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TRADE PREFERENCE EROSION FROM WTO RULES

Bangladesh may face $400m loss a year

Says CPD executive director

STAR BUSINESS REPORT

Bangladesh may face a loss of around $400 million a year due to trade preference erosion stemming from the WTO trade rules, Debapriya Bhattacharya, executive director of Centre for Policy Dialogue (CPD), said yesterday.

"The county should raise the issue at the upcoming WTO discussions to create compensation mechanism for the trade preference erosion loss. If the developed and developing countries allow duty free entry of Bangladeshi products, the loss can be minimised," Bhattacharya said at a seminar titled 'World Trade Discussion: Doha Development Round and Bangladesh," held at the VIP lounge of the National Press Club.

Karmajibi Nari, a non-government organisation working to ensure the rights of working women, organised the seminar against the backdrop of the upcoming WTO general council meeting.

Journalist Mohammad Mahfuzullah coordinated the seminar with Karmajibi Nari President Shirin Akhter in the chair.

Bhattacharya said the third-world countries may not be benefited much from the WTO development rounds as these discussion sessions speak for about $280 billion trade benefit of which 60 percent will go in favour of developed countries.

The executive director of the independent think tank said Bangladesh is putting emphasis on free movement of natural persons but it is unlikely to get success in that case due to changing world scenario.

He said Bangladesh will face loss again if the agri-subsidy in cotton is reduced in the discussion as the country needs to import yarn and fabric for its main export item--readymade garment.

He criticised the commerce minister's claim that India will allow duty free entry of all Bangladeshi products to its market saying that 'the declaration is premature'.

UNB adds: Former commerce minister Amir Khosru Mahmud Chowdhury said, "If we want to win the negotiation in any trade-off deal of bilateral or multilateral nature, we have to really enhance our technical capacity to deal with the matter… there is no other option."

Former ambassador Waliur Rahman said, "We often lose at the negotiation table in international forums due to lack of adequate preparation."

An official of the WTO cell of the commerce ministry, Sharifa Khan, said the government has so far "successfully dealt with the trade issues in the international negotiations."

"It's not true that the government, without consulting the trade bodies, is unilaterally dealing the trade-related issues in the WTO," she said.

There is a WTO advisory council comprising private sector businesspeople and government officials and researchers, which is "working very actively to set out the country's strategy" to negotiate in the international forum, she added.

PHOTO: STAR

Debapriya Bhattacharya, executive director of Centre for Policy Dialogue (CPD), speaks at a seminar on 'World Trade Discussion: Doha Development Round and Bangladesh' in Dhaka yesterday.

BTMA moves to improve relation with BKMEA

BDNEWS, *Dhaka*

Chairman of the BTMA MA Awal yesterday made a move to improve relation with the BKMEA as it sought withdrawal of a remark made by Awal regarding the knitwear exporters at a press conference Wednesday.

Blaming the press for distorting his comment Awal in a letter also urged the BKMEA to express regret as a goodwill gesture as two associations had history of mutual co-operation.

BKMEA President Fazlul Haque said Awal also made a phone call to him yesterday morning.

Sources in the BTMA said Awal sent a letter to the BKMEA president in which he said, "I never said anything against the knitwear exporters in the BTMA press conference on July 16, but the way my comment was published in newspapers was unexpected and regrettable."

"I never said in the press conference that stake holders of knitwear industry is selling yarn in the kerb market," Awal said in the letter adding "moreover I said knitwear industry is now on a strong base because of the usage of local yarn, and the spinning mills of the country is now flourished because of the knitwear industry."

China revalues currency

AFP, *Beijing*

China Thursday revalued its currency for the first time in about a decade, pegging the yuan to the US dollar at 8.11, up from 8.28, and also scrapping the decades-old peg to the dollar in a favour of basket of currencies.

"From today, the renminbi rate against the US dollar will appreciate by 2 percent," said the website of China's central bank, the People's Bank of China, on Thursday.

"One US dollar will exchange for 8.11 yuan."

Dhaka to gain in export from yuan appreciation

BDNEWS, *Dhaka*

Bangladesh is likely to gain in export competitiveness, but lose in imports as a result of the Chinese currency deregulation that appreciated the yuan by 2 percent Thursday, analysts said.

