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Export diversification benefits little from trade policy reforms

UNCTAD report says

JASIM UDDIN KHAN

Bangladesh trade policy reforms such as rationalising customs tariffs and flexible exchange mechanism yielded limited results in terms of export diversification, a report prepared by UNCTAD said.

In confronting the problems of a narrow export base and limited export markets, Bangladesh began a series of trade policy reforms in 1990s, initially focusing on rationalising customs tariffs, the report said adding that the other notable changes included removal of quantitative restrictions and import licensing and the adoption of a flexible exchange mechanism.

In addition to tariff protection, there were a few export incentive schemes. For instance, specific export-oriented schemes including special bonded warehouse, duty drawback, export promotion and industrial parks, and preferential tax measures have benefited sectors such as readymade garment and knitwear, constituting roughly 75 percent of the total export income, the report said.

The United Nations Conference on Trade and Development (UNCTAD) recently prepared the report on 'Bangladesh-Vision for Trade Policy Formulation' on the basis of research and findings of a trade review mission.

The effectiveness of export incentive schemes in promoting trade diversification has been relatively limited, the report mentioned.

It said Bangladesh showed moderately satisfactory economic growth and export performance (15 percent) in recent years, but has not realised its full potential and on present performance is unlikely to meet some of the UN Millenium Development Goals.

The largest gains for the exporters may come from a better and developed infrastructure rather than from selective incentive measures, which favour some industries, the report said recommending that such incentive schemes should be fine-tuned to take account of the cost competitiveness of trading partners, and to promote incremental export.

A sharper focus on product and market diversification should be maintained on the policy agenda, the report suggested.

Bangladesh's weak revenue base is a matter of concern in terms of balance of payment and the reforms will have to be carried out slowly allowing sufficient time to build up an alternative revenue base, it added.

It said import tariffs and other para-tariffs, which have been discriminatory and potentially inconsistent with the WTO principles, should be rationalised on a short-term to medium-term basis.

It also said development of infrastructure needs more foreign direct investment, better revenue base and more technological development in order to achieve optimum national growth and progressively reduce poverty through increased trade.

"Lack of a strong, legal and regulatory environment, poor physical infrastructure, inefficient telecommunication and financial service system, and red-tapism in the government are the major impediments to bolstering trade and commerce," it added.

The reforms in infrastructure and service sectors have to be addressed on an urgent basis and independent regulators have to be put in place without any delay, the report recommended.

Bata declares 125pc cash dividend

Bata Shoe Company (Bangladesh) Ltd has declared a 125 percent cash dividend comprising interim dividend of 105 percent and a final dividend of 20 percent for the year 2004.

The dividend was approved at the 33rd annual general meeting of the company in Dhaka on Thursday with Chairman Mike Middleton in the chair.

Besides company executives and shareholders, the meeting was attended by Jorge Carbajal, managing director of Bata International Group-West, GL Zanacco, managing director of Bata Bangladesh, and M Saiduzzaman, CFO and company secretary, says a press release.

WTO MINI-MINISTERIAL MEET

Dhaka for free movement of natural persons

UNB, *Dhaka*

Bangladesh reaffirmed its stand against unrestrained imposition of various import tariffs by the developed countries on exports from the LDCs and called for unfettered temporary movement of natural persons.

Bangladesh also wants duty-free access of the products from the least developed countries to the developed and advanced developing countries, Commerce Minister Altaf Hossain Chowdhury told newsmen at Zia International Airport on return from Zambia yesterday.

"We succeeded in incorporating our demands on top of the Zambia Declaration," said Altaf, who led a three-member Bangladesh delegation to the 4th WTO mini-ministerial meeting held June 25-27 in Livingstone, Zambia.

Referring to the strong Bangladesh move for unfettered temporary movement of natural persons, he said the Bangladeshi workforce is more efficient and literate than that of many LDCs.

"The advanced developing countries have a huge demand for such semi-skilled manpower that we have," Altaf said adding: "We are successful (at the meeting) in bringing the issue to the forefront."

The Livingstone Declaration, he said, included a proposal for taking preferential measures for the LDCs to compensate them for the losses likely to be incurred from the planned withdrawal of subsidy on agricultural exports.

Altaf said the meeting recommended withdrawal of subsidy on agriculture and providing "handling charge" to help the marginal farmers. "Bangladesh, on principle, accepted the proposal," he said.

The WTO meeting, he said, also urged the developed countries to provide the LDCs with "enhanced financial and technical support" to help them diversify exports as well as demanded of them not to impose any safeguards and anti-dumping measures.

The meeting also agreed to support continuation of low-cost bank loans for farmers and reduced power tariff for irrigation, he said.

Trade ministers from 49 WTO member-states representing the LDCs, developing and developed countries attended the meeting.

Member-countries have decided to hold at least two more mini-ministerial meets in South Korea and China before going to the WTO ministerial meeting, slated for December 13-18 in Hong Kong.

DHAKA TO INCREASE TRADE WITH AFRICAN STATES

Bangladesh is also actively considering increasing trade with the African countries, said Altaf.

