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RUN-UP TO BUDGET FY06

Poor policy support holds back textile mills

MONJUR MAHMUD

Poor policy support is now holding back the textile mills that can utilise less than 40 percent of their total production capacity when woven products are facing fierce competition with the Chinese, Indian and Pakistani goods after quota phaseout this year.

Major competitors have their own raw materials and technological support, which are still subsidised in most cases. On the other hand, Bangladesh government has gradually withdrawn cash incentive from the backward linkage industries.

There will be no cash incentive to support the backward linkage industries from the 2005-06 fiscal year. Presently, exporters get 5 percent cash subsidy, which was 10 percent in the 2003-04 and 15 percent in the 2002-03 financial years.

Finance and Planning Minister M Saifur Rahman in his last budget speech said, "I propose exemption of import duty on textile machinery and spares, which were subject to 7.5 percent duty, and also suggest to re-fix the rates of income tax at 15 percent for textiles in place of 20 percent."

Saifur proposed reduction of duty to 7.5 percent and zero percent on those machinery and spares, which were subjected to 15 percent, and bringing down duty to 15 percent, 7.5 percent and zero percent where duty was 22.5 percent.

The finance minister had hoped the measures would help the textiles sector survive in the quota-free era by setting up a strong backward linkage industries.

In the last one year, only two weaving units have been set up in the country -- one in the export processing zone (EPZ) and the other near Gazipur.

There has not been any significant investment in the last one year for setting up new weaving mills, which can feed roughly 20 percent of the total demand of the forward linkage industries.

"China is beating us in price factor in most cases. The weaving mills will become sick if the present situation continues and they can't increase their utilisation capacity," said a leader of Bangladesh Textile Mills Association (BTMA).

Export earning from woven garments decreased by $50.87 million during January-March period of this year -- the first three months of the quota-free regime, according to latest Export Promotion Bureau statistics.

Bangladesh's exports felt the initial shock of the quota phase-out in January 2005, with earnings from woven garments falling by 21 percent compared to those of January 2004. The income rose by 31 percent in February but again fell by 13 percent in March.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) apprehends a sharp fall in woven exports in the coming months as the utilisation declaration (UD) is now dipping by around 30 percent.

"We are observing roughly 30 percent decline in the UD for the woven products," BGMEA President Annisul Huq told The Daily Star earlier.

The contribution of readymade garment products -- both woven and knitwear -- was 77.55 percent to the total export earnings of $6097 million during July-March period of the current financial year and the share of woven products was 44 percent.

BTMA has demanded 15 percent cash incentive for textile industry and 50 percent waiver on electricity and gas bills in the next budget for building a strong backward linkage industry.

Presently, 7.5 percent import duty, 15 percent VAT, four percent infrastructure development surcharge and three percent advance income tax are imposed on cotton waste, different spare parts, accessories and dyes and chemicals used in the textile mills, holding back the textile sector, said another BTMA leader.

However, knitwear exports rose to $648.96 million during January-March of 2005 from $468 million during the same period of last year, registering a 38.64 percent increase.

Knitting mills use locally produced yarn in most cases and 90 percent of the spinning units are now busy to feed the demand of the knitwear units.

There have been 452 weaving mills, 163 spinning units and 117 dyeing and finishing mills in the country, according to BTMA.

Bangladesh trade show begins in Italy tomorrow

UNB, Dhaka

In a bid to consolidate and expand Bangladesh export market, a three-day single country trade show begins tomorrow in Milan, Italy.

Export Promotion Bureau of Bangladesh has organised the show with assistance from Chamber of Commerce and Foreign Trade Association of Milan.

Business leaders hope that the show will help boost export to Italy and other European countries.

Readymade garments (woven), knitwear, ceramic, melamine, home-textile, textile fabrics, silk, saree, leather products, furniture, tissue paper, jute and plastic products, imitation jewelry, handicrafts, frozen shrimp are the main products to be put up at the show.

Commerce Minister Altaf Hossain Choudhury is scheduled to open the show. The minister is leading a 34-member delegation to Italy.

EPB will also organise a roundtable where its vice-chairman will make a presentation on investment and business opportunities in Bangladesh.

Bangladesh's export to Italy stood at US$ 315.93 million in 2003-04 financial year.

CO-OPERATION IN TEXTILE, APPAREL SECTOR

Sino-Bangla entrepreneurs sign agreements

UNB, Dhaka

China has listed Bangladesh as one of its investment destinations, visiting Chinese Vice-Minister for Commerce Yu Guangzhou said here yesterday as the two sides struck deals for co-operation in textile and apparel sector.

