-imposed targets in cutting carbon dioxide emissions to help Japan meet the UN Kyoto Protocol, reports said Wednesday.

Eleven of Japan's 30 industries risk missing the goals, including steel, power generation, paper, rubber, electrical machinery and electronics and auto parts, the Mainichi and Nihon Keizai dailies said, citing a trade ministry survey.

"Each industry has voluntarily set targets to achieve the reduction goals of the Kyoto Protocol but

emissions by some industries cannot stop growing due mainly to an economic recovery," the Nihon Keizai daily said.

The trade ministry will encourage the industries to step up efforts but it will be difficult for them to meet their international commitments, it said.

The Mainichi said the ministry believed the industries would need to take additional measures allowed under the protocol, such as seeking emission "credits" in the developing world.

The 1997 protocol reached in the historic western Japanese city is due to take effect on February 16 after being ratified by 30 industrialized countries.

Australia and the United States have refused to follow suit, expressing fears for their industries under the agreement which targets reductions in carbon gas emissions by 2008-12.

Japan must make a six percent reduction in such emissions from 1990 levels.

Companies in industrialized countries can fund clean-technology projects in the developing world to earn credits, which can be offset against their own emission targets or sold on to someone else.

Companies can also earn credits through a program among industrialized countries.