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

#### US textile expert tells newsmen in webchat interview

MONJUR MAHMUD

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 vesterday.

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

**Abdul Monem** 

Ltd launches

sugar refinery

refinery in Bangladesh.

Abdul Monem Limited (AML), bottler

of Coca-Cola and owning company

of Igloo ice cream, has recently

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.

technical assistance of SUTECH

Under the deal, MSRL, with the

Mohiuddin Monem, director of

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 multifibre 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

"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

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 recom-

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 Frame-work 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 farreaching trade agreements," he said.

Rosen established TAAC to provided 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.

### against greenback STAR BUSINESS REPORT

Taka tumbles further

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 interbank 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

STAFF CORRESPONDENT, Ctg

The international tea auction here

continues to enjoy a very vibrant

demand, thanks to the strong sup-

port from internal buyers followed

equally by blenders and loose tea

offer in this week held on Tuesday

were sold out as the local market

was found aggressive.

auctioneer vesterday.

Most of the auctions of tea on

"Because of the strong internal

demand, the withdrawal of tea

auctions comes to a negligible level.

say to 10-15 percent, and the rest

85-90 percent are sold out." said an

Pakistan and Confederation of

Independent States (CIS) took part

in the auction but they bought only a

small portion of the total tea produc-

Sources said all the internal

buyers, blenders and loose tea

traders lent strong support for high-

quality, good and average tea to

ensure a good market for another

Among the foreign buyers

Tea market in

vibrant mood

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

week. As a result the blenders or

packers like HRC, Duncan,

Ispahani and others have increased

connoisseurs haven't lost interest

rather they are showing intense

interest for all types of tea, except

for the end-season-type," market

would rise further in the six remain-

ing auctions of the season this year

and the trend would leave a positive

tea were offered this week. 22.000

chests of them were leaf tea and the

season is almost Tk 80.00 per kg

while it was Tk 62-63 at the same

This week, every kg of high-

quality tea is auctioned at Tk 110-

120 while the good type of tea is sold

at Tk 90-110 and plain type at Tk 70-

90 in the auction market, they said.

period last season, sources said.

A total of around 25,500 chests of

The average price of tea this

impact on the next season.

remaining were dust tea.

They said the demand for tea

"Despite the price hike the tea-

Tk 5-10 on every kg of tea.

sources said.

#### MIDAS at House no 5, Road no 16 (New), Dhanmondi, Dhaka for further details. Pakistan central bank forecasts 2004/05 M2

MIDAS to

organise

from Feb 5

training course

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

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 poten-

tial business ventures, says a press

The training course will be held

everyday from 2:30pm to 6:30pm.

Interested participants may contact

The course is designed on a

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.

growth at 14.5pc

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

"The broad money is estimated

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

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

"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 per-

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 pro-

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 Leonovo's expertise while consolidating IBM's reach elsewhere in the world.

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

up the money needed to reduce poverty by 2015.

tracks country-specific progress made on the Millenium primary education universal and fighting AIDS and other deadly

make large investments in HIV prevention to forestall further transmission to the general population."

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

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

The ex-Harvard economist also noted that girls and women suffered

"Discrimination against girls and women remain pervasive, as reflected in the systematic underallocation of food and education to women and girls within housesholds." said Sachs.

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

boy students and only 76 percent of pupils complete primary school compared with 99 percent in the other Asian giant China, said a

#### F1 Auto Fair on Feb 11

A daylong automobile exhibition

held on 11 February at the Gulshan field located behind Wonderland 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

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 vesterday. 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.

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

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.

sharing our economic turnaround with the rest of the world," said Tariq Ikram, Chairman of Pakistan's Export Promotion Bureau.

under General Musharraf since the September 11, 2001 attacks on America has proved a double-edged 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 along-"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.

#### New president wants more flexible ADB presidents since it was set up in

Haruhiko Kuroda took office as the new president of the Asian Development Bank (ADB) Tuesday calling for a more flexible and efficien institution to enhance economic growth and poverty reduction in the region. The Oxford-educated Kuroda -

a former Japanese vice finance minister an adviser to Prime Minister Junichiro Koizumi and a professor at Hitotsubashi University -- replaced Tadao Chino as the head of the Manila-based ADB "As the Asia and Pacific region is

experiencing dynamic and rapid change, ADB -- as the 'family doctor -- should respond to the region's needs in a flexible and timely manner." Kuroda said in a speech. "ADB needs to place even greater emphasis on analysing specific

issues and challenges at the country level through policy dialogue and other knowledge exchanges, and identify priority areas for assistance." The ADB, owned by 63 member

states, has always had Japanese

1966 with the aim of cutting poverty by providing loans, grants and technical assistance. Japan and the United States are the largest shareholders.