"I've talked with the various trade bodies and expatriate Bangladeshis in South Africa. We are thinking of expanding business with South Africa, the gateway to other African countries," he told reporters.

Bangladesh presently exports products, including jute goods, pharmaceutical products and spare parts, to South Africa.

Industrial park for pharmaceutical industries on the cards

UNB, *Dhaka*

The government will develop a separate industrial park for the growing pharmaceutical industries aiming to reduce hazards, particularly in production and export-related activities, Commerce Minister Altaf Hossain Chowdhury said yesterday.

The LDCs (least developed countries) have agreed to cooperate with Bangladesh in this regard, he said on arrival at the Zia International Airport after attending a WTO mini-ministerial meeting in Zambia.

Altaf said presently Bangladesh exports pharmaceutical products to some 62 countries.

He said the government will take steps to set up a 'pharmaceutical headquarters' in Bangladesh to maintain link with other countries.

PHOTO : BATA

Mike Middleton (2-R), chairman of Bata Shoe Company (Bangladesh) Ltd, presides over the 33rd annual general meeting (AGM) of the company in Dhaka Thursday. Jorge Carbajal (R), managing director of Bata International Group-West, was also present at the AGM.

Green Delta Ins okays 30pc bonus share, 10pc cash dividend

Green Delta Insurance Company Ltd has declared a 30 percent bonus share and a 10 percent cash dividend for its shareholders for the year 2004.

The dividend was approved at the company's 19th annual general meeting (AGM) on Thursday in Dhaka, says a press release.

AQM Nurul Absar, chairman of the company, presided over the AGM, which was also attended by other senior officials.

Cash alone won't solve Africa's ills: IMF

AFP, *Washington*

As the world prepares to rock in aid of Africa, the IMF warned Thursday that cash help by itself will not transform poor nations' fortunes and may in fact set them back.

In a study issued just ahead of this weekend's Live 8 rock concert and next week's Group of Eight summit, two senior officials at the International Monetary Fund argued that aid can stunt economic growth rather than foster it.

"We should emphasize that the findings of our paper are not that aid is bad for overall growth," wrote IMF chief economist Raghuram Rajan and Arvind Subramanian, head of macroeconomic studies at the Fund.

But they said that evidence exists for such an effect if aid is too much for a recipient country to handle or is mis-spent.

This "should further reinforce the message that despite the political momentum in favour of massive aid inflows in the near term, we should not lose sight of issues like how much aid can be handled to begin with, how the aid should be delivered, and when".

Saturday's worldwide Live 8 concerts are designed to pressure the G8 leaders to strike a deal on debt, aid and trade for Africa at their summit in Scotland on July 6-8.

But other officials have joined the IMF in warning that in pushing for a massive increase in aid, Live 8 and campaigners may be misguided.

"While headline writers and advocacy campaigns and rock concerts tend to focus on numerical targets for assistance, there is, unfortunately, not sufficient attention paid to the conditions in which development assistance is delivered," US Treasury Secretary John Snow said Tuesday.

The United States is pressing for aid to be better directed, so that it encourages democratic and pro-market reforms.

In its own pre-G8 study issued Tuesday, the World Bank said a focus on pro-growth policies and the involvement of the world's poor themselves were the most powerful way to transform developing nations' fortunes.

Activists have long dismissed an economic theory called "Dutch Disease" that says aid money can be counter-productive to a country's growth prospects.

But the IMF authors said their research had shown that the condition can materialise, in as far as aid pushes wages up and thus dents a country's export competitiveness.

"This adverse effect is robust across samples, types of aid, and different specifications," they wrote.

The IMF officials said their findings did not mean that future aid cannot be beneficial.

Samsung, Motorola share cellphone technology

REUTERS, *Seoul*

South Korea's Samsung Electronics Co Ltd said on Friday it had signed an agreement with rival Motorola Inc to share mobile technology.

The cross-license agreement is the latest move by global tech firms to try and avoid costly legal disputes over intellectual property.

Samsung, which made the announcement in a filing to the Korea Exchange, said it was not allowed to release details or terms of the agreement.

The firm also signed a cross-license agreement with Japan's Sony Corp (NYSE:SNE - news). late last year to share patents on basic technologies such as those associated with chips and industry standard technologies.

South Korea's LG Electronics Inc. and Japan's Matsushita Electric Industrial Co. agreed early this year to settle a dispute over plasma display technologies and to cross-license patents on plasma, personal computers and DVDs.

Shares in Samsung, the most valuable technology company outside the United States, closed up 1.42 percent to 501,000 won, its highest close in over two months and versus a 0.98 percent rise in the broader market.

China, EU ready to explore 'open skies'

ANN/ CHINA DAILY

China and the European Union (EU) are set to negotiate an 'open skies' agreement to meet the growing demand for passenger and cargo air routes.

Speaking at an EU-China aviation summit in Beijing on Thursday, EU Vice-President Jacques Barrot said he has asked for a mandate from European transport ministers to discuss aviation deals with China.

"The very issue on the agenda of the new UK presidency next week will, indeed, be a discussion about the commission's request for this global mandate," Barrot said.

