Star BUSINESS

DHAKA TUESDAY JUNE 28, 2005 E-mail: business@thedailystar.net

Local textiles to benefit from new EU GSP

Bangladesh textile millers say

STAR BUSINESS REPORT

The new GSP scheme of the European Union has opened up tremendous opportunities for Bangladeshi textiles, Bangladesh Textile Mills Association said yesterday.

"The EU in the new scheme has graduated India in textile exports. Earlier, the EU imposed anti-dumping duty on home textile exports from Pakistan. Products from these countries will no more get duty benefit from the EU," BTMA Chairman MA Awal told a press briefing in Dhaka yesterday.

The EU on Sunday agreed to offer new preferential market access to the least developed and developing countries for their exports.

On the other hand, the European Commission in an agreement with China imposed a voluntary export restraint for 10 categories of Chinese readymade garment products.

"It has cut competitive edge of Chinese products and created a ground for expanding the market of Bangladeshi products there," Awal explained.

Bangladeshi garment products as well as home textile exports will be greatly benefited from the new EU generalised system of preference (GSP) scheme, he mentioned.

The BTMA leader urged the EC to take steps lest the graduated countries take zero tariff facility there by exploiting regional cumulation, which will be against the EC and WTO principles.

In the new window, Bangladesh can retain three billion dollars, which is around 50 percent of the total export earnings, Awal went on adding that the sector has created about 4.5 million jobs until now.

Of course, Awal said, the government policy has helped the textile sector grow. He urged the policy makers to continue to do so.

"Compared to its competitors, Bangladesh is still lagging behind in different areas. We need cash incentives to be at par with our competitors," the BTMA chairman felt.

Jahangir Alamin and Jamal Uddin, vice-chairmen, Akram Khan, Tapan Chowdhury, executive committee members of BTMA, among others, were present at the press briefing.

The Sunday agreement, reached by the EU member states led by the Luxembourg presidency, breaks a three-month deadlock that delayed the adoption of the EU's new GSP.

The new scheme will make the EU's system of preferential market access for developing countries both simpler and fairer, the EU said in a news release forwarded by the Dhaka office of the EC delegation.

The new GSP scheme will be effective from July 1, 2005 for the developing countries that pursue good governance and sustainable development policies. The scheme will be applicable for other countries from January 2006 to 2008.

The least developed countries such as Bangladesh, however, will continue to enjoy duty and quota free access to the EU for an indefinite period under the earlier-adopted everything-but-arm (EBA) initiative of the bloc.

The new system is made fairer by focusing preferential access on countries that have a lower share in the EU imports. In 2003, the EU imports under GSP totalled 52 billion euros. Under a GSP between 1990 and 2003, share of the developing countries in total EU imports grew from 33 percent to 40 percent.

The current GSP, in operation since 1995, applies to imports from developing countries that pay duty on entering the EU market and that are not already duty-free under most favoured nation agreements.

As in the previous regime, Indian textiles will not benefit from the new GSP preferential access although its clothing exports will continue to do so.

The recent reforms simplify the EU GSP scheme by reducing the number of GSP arrangements from five to three.

The EBA arrangement, which grants duty and quota free access for all imports except arms from LDCs, will remain unchanged.

New GSP to have 'negative' impact on India textile exports

PALLAB BHATTACHARYA, *New Delhi*

The new generalised system of preference (GSP) announced by the European Union will have a "negative" impact on India's textile exports which will no longer enjoy special access to the 25-nation grouping's market.

India will no longer get tariff concessions for its textile exports but only its garment exports will continue to enjoy the special access under the new GSP announced by EU Trade Commissioner Peter Mandelson last week, official sources here said yesterday

While Pakistan and Sri Lanka will have GSP for their textiles and garments besides Bangladesh, which already gets special access under the least developed country category, India will face the disadvantage, said the sources.