"The Chinese government is also encouraging their entrepreneurs to come and find investment opportunities in Bangladesh," he told a meeting with the Bangladesh Textile Mills Association (BTMA) prior to an agreement-signing ceremony.

A memorandum of understanding (MoU) was signed between the BTMA and the China Chamber of Commerce for Import and Export of Textiles (CCCT) to exchange ideas for developing the textile and clothing sector. BTMA Chairman MA Awal and CCCT Vice-Chairman Cao Xinyu signed the MoU on behalf of their sides.

According to the MoU, the two chambers will establish a Sino-Bangladeshi Textile Communication Committee as an exchange mechanism for shared development in the textile sector.

Under the accord that took immediate effect from yesterday, the two parties will put their best efforts into creating favourable environments for bilateral trade by holding fairs, symposiums and so.

They will also push Chinese and Bangladeshi enterprises for conducting co-operation and recommend firms with good credit to become business partners in all forms. Besides, they will work together to promote technology transfer, mutual investment and pace of research and development in the textile and clothing sector in both countries.

Earlier, the CCCT signed another similar MoU on readymade garment with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) at its office. BGMEA President Annisul Huq and CCCT Vice-Chairman Cao Xinyu signed the MoU.

During the agreement-signing ceremony, the BGMEA president sought duty-free access of local apparel items to Chinese market. He also invited Chinese investment in the textile and clothing sector as Bangladesh imports fabrics and accessories from China for the apparel industry.

The Chinese delegation is now in Dhaka to attend the 11th Bangladesh-China Joint Economic Commission (JEC) meeting that began yesterday.

Guangzhou, who is leading the Chinese delegation, expressed the hope that China will materialise the Bangkok agreement soon to allow duty-free access of 83 Bangladeshi items, including jute and leather products, to China as the socialist country has started liberalising its market.

He said the agreements will contribute to developing the textile sector of both the countries and help face the challenges and avail opportunities brought by the quota phase-out. "The trade accords are foundation for mutual cooperation in textiles."

CCCT Vice-Chairman Xinyu invited local entrepreneurs to participate in the forthcoming textile fair in Beijing, scheduled for September this year.

In a presentation on the local textile industry, BTMA chairman apprised the delegation of huge opportunities for investment in woven textile sub-sector as Bangladesh enjoys a duty-free market access to many up-markets including the European Union, Canada, Japan, Australia and New Zealand.

Awal invited them to invest in Bangladesh to tap the advantage through mutual cooperation.

"Major competitors with strong backward linkage in textiles have started restructuring their industry through investment in textile and apparel sector," BTMA chairman told the Chinese delegation, stressing the need for working together to sustain the pressure of competition.

The areas of cooperation he pointed out include productivity and quality management, compliance norms, merchandising, marketing and inventory management in addition to investment in basic textile industry.

The Chinese delegation earlier met the executive chairman of Bangladesh Export Processing Zones Authority on Friday and had firsthand idea about investment climate and opportunities in the exclusive economic zones. The delegation is scheduled to visit one of the EPZs today.

China Eastern Yunnan Airlines' 50pc discounts to continue until June 30

China Eastern Yunnan Airlines has announced it will continue 50 percent discount on all fares up to June 30, 2005 on its direct Dhaka-Kunming-Beijing and other routes to Chinese cities.

It has also offered a 150 percent mileage accumulation under its package 'Eastern Miles' up to October 29 this year, says a press release.

PHOTO: STAR

Kutubuddin Ahmed (left), president of Metropolitan Chamber of Commerce and Industry, MA Awal (3-L), president of Bangladesh Textile Mills Association, and Rokia Afzal Rahman (2-R), president of Bangladesh Women Entrepreneurs Association, spend busy hours when a 12-member business delegation went to Hanoi as an entourage of Prime Minister Khaleda Zia during her three-day official visit to Vietnam from May 17 to 19.

United Ins declares 25pc dividend

United Insurance Company Ltd has declared a 25 percent dividend for its shareholders for the year 2004.

The declaration came at the 20th annual general meeting (AGM) of the company recently in Dhaka, says a press release.

Chairman of the company M Moyeedul Islam presided over the AGM, which was also attended by company directors, shareholders and Managing Director Syed Aziz Ahmad.

Unilever sells fragrance unit to Coty for $800m

REUTERS, New York

Unilever on Friday said it would sell a fragrance business to Coty Inc. for about $800 million (438 million pounds), continuing its program of selling noncore assets and giving US-based Coty the licenses for prestige perfume brands such as Calvin Klein.

Coty Chief Executive Bernd Beetz told Reuters the privately held company had courted Anglo-Dutch consumer products maker Unilever about the fragrance business for some time.