Critics have accused the bank of being bureaucratic and slow to respond to the needs of Asian countries.

Kuroda promised to carry on reforms begun under Chino, saying the ADB must be more clientoriented, improve efficiency, strengthen coordination with the World Bank and United Nations agencies, and bolster its financial risk management system.

He noted poverty in the region had dropped to 22 percent of its population in 2002 from 34 percent in 1990 but that much of the improvement was concentrated in India and China.

"Sustainable poverty reduction requires that long-standing gender issues and the special needs of children receive the attention and support they deserve," he said.

### New EC head to pursue business-friendly agenda

AFP, London

New European Commission head Jose Manuel Barroso is to set out a more business-friendly future for the bloc when he presents a plan for its economic reform, he said in an interview published Wednesday.

The former Portuguese prime minister, who will spell out his proposals in Brussels later Wednesday, told the Financial Times newspaper that he planned a series of probusiness initiatives.

Among these was an emphasis on research and development, he told the London-based paper.

"We need at least one Massachusetts Institute of Technology," Barroso said, referring to the famous US university. "The one thing that strikes me is that the best researchers aren't in Europe."

can make it difficult for professionals to move nation. "It's an important part of making Europe more attractive," Barroso said.

Another pledge was to look at a draft law imposing stringent environmental controls on the chemicals industry "to avoid creating unnecessary problems in terms of competitiveness' Barroso also reiterated his

more competitive firms.

faced with increased competition

# in telecom sector

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 invest-

ment (FDI) in the telecom sector to 74

percent to meet the funding needs of

the growing industry," Finance

target of adding some 200-250 million by 2007, compared with about

This breakneck expansion would require investments of nearly 1.5

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 industrys," said Sanjay Mehta, a partner with Ernst and

India had 14 private phone comthen, four have become dominant has a tie-up with Singapore Telecom; Essar, which has a deal with Hong Kong-based Hutchison Whampoa alongside the Sterling and Tata

15 percent.

#### Engineering, is likely to produce and deliver approximately 300,000 tonnes of refined sugar annually, which can be used in food processing industries, pharmaceutical ery units and household applica-

#### India relaxes rules for foreign investment

AFP, New Delhi

95 million now.

India's cabinet on Wednesday

Minister Palaniappan Chidambaram told reporters after a cabinet meeting. India has emerged as the secondfastest growing mobile phone market after China and it has an ambitious

trillion rupees (34 billion dollars), according to the telecommunication According to US-based invest-

ment bank Morgan Stanley, India's

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

panies when it opened up its cellular services in the mid-1990s. Since players -- Bharti Televentures which 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

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

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

The report commissioned by UN Secretary General Kofi Annan Development Goals, which include wiping out extreme hunger, making

The report said India needed "to

"The infection is concentrated in

services, the high level of out-ofpocket spending is a major financial burden and barrier to access to health services for people," said

discrimination in India

India has 78 girls for every 100

# Un 11th February Auto Fair 2005 **Press Conference**

An official of F1, an event management and advertisement firm, speaks at a press conference in the National Press

## Recovery makes Kyoto targets difficult for Japan industry

Club yesterday. F1 is going to organise a daylong automobile fair on February 11 at Gulshan in Dhaka.

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

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

emissions by some industries

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

will be difficult for them to meet their

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

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.

Australia and the United States

targets or sold on to someone else. Companies can also earn credits through a program among industri-

Companies in industrialized

countries can fund clean-

technology projects in the develop-

ing world to earn credits, which can

be offset against their own emission

## STAR BUSINESS REPORT

titled 'F1 Auto Fair' is going to be

"Although the fair is mainly meant for privately owned cars that

A total of 26 stalls will display automobiles and other services

AFP, Karachi Pakistan President Pervez

"It is the biggest commercial event here since 9/11 and is aimed at

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

side Washington.

Attempts would also be made to reduce barriers within the European scepticism about subsidysupported "European industrial champions", emphasising his belief that money should be diverted from such national giants to smaller, "There is a tendency in Europe

from other parts of the world, to go for interventionist policies. I'm not against European champions, but they must come out of competition,"