In fact, Sri Lanka, being one of the countries worst hit by tsunami, is tipped to qualify for GSP Plus scheme under which the island nation will have duty free access to EU, blunting India's competitiveness in the textile market of Western Europe, said the sources. India and Pakistan are not likely to be included in the GSP Plus scheme as well.

The new GSP goes into force from January 1, 2006 and will remain valid until the end of 2008. The GSP Plus scheme is one of the three sub-schemes of revised GSP, the two others are normal GSP scheme and a scheme for least developed countries. At present, there are five categories of GSP scheme.

Even on the issue of normal GSP facility for India, some countries such as France and Italy have argued that India no longer requires preferential treatment.

The EU absorbs one fifth of developing countries' exports. Among the present GSP beneficiaries, the biggest is China (35.8 percent), India (11.8 percent) and Indonesia (5). Under the revised GSP, an estimated 80 percent of China's exports is likely to come out of GSP.

PHOTO: STAR

Moudud Ahmed, law, justice and parliamentary affairs minister, speaks at the inaugural session of a discussion on 'Safta: Agenda for Trade Liberalisation' jointly organised by Saarc Chamber of Commerce and Industry (SCCI) and Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday in Dhaka.

Meaningful Safta talks hinge on India

Law minister tells int'l seminar

STAR BUSINESS REPORT

Meaningful negotiations of South Asian Free Trade Area (Safta) solely depend on India, law, justice and parliamentary affairs minister said yesterday.

Bangladesh is the third largest market for Indian products but it can export a little due to a number of non tariff barriers imposed by India, Moudud Ahmed said at the inaugural session of a conference on 'Safta: Agenda for Trade Liberalisation'.

He also urged Delhi to take leadership role in South Asia, saying "India should come up with more generous attitudes towards its neighbours."

Saarc Chamber of Commerce and Industry (SCCI) and Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) in association with Friedrich Naumann Stiftung organised the seminar.

Delegates from Bangladesh, Pakistan and India joined the daylong seminar. Former commerce minister Amir Khosru Mahmud Chowdhury chaired the technical session.

Moudud also said Saarc achieved a little progress in the last 20 years. Besides, after 8-9 years member states now understand that Sapta (South Asian Preferential Trading Arrangement) will not work.

"Now we [Saarc members] are working on Safta," the minister told the South Asian business leaders.

Commerce Ministry Advisor Barkat Ullah Bulu stressed the need for dynamic role of the business communities of the region to properly utilise the market-access facility being devised under the cover of Safta.

Among others, FBCCI President Abdul Awal Mintoo and Vice President Abul Kashem Haider spoke at the function.

Safta comes into force on January 1, 2006.

IT sector needs tax holiday

MCCI says

STAR BUSINESS REPORT

Metropolitan Chamber of Commerce and Industry (MCCI) has urged the government to offer tax holiday facilities to the IT sector.

In a reaction to the proposed budget for the FY2005-06, it also criticised the government for not allocating any funds for the development of IT (Information Technology) infrastructure.

"The budget has provided very little for the IT sector," said MCCI President Kutubuddin Ahmed presenting the written reaction to the finance minister at a post-budget meeting in Dhaka yesterday.

"The imposition of a 10 percent tax on the incomes of software business, which was withdrawn last year, will not only hurt the IT sector, but also is contradictory to the government's professed goal of nurturing the sector's growth," he said.

The MCCI leader claimed the increase in tax rates for non-listed companies is extremely ill-advised. "It will particularly affect the service sector….We strongly feel that the finance minister should make a review and maintain status quo."

The facility of complete withdrawal of duties and taxes on some machinery and spares used by RMG industries should also be given to other export-oriented industries like leather and leather goods industry, which has maximum value addition as well as high export potential, he said.

The MCCI chief said continuation of tax holiday to certain industries is praise-worthy, but certain other deserving sectors like telecommunications, information technology, as well as some other infrastructure-related sectors should also be accorded the same facility.

The chamber, however, welcomed the budgetary support to agriculture, poultry and dairy firms and agro-processing industries.