China, which has emerged as one of the largest sources of imports for Bangladesh in recent times, opted for a "managed floating exchange rate regime" following pressure from the US leading to the appreciation of its currency.

BGMEA President Annisul Haque said the export of Bangladesh may not benefit substantially as the two countries have only a few common export items.

But, the prices of the so many goods imported from China would increase remarkably, Haq said.

President of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) Fazlul Haque said the step will make Dhaka's import expensive and exports more competitive.

He voiced his optimism that the initiative would ease the competition in garments exports, as the production cost of Chinese goods would increase.

Sayful Islam, president of the Dhaka Chamber of Commerce and Industry (DCCI), said the step would make imports from China costlier.

FBCCI POLLS

Nominations of 44 valid

STAR BUSINESS REPORT

The election board of the country's apex trade body yesterday finalised the nominations of 44 candidates, 27 from chamber group and 17 from association group, for 24 posts of directorship to the executive committee of FBCCI.

After scrutiny, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) election board yesterday announced the final nominations.

Among the 28 submitted nominations from the chamber group and 18 nominations from the association group, the election board cancelled one nomination from each group.

The nominations of Bazlur Rahman from Narayanganj Chamber of Commerce and Industry, and Mohammed Balayet Hossain of Bangladesh Chemical and Perfumery Merchant Association were cancelled.

August 2 is the last day for withdrawing nominations for the FBCCI biennial election, scheduled for August 21.

However, backstage negotiations are on for a consensus. Although 17 candidates from the association group have filed nominations, a panel of 12 candidates led by Mohammad Ali has already been formed, FBCCI sources said.

"We hope the other five candidates will withdraw their nominations," said a businessman who got his name included on the list of 12.

Negotiations are also going on in the chamber group to reach a consensus on forming the single panel led by Mir Nasir Hossain who is eyeing the presidency.

Besides, a section of business community have started lobbying for Aftab Ul Islam, president of the AmCham, as a probable candidate for the president post.

He will get support from the ruling party and the incumbent president, Abdul Awal Mintoo, felt some businessmen, sources said.

Among the 38 executive committee members of FBCCI, 12 will be elected from chambers, 12 from associations, 7 from local chambers and the rest 7 from local associations. As per FBCCI constitutional provision, the president will be elected from the chamber group this time.

India won't open up farm product market unless rich states stop subsidy

PALLAB BHATTACHARYA, *New Delhi*

India made it clear on Wednesday that it would not go beyond a point to open up its huge market for farm products at WTO negotiations unless developed countries agree to dismantle subsidies for their farm sectors.

"India remains firm that negotiations in agriculture should be primarily focused at achieving reform of those domestic support and export subsidy policies which distort markets so heavily," Indian Commerce and Industries Minister Kamal Nath said at a workshop of stakeholders in the run up to the Hong Kong Ministerial meeting of WTO in December this year.

Nath, however, said "We are very clear on our bottom lines. We are willing and wanting to engage constructively but we will not go beyond a point to open up our market for farm products unless developed countries agree to dismantle of subsidies."

"There should be an urgent end to export subsidies and effective and substantial reduction in domestic support provided by developed countries to their farm sectors. These steps must precede market access to developing countries and not the other way round," he said.

He said subsidies by developed countries to their farm sectors depressed international prices of agricultural produce, thereby adversely affecting farmers in developing countries in international trade.

"I see liberalisation as a process aimed at achieving fairness and balance in international trade and particularly the elimination of the distortions that beset trade in agricultural products," the Minister said.

Nath, who attended the WTO ministerial meeting at Dalian, China last week, said the European Union had indicated at that meeting that it would undertake the steepest cuts in domestic support provided "the next heaviest distorters -- the United States and Japan -- accept to undertake at least second order cuts but no lower than that. We support this view."

At the same time, he said, developing countries which do not have any Aggregate Measure of Support commitments such as India could not be required to cut the minimal support extended by them to their vulnerable farm communities.

Nath pointed out that the Doha round of WTO talks and the July 2004 Framework made it explicit that developing countries' commitments in agriculture would be proportionately lower than those of developed countries and that special and differential treatment would be integral to all aspects of negotiations.