China expects to start negotiations with the EU in the fourth quarter of this year, according to a joint declaration signed by Barrot and Yang Yuanyuan, director of the General Administration of Civil Aviation of China (CAAC), prior to the summit.

"We are ready to balance the interests of both the EU and China while revising existing bilateral air services agreements," said Wang Ronghua, director general of the CAAC's Department of International Co-operation.

Currently, only 20 European and Chinese airlines are allowed to operate China-EU routes, offering flights to 10 Chinese and 15 European cities.

At the moment, the total number of flights between the Chinese mainland and Europe each week amounts to only 226 passenger and 60 cargo flights.

"Growth forecasts suggest that EU-China air traffic will increase by around 7 per cent per year over the next 15 years," Barrot said.

Demand for air transport is being fuelled by a more than 15 per cent annual increase in EU-China trade. The EU is China's main trading partner while China is the EU's second largest trading partner after the United States.

Daewoo founder Kim charged with fraud

REUTERS, *Seoul*

South Korean prosecutors brought charges of fraud and embezzlement on Friday against former Daewoo group chairman Kim Woo-choong, once revered as an industrialist who helped build the country's economy.

Kim fled South Korea in 1999 when Daewoo collapsed in one of the world's biggest bankruptcies, with more than $70 billion in debts, but he returned on June 14, saying he was seeking to make peace with his past.

Tax on mobile phone lacks justice

ABU SAEED KHAN

Nearly eight-year old mobile phone services have been managing our day-to-day life. By now, it has become an integral part of more than six million citizens' productivity. Entire affluent class and a large part of middle class dominate this group.

Lately the mobile phone market began expanding downwards targeting the potential among the lower income people. Explosion is the keyword to characterise the way it happened since competition was introduced in the market during 1996-97.

GrameenPhone had a 2.4 million clientele until December 2004. Therefore, its seven years' average annual intake is 343,000 customers. GrameenPhone posted record sales of 1.10 million subscribers within just first five months of 2005. It is more than thrice of its annual average.

AKTEL's average annual intake in seven years is 143,000 and it had one million subscribers until December 2004. AKTEL added more than 800,000 new clients during the first five months of this year. This is nearly six times higher than its average annual intake.

Banglalink took over Sheba's operations, with 25,000 clients, in December 2004. The new entrant bagged more than 400,000 customers from January to May 2005. It is needless to assess the Egyptian conglomerate's success.

CityCell had 345,000 customers until last year. It had to restrain the network expansion due to the share transfer negotiation with SingTel. CityCell sold 25,000 connections between January and May of this year.

Therefore, our cellular mobile industry's total intake is 3.77 million subscribers between March 1997 and December 2004. It represents an average monthly intake of 40,600 customers over the period of 93 months.

The industry has also acquired 2.325 million customers between January and May 2005. It represents an average monthly intake of 465,000 customers during the first five months of this year only. It is nearly 12 times more than the monthly average intake of the preceding years. Such exponential growth is attributed to the belated competition among the operators.

Call charges were reduced up to 35 percent (Tk 2.37 per minute for mobile-to-mobile call). Handset prices were slashed up to 40 percent (Tk 4,100 for a new and Tk 1,200 for a used handset). Connection charges nosedived by an unprecedented 80 percent (Tk 200 for a mobile-to-mobile connection)!

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PASSWORD

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Our government, which has no clue to the dynamics of mobile phone market, has decided to end the subscribers' liberty. Slashing Tk 1,200 tax from the handsets and loading the same amount on connection fees was proposed in the national budget. The argument is shifting of tax from handset to connection will not affect the total price.

It immediately raised a million-dollar question-- total price of what? The fumbled answer was total price of connection bundled with handset. What a joke! Long gone are the days of selling the artificially bundled packages of handset and connection.

Handset and connection are totally different from each other by any standard. Handset is an off-the-shelf gadget having specific technical and financial lifecycle. The older the version, the cheaper is the price and there is a market of used handsets too. Handset is a transferable asset.

On the contrary, connection is entirely an operator-specific service provision. It determines the levels of services to be provided. Unlike handsets, end-users never possess the connections. Ill-fated users may lose handsets but never lose connections.

Value of a connection never gets amortised regardless of its age. A connection, however, becomes valueless if the provider disconnects it for specific reasons. Connection is a non-transferable asset.

Therefore, the government's plausible tax-waiving from mobile handsets has instantaneously lost its appeal due to transforming that concession into a penalty for new subscription. Who gets punished? Certainly the millions of lower-income segment of population who are yet to be connected.

The government's insignificant reduction (from Tk 1,200 to Tk 900) of this impractical tax is a practical joke. Because each new customer will have to pay, at least, Tk 900 even if an operator offers the subscriptions free!

The government pretends it is desperate to build a healthy internal revenue base. According to a press report, there are 235 multimillionaire officials in the National Board of Revenue (NBR). This department is, incidentally, under the finance ministry. The finance minister has provisioned a magical money whitening detergent in this budget. Housekeeping comes first. The rest can wait.

The writer is a telecoms analyst.