The MCCI leader said the budget proposes a number of fiscal measures to boost the industrial sector. "The readymade garments (RMG), textile, hosiery, label manufacturing and terry towel industries will benefit from the concessionary rate of customs duty for some dyes and chemicals essential for these sectors as well as by the complete withdrawal of duties and taxes on some machinery and spares required by these sectors."

Prime Bank arranges Tk 500m syndicated loan for Popular Pharmaceuticals

Prime Bank Limited has arranged Tk 500 million syndicated term loan for Popular Pharmaceuticals Ltd.

A agreement to this effect was signed between Popular Pharmaceuticals and sponsor organisations at a function in Dhaka Saturday with SM Shafiuzzaman, president of Bngladesh Association of Pharmaceuticals Industries, in the chair.

The term loan has been sanctioned for setting up a state-of-the-art pharmaceutical plant at the former Fisons premise at Tongi in Gazipur, says a press release.

M Shahjahan Bhuiyan, managing director of Prime Bank, Dr Mostafizur Rahman, managing director Popular Pharmaceuticals, and representatives of Standard Bank Ltd, United Commercial Bank Ltd, Commercial Bank of Ceylon Ltd, The Trust Bank Ltd, State Bank of India, Brac Bank Ltd and Sabinco signed the deal on behalf of their organisations.

Agrani Ins okays 5pc cash dividend

Agrani Insurance Company Ltd has declared a five percent cash dividend for its shareholders for the year 2004.

The dividend was approved at the company's fifth annual general meeting (AGM) held recently in Dhaka, says a press release.

Md Mustafizur Rahman, chairman of the Board of Directors of the company, presided over the AGM, which was attended by other senior officials.

Ceylon bank initiates alternate use of reverse repo

Commercial Bank of Ceylon Limited (CBCL) has recently introduced an alternative use of T-Bills/ T-Bonds available from Reverse Repo Deal.

Previously, commercial banks used to carry out Reverse Repo either to maintain adequate SLR or to keep such bills merely as collateral for additional lending to another bank.

But CBCL recently borrowed T-Bill under a term Reverse Repo transaction with a local bank and used the T-bill against its capital requirement of the Bangladesh Bank (BB).

This transaction gave CBCL a yield benefit as well as a liquidity cover.

Such deal was triggered due to Bangladesh Bank's newly introduced DVP (Delivery versus Settlement) system and active support of the central bank to assist innovative activities to activate the market.

Govt to resume import through TCB

JASIM UDDIN KHAN

The government has decided to reintroduce trading of some selective commodities through the Trading Corporation of Bangladesh (TCB) in a bid to rein in the spiralling prices of essentials.

The decision was taken recently at a co-ordination meeting of the Ministry of Commerce with Commerce Secretary Siddiqur Rahman in the chair.

The ministry needs a separate wing to look after the interest of consumers, an official of the ministry said admitting that if the government had had sufficient stock, the prices of sugar and lentil would not have shot up.

Initially, TCB will import ginger, lentil, edible oil, salt, date and gram. More products will be included later on the list to trade through the once dysfunctional government-owned trading wing, official sources said.

The TCB will trade the products through its own fund following the government directive.

The meeting also reviewed market prices, supply and stock situation of essentials. Officials from agriculture, food, industries, home affairs, fisheries and livestock ministries, Export Promotion Bureau and the chief controller of Import and Export were present at the meeting.

As the commerce ministry does not have a mechanism to assess the actual demand for essential items, the amount of domestic production and possible shortfall of essentials, it is very difficult to take timely steps to check prices, said the officials who attended the meeting.

It is not possible for the government to cut duties on most of the essentials, which are now imported from other countries, as there is no other way to compensate for such revenue loss, the officials said.

"Now we are taking steps keeping in mind that prices usually go up in the month of Ramadan. We will do everything possible to keep the prices under control during the month of fasting," a commerce ministry official said.

At present, 230 employees are working with the state-owned trading organisation. As the commercial import of goods has been suspended by the government for a long time, the employees are virtually left without any work now.