The Indian Commerce Minister said "even as the processes of globalization and liberalization are shaping a new system of international economic relations and providing increased opportunities for growth and development, the vulnerability of developing countries has increased" because of "high distortions and protectionist barriers" by developed countries.

"Even though the Uruguay Round agreement on agriculture was meant to be a springboard for reform of global agricultural markets, the results have been modest at best", he said.

"Distortions create asymmetric opportunities for production and export to some, leaving a multitude of poor farmers in developing countries at risk of extreme poverty and even lower standards of living than at present", the Indian Commerce Minister said.

He said India would oppose all attempts by some developed countries to create sub-categories among developing countries as this would only "complicate matters".

"Three fourths of the world's poor live in just four developing countries -- India, China, Indonesia and the Philippines -- all of them non-Least Developed Countries," Nath said.

Hutch-Essar to buy out stakes in BPL Mobile for $1b

OUR CORRESPONDENT, *New Delhi*

In the biggest acquisition in the Indian telecoms sector, Hutch-Essar group will buy out controlling interest in the BPL Mobile Cellular company in an one billion dollar deal.

BPL Communications Chairman and CEO Rajeev Chandrashekhar announced the deal in Bangalore on Wednesday. BPL Communications owns a 74 percent stake in BPL Mobile Communications which has operations in Mumbai and 100 percent ownership of BPL Mobile Cellular operating in Maharashtra, Tamil Nadu, Goa, Kerala and Pondicherry states of India.

The deal will make the Hutch-Essar-BPL the second largest player in the GSM segment with a market share of 24.64 percent, only after Bharti, operating under Airtel brand, which is a number one with a market share of 27.28 percent. State-owned Bharat Sanchar Nigam Limit currently holds the second spot with a share of 22.77 percent.

Japan sees export trouble as China's soaring economy grows self-reliant

AFP, *Tokyo*

Japan's trade deficit doubled in June with its top trade partner China, whose booming economy is developing local production that is gradually replacing the need for imports, official data showed Thursday.

The trade surplus with Asia as a whole fell for the eighth straight month in June, dropping 16.1 percent year-on-year to 623.1 billion yen (5.5 billion dollars).

Asia-bound exports, which account for nearly a half of Japan's total shipments, rose 3.2 percent while imports grew 10.9 percent. Exports are a key driver of Japan's economic recovery.

With China alone, Japan's trade deficit jumped 105.3 percent to 234.5 billion yen as exports to the mainland edged up only 2.3 percent, far less than the 36.2 percent gain posted a year earlier.

Analysts said the figures reflect some economic tightening by China but also structural changes in its economy, which Wednesday posted a hot 9.5 percent growth for the first half of the year despite trying to hit the brakes.

"The recent economic data from China show its economy is still robust but Japan's export growth is slowing," said Toshio Sumitani, economist at Tokai Tokyo Research Center.

"This indicates Japan's shipments of machine tools and other goods to China to start up production there have run their course as local production began to get into gear," he said.

The trend shows "the possibility that Japan's exports may no longer grow as sharply as before."

China-bound steel shipments in June rose 22.8 percent but exports of semiconductors and other electronics parts fell 13.3 percent.

Imports from China climbed 16.4 percent, boosted by 27.3 percent growth in audio-video equipment and parts, and a 12 percent rise in computers and peripheral equipment.

Kiichi Murashima, an economist at Nikko Citigroup also said "China is no longer so dependent on imports.

"It has become capable of producing many products on its own so we can't expect exports to China to rise sharply going forward," Murashima said.

Sumitani said there was no immediate worry over the health of major Japanese companies, which have been globalized and gaining money from local operations.

"We do not have to worry too much at the moment although there is uncertainty over the Chinese financial tightening and crude oil prices," he said.

Japan's overall trade surplus in June fell 23.5 percent from a year earlier to 873.1 billion yen, marking the third consecutive year-on-year decline.