With the purchase of Unilever Cosmetics International, Coty would get the perfume licenses for Cerruti, Vera Wang, Chloe and Lagerfeld, as well as Calvin Klein.

Unilever has been selling off noncore businesses to focus on food, cleaning and personal care brands such as Knorr soups, Dove soap and Cif cleaning products.

"This is an excellent strategic move for Unilever and one that is fully in line with our strategy to focus on our core categories," Unilever Chief Executive Patrick Cescau said in a statement.

Unilever could receive further deferred payments depending on future sales of UCI, according to both companies.

Coty declined to comment on the specific financial terms of such payments, but a Unilever spokesman said the company could get up to $100 million extra for the sale.

US curb on China textile helps Indian exports

PALLAB BHATTACHARYA, New Delhi

The United States' decision to impose curbs on textile import from China is contributing to a modest increase in prices of Indian textile exports but Beijing's tariff hike on a range of textile exports is unlikely to result in gains for India, according to Indian industry sources.

Leading global retailers have started offering better prices for Indian textile export products, the sources said adding the prices are expected to go up by two to five percent for the spring-summer beginning in 2006.

Post-quota free regime, prices of Indian textile exports are estimated to have fallen by seven to ten percent following China's move to drive down prices of its products by 20 to 30 percent to the US and European markets to notch up volumes, said the sources.

Official data shows there has been a fall in Indian textile export in the first three months of this year since the quota-free regime went into force from January one.

Officials and textile industry are however not disappointed saying these are early days and there is still time to move much ahead.

They said India has improved its ranking among all suppliers to the US market to third and fourth ranks in textile and readymade garments respectively from seventh and eight positions.

Indian textile industry is now pinning hopes on US and EU imposing quota restrictions on China. In fact, according to Associated Chambers of Commerce and Industries, India's textile exports could rise by 50 percent in American and European markets in the wake of the first two rounds of quota curbs announced by the US against China.

Under China's late-entry into World Trade Organisation, the US and EU can impose quota curbs on imports from China till the year 2008.

Indian exporters say a clearer picture will emerge in the next two weeks although American buyers have begun diverting orders from China to India as well as other countries.

If the US continues to limit imports from China, it will definitely translate into enhanced order from India in volume and prices, said one exporter.

Hyundai Motor opens US plant

ANN/THE KOREA HERALD

Hyundai Motor Co opened its first US production plant yesterday in the capital of Alabama state.

The US$1.1 billion factory, the first to be set up in the world`s biggest car market by a Korean automaker, is part of Hyundai`s plan to localise its research and development, production and sales, the company said.

Hyundai Alabama Manufacturing Motor plans to annually roll out 300,000 units of Hyundai`s flagship Sonata sedan and a successor to its Santa Fe sport utility vehicle, tarting next year.

"This new manufacturing facility reaffirms our commitment toward investing in the US economy as well as its commitment toward US consumers," said Hyundai Motor Chairman Chung Mong-koo at the opening ceremony.

"American consumers have recognised Hyundai`s quality, and this plant will enable us to better serve them."

The plant is a major step in Hyundai's ambition to become a top five automaker in the world by 2010.

Hyundai, the seventh-largest seller of vehicles in the United States, is following the strategy of Toyota Motor Corp and Honda Motor Co of building cars in its overseas markets.

Local business eyes more trade with Vietnam

AKM MOHSIN, back from Vietnam

With Vietnamese entrepreneurs expressing interests to do more business with Bangladesh, business leaders felt the prime minister's recent visit to Hanoi has created a room to strengthen the economic relation between the two countries.

Leaders of the major trade bodies of Bangladesh took a stride ahead and signed three agreements with their Vietnamese counterparts to extend cooperation and exchange information about trade and investment in the coming days.

The accords were inked when a 12-member business delegation went to Hanoi as an entourage of Prime Minister Khaleda Zia during her three-day official visit to Vietnam from May 17 to 19.

"Bilateral trade will increase in future as both the countries are trying to overcome the existing obstacles," said a member of the business delegation. One to one business meetings took place between the entrepreneurs of both the countries.

Bangladesh Women Entrepreneurs Association and Women Entrepreneurs Council of Vietnam signed a memorandum of understanding (MoU) to extend cooperation between women entrepreneurs of both the countries. Women entrepreneurs in Vietnam are running big businesses, in fact, they are dominating in some areas.

Besides, Vietnam Apparel and Textile Association (VITAS) and Bangladesh Textile Mills Association (BTMA) signed a MoU while Hanoi Cooperative Union (HCU) and DCCI signed another MoU during the visit.