The government established the TCB in 1972 to conduct commercial import and trade, which offered total monopoly to the state at that time.

Later, import was gradually made open to private sector with a view to initiating a healthy competition between private sector and TCB, which produced good results.

Dollar crisis hits textile sector

STAR BUSINESS REPORT

The dollar crisis in banks is hitting the textile sector hard, discouraging importers to import capital machinery, raw materials and spares, leaders of Bangladesh Textile Mills Association said yesterday.

"Banks are not opening letters of credit (L/Cs) for importing capital machinery, raw materials due to dollar crisis and failing to make payments against imports in time," MA Awal, chairman of BTMA, told newsmen in Dhaka.

The problems are different in various banks, he said explaining some banks are not opening L/Cs for importing capital machinery, cotton -- raw materials of yarn --and spare parts used in textile factories.

Some banks are saying that they are facing severe crisis of foreign currency and failing to make payments in time against imports, he added.

"Textile sector earns foreign currency for the country. So, it should not be disturbed," BTMA chairman observed.

Awal said he talked to members of his association and he found that experience of most of the BTMA members is almost same. Forcing the importers to face unnecessary delay in importing machinery, spares and raw materials apart, the present situation is pushing the cost of imports up, he went on.

"Some textile entrepreneurs are even not in a position to afford the situation as unnecessary delay pushes the import cost up," the BTMA chief added.

Echoing Awal's remarks, Tapan Chowdhury, an executive committee member of BTMA and former president of the Metropolitan Chamber of Commerce and Industry, said the present crisis will obviously hurt the textile industry.

"If we can't open L/Cs for importing raw materials, capital machinery, it will be a threatening situation for the textile industry," he told newsmen after the BTMA press briefing.

Bangladesh Bank Governor Dr Salehuddin Ahmed recently at a meeting with the members of Foreign Investors' Chamber of Commerce & Industry (FICCI) said the rapid import hike and slowdown in export growth have created some temporary pressure on foreign currency.

According to some importers, the central bank and the finance ministry are aware of the present situation but they don't want to admit it officially.

PHOTO : PRIME BANK

Prime Bank Ltd has arranged Tk 500 million syndicated term loan for Popular Pharmaceuticals Ltd to set up a pharmaceutical plant on the former Fisons premises at Tongi in Gazipur. Officials of Popular Pharmaceuticals and the loan sponsor organisations are seen at the agreement signing function in Dhaka Saturday.

HeidelbergCement declares 17pc stock dividend

HeidelbergCement Bangladesh Ltd has declared a 17 percent stock dividend for its shareholders for the year 2004.

The dividend was approved at the 16th annual general meeting (AGM) of the company on Wednesday in Chittagong, says a press release.

Jean-Claude Jamar, chairman of the company, presided over the AGM, which was attended by directors and other senior officials.

Lead-time factor, compliance issues take toll on local RMG

Buyers say

UNB, *Dhaka*

Foreign buyers and experts yesterday said the garment sector of Bangladesh is still handicapped by high pricing, lead-time, unskilled workers and various types of factory compliance.

Unhygienic environment, risky factory buildings, delay in shipment and pricing are the main factors to be faced in the post-MFA (multi-fibre arrangement) era, they said, speaking on the opening day of a two-day conference on 'Internationally Competitive Textile and Garment Industry in Bangladesh'.

International MFA Forum and UNDP are jointly organising the conference at the IDB conference room in Dhaka.

Participating in the conference, speakers from home and abroad emphasised national consensus and efficiency of the workers to face the challenges of the post-MFA era.

President of Bangladesh Garments Manufacturers and Exporters Association (BGMEA) Annisul Huq said it is not easy for one to do anything individually and the stakeholders should work unitedly.

"Before that, we have to fix the agenda and whole industry should work hand in hand," he said.

President of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) Fazlul Haque said they are very much serious about the challenges of the MFA phaseout.