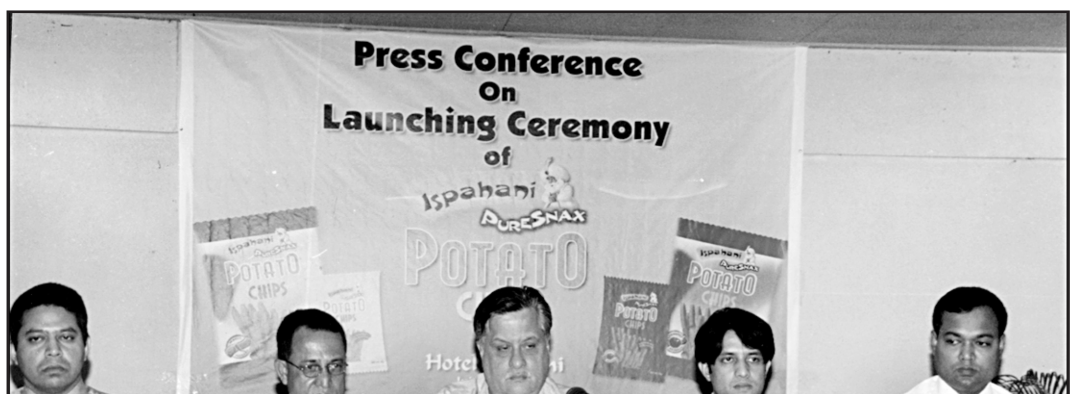

PHOTO: STAR

Chairman of Ispahani Group Mirza Ali Behrouze Ispahani speaks at a press conference in Dhaka yesterday to mark the launch of Ispahani Puresnax, a new brand of potato chips of Ispahani Foods, a concern of the Group.

ASIAN ECONOMIC MONITOR CHINA REPORT

Fighting hard for a 'soft' landing

ANN/CHINA DAILY

China's economic advisors are at war among themselves, although you wouldn't see any sign of it walking down Shanghai's Bund.

In a few weeks though, you will hear echoes of the conflict from Beidaihe, a beach-side summer resort 370km from the capital of Beijing, where top officials often hold brain-storming sessions.

Official news services have reported that a meeting is already going on there now, reviewing the country's economic situation since attempts for a "soft landing" were made last year.

In year-on-year terms, China's GDP (Gross Domestic Product) rose 9.4 percent in the first quarter, not much different from last year's 9.5 percent full-year growth. Beijing had set an annual GDP growth target of only 8 percent.

The forecast from economists is more or less the same for the second quarter, which indicates that the three major driving forces of the economy industry (manufacturing in particular), domestic consumer spending and exports won't see a general slowdown.

Mild growth

But the economy is no longer as heated as it was two years ago either. There are indications that momentum has softened, although not to the extent of a soft landing.

Growth had been mild in some key industries seen as economic drivers. Transportation, for instance, registered an 8.5 percent growth in the first four quarter, compared with 10.6 percent in the same period in 2004.

This is in fact a good sign, indicating that the "heavy" part of the economy has become "lighter" in proportion to the service industry and processing operations. As a result, price increases, in terms of the CPI (consumer price index), have also become less of a concern.

If this was a Goldilocks tale, analysts can describe the economy as neither too hot nor too cold … it's just about right.

Challenges ahead

However, the economy is not static. It will change. Economists are worried that many of promising indices will, if unattended, become less encouraging.

One group is arguing that industry and investment -- and behind them, government spending and the overall money supply allowed by the People's Bank of China, the Chinese central bank -- are still growing too fast.

After a dip in the first quarter of the year, industry's value-added output and society's general investment in fixed assets both increased for three consecutive months, they point out.

Another group of economists argue differently, saying that the economy is not running as wild as it was a couple of years ago; on contrary, it is on the verge of falling into deflation again.

They point out that in May, industry's profit growth went down an alarming 27.9 percent from the same period last year. Many companies have difficulty running their production lines in full capacity because of the credit crunch caused by the limited money supply from the central bank and the State-owned banking system.

This second group of economists is asking if the transportation business is heading for not just a slow-down in growth, but a standstill, and if the power plant sector is going to witness further falls in demand.

At a crossroads

When the government's economic advisors are divided into two camps, it would be fair to surmise that the economy is once again at a crossroads.

It is too early to predict whether economic growth will be faster or slower in the second half. The only sure thing is that all policy options will be studied, and further studied.

The scenario will be muddier if, for example, a trade war breaks out on the international front. While all are hoping this does not happen, the increasing tension between China and the United States and EU over trade and exchange rate issues means that such a possibility cannot be completely ruled out.

If that happens, China will probably once again provide stronger incentives to its companies and consumers.