Vietnam-Bangladesh Business Forum held a meeting on May 18. Members of the Bangladesh business delegation and a 55-member Vietnamese business team joined the meeting.

Sayeeful Islam, president of Dhaka Chamber of Commerce and Industry (DCCI), made a presentation on Bangladesh's Current Economic and Trade Performance while Nguyen Anh Tuan, deputy director of Vietnam Ministry of Trade, made a presentation on Vietnam Economy and Vietnam-Bangladesh Economic Relationship.

Vietnam economy is growing fast with an eight percent GDP growth last year. The country is mostly dependent on agriculture and is the second largest rice exporter in the global market.

China urged to set up EPZ in Bangladesh

Commerce minister addresses Sino delegation

STAR BUSINESS REPORT

Commerce Minister Altaf Hossain Choudhury has urged the Chinese government to set up a Chinese EPZ (export processing zone) in Bangladesh where Chinese entrepreneurs can set up fruit and fish processing industries, jute-based paper mills and composite textile mills.

The commerce minister made the request while addressing a dinner reception in honour of visiting Yu Guang Zhou, first vice-minister of the Ministry of Commerce of China, at a local hotel in Dhaka Friday night.

Speaking at the function as chief guest, the commerce minister said such industries may be set up with buy-back arrangement, which would benefit both the countries.

There would be a revolution in China-Bangladesh trade volume if Dhaka-Myanmar-Kunming road link was materialised.

In his speech, Chinese vice-commerce minister, who is leading a 12-member delegation, assured that Chinese government's co-operation would further improve Sino-Bangladesh trade and economic relations.

Adviser to commerce ministry of Bangladesh Barkat Ullah Bulu said that Bangladesh-China bilateral trade and economic relationship had been growing steadily for the last 30 years since establishment of diplomatic tie between the two countries in 1975.

Chai Xi, Chinese ambassador in Dhaka, and FR Siddiqui, president of Bangladesh-China Chamber of Commerce & Industry (BCCCI), also attended the function organised by the BCCCI.

PHOTO: BCCCI

Commerce Minister Altaf Hossain Choudhury speaks at a dinner reception hosted by Bangladesh-China Chamber of Commerce & Industry (BCCCI) in honour of visiting Yu Guang Zhou, first vice-minister of the Ministry of Commerce of China, in Dhaka Friday night.

New DMD of First Security Bank

Shafiqul Alam took over as the deputy managing director (DMD) of First Security Bank Ltd with effect from May 16, 2005.

Prior to this new assignment, Alam was the senior executive vice president and head of Retail Banking of Prime Bank Ltd, says a press release.

He started his banking career as a management trainee of ANZ Grindlays Bank.

Opec vows response to fast changing oil market

AFP, Shuneh

Opec president Sheikh Ahmed Fahd al-Sabah vowed at a World Economic Forum (WEF) meeting Saturday that the cartel will respond to new forces in the fast-changing oil market by the end of the year.

He said that Opec would change its "culture" and reformulate its price band of 22-28 dollars a barrel -- suspended since January after sharp rises in oil prices to well over 50 dollars made it a virtual irrelevance.

"The culture of the market has changed and in the second quarter (where demand normally drops) there is a growth in demand," Sheikh Ahmed, who is also Kuwait's Energy Minister, told a panel discussion on oil.

"We are waiting until the end of the year to review the experience of the last two years to reformulate our culture and price band," he said.

He said global demand for oil grew 2.6 million barrels per day (bpd) to 82.5 million bpd in 2004 and by the fourth quarter this year demand is expected to increase to 85 million bpd.

"Last year demand grew four to five percent while this year it is growing three to four percent. We normally had such an increase in four years (in the past), while we had it in one year," the Opec chief said.

The market is no longer only governed by supply and demand, as several other factors have started to play a role.

"The market has changed ... Factors like the environment, geopolitics, (higher) economic growth and stockpiles are now playing a major role," Sheikh Ahmed said.

The Opec president said members of the Organization of Petroleum Exporting Countries are committed to ensure enough supplies in the market.

"Our main target is to ensure continuity of supplies. There is already two million bpd of oversupply in the market," he said.

Founder of auto giant Hyundai dies

AFP, Seoul

Chung Se-Yung, the founder of South Korea's largest automaker Hyundai, died of pneumonia, Hyundai Development Co said. He was 78.

Chung Se-Yung, a brother of the late Hyundai Group founder Chung Ju-Yung, set up Hyundai Motor in 1967 and helped to build the company into the world's fifth largest carmaker.

Having earned his master's degree in political science in the United States, Chung started his business career at Hyundai Engineering and Construction Co. in 1957 and became the first chief executive of Hyundai Motor Co in 1967.