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China keen to cut trade gap with Bangladesh

Plans to increase import

STAR BUSINESS REPORT

China wants to reduce the huge trade gap with Bangladesh, which is in favour of the Asian economic giant, and is eyeing to increase import from the country to serve the purpose, Chinese Ambassador in Dhaka Chai Xi said yesterday.

Blaming the imbalance largely on Bangladesh's poor export basket and various investment hurdles, he said.

"To narrow the huge trade gap, the Chinese government has recently decided to import more Bangladeshi products," he said.

China has already given duty free access of 82 Bangladeshi products to its market under Bangkok Agreement and is now thinking to add more products to the list, he added.

The ambassador was addressing the monthly luncheon meeting of Foreign Investors' Chamber of Commerce & Industry (Ficci) in Dhaka yesterday with Dr Peter A May, acting president of Ficci, in the chair.

He informed the meeting that Chinese entrepreneurs may set up chemical industries in Bangladesh by using local gas as raw material and can re-export the products to China, which he termed the better way to reduce the trade gap.

In his critical view of the situation on investment in Bangladesh, Xi said corruption and infrastructure problem are the main obstacles to attract more foreign direct investment (FDI) to Bangladesh.

"Although many foreign enterprises have done feasibility study in Bangladesh for investment, they are yet to come due to the absence of an appropriate investment environment here," he said.

"Corruption exists everywhere even in China. It is the by-product of the economic development and no economy can run without corruption," he noted.

"But, legal actions are taken there whereas in Bangladesh punishments against corruption are rare," Xi added.

Besides, works are done very slowly in Bangladesh and the lack of effectiveness at different levels is affecting the country's economy, he said.

In 2004, China has received some US$53.5 billion as FDI, which is 79 percent of the Chinese GDP, he mentioned.

He said the road link between China and Bangladesh is now a much talked-about issue. "But it will take a long time to establish the road link. We should focus on establishing air link between the two countries which is more easier and helpful for both the countries," Xi observed.

Besides, he stressed the need for constructing a highway between Dhaka and Chittagong and improving the Chittagong seaport.

Emphasising regional cooperation, Xi said China has failed to make a significant progress to build up a relation with the Saarc (South Asian Association for Regional Co-operation) countries.

He, however, said relationship between China and India is improving and for this the other countries in South Asia will be benefited.

Speaking at the function, Peter A May said China has been extending considerable amount of economic assistance to Bangladesh since the country's independence in 1971.

But, he said, presently there is no significant private investments from China in Bangladesh. "We are hopeful that the ambassador would extend his all-out support to attract more Chinese investors to Bangladesh," he added.

Minister to hold meet with bickering BTMA, BGMEA, BKMEA men

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Against the backdrop of strained relations between the trade bodies in the readymade garment sector the textile and jute minister has decided to hold a joint meeting with the two conflicting groups.

Shajahan Siraj will hold the meeting soon and he has already talked with the leaders of the associations, said a government handout yesterday.

The minister urged the leaders of the trade bodies not to make any further comments on the issue as it is hampering the image of the garment industry both at home and abroad, the handout said quoting the minister.

Bangladesh Textile Mills Association (BTMA) Chairman MA Awal at a press conference on July 16 said under-invoicing, smuggling and misuse of utilisation declaration (UD) in fabric import are hitting the export-oriented textile industry hard.

On July 20, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) promptly reacted to the BTMA remarks giving a seven-day ultimatum to go for a legal action unless the textile millers make unconditional apology for their comments.

Following the BGMEA step, the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) leaders on July 21 also came down heavily on the BTMA's remarks.

PHOTO: PID

Prime Minister Khaleda Zia visits the World Bank country office in Dhaka yesterday. Finance and Planning Minister M Saifur Rahman, visiting WB Vice-president for South Asia Praful C Patel and WB Representative Christine I Wallich are also seen in the picture.

Raise farm subsidy

Speakers urge govt

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Bangladesh provides less than two percent of the total farm output as subsidy while the permissible amount of support under WTO provisions is 10 percent, speakers told a seminar in Dhaka yesterday.

The exporting countries enjoy around 25 to 40 percent price advantages as the producers there get more domestic support and export subsidy, leaving Bangladeshi farmers at bay, it explained.

The Unnayan Onneshan, a local centre for research and action on development, and Overseas Development Institute (ODI), UK, jointly organised the seminar on 'Civil Society Organisations, Evidence and Policy Influence' at Brac Centre Inn with State Minister for Finance and Planning Anwarul Kabir Talukder as chief guest.

In the UK and other advanced democracies, the state minister said, the civil society and research centres extend support to policy makers with critical inputs in policy making domain.

"We need to mutually develop such a beneficial culture here to make our policy making process more democratic and participatory," he added.

Talukder said the government has followed a rigorous consultative and participatory process in formulation of poverty reduction strategy paper (PRSP).

Making a presentation on 'Undercutting Small Farmers: A Grassroots Insights of Rice Trade in Bangladesh', Rashed Al Mahmud Titumir of Unnayan Onneshan said the farmers at least lose Tk 9,166 crore every year in the domestic trading networks. It amounts to one fifth of the share of agriculture in the gross domestic product (GDP).

"A trader appropriates Tk 5,000 for a produce of one acre of boro rice while a farmer receives Tk 4,500 if his own labour is estimated. So, he is in a regular debt," he said.

Referring to the policy of India, he said in order to push rice export, the Indian government took a decision to release stocks from the food corporations to private exporters at almost half prices, which allowed private exporters to dump the products in Bangladesh market.

John Young and Naved Chowdhury of ODI made presentation on 'Research and Policy in Development Programme: The Context, Evidence and Links Framework for Analysis' while Jakir Hossain of Unnayan Onneshan made a presentation on 'Poverty and Employment: Lost in the Queue in Bangladesh PRSP'.

Talks with Tata deferred

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The pre-scheduled negotiations between the government and Indian conglomerate Tata have been deferred due to the possible change of the Bangladesh side head Finance Secretary Zakir Ahmed Khan.

The third round of negotiations was scheduled to be held today in the capital.

The government is yet to choose a new team leader as Khan is scheduled to leave the country on July 31. He has been posted as the alternative executive director to the World Bank in Washington.

Board of Investment (BoI) Executive Chairman and Energy Ministry Adviser Mahmudur Rahman said the Tata delegation will visit Bangladesh in the first week next month.

Khan briefs a ministerial committee headed by Industries Minister Motiur Rahman Nizami today on the negotiations of Tata investment proposal.

Time-bound plan on cards to reduce diesel use

JASIM UDDIN KHAN

The government plans to undertake a time-bound programme to bring down the use of diesel in the country by introducing alternative energy sources.

The government will also take up measures under the plan to check smuggling of diesel.

"If we can implement the programme, the overall loss of the Bangladesh Petroleum Corporation (BPC) will come down by 50 percent," Energy and Mineral Resources Ministry Advisor Mahmudur Rahman said yesterday.

The programme will be implemented on short term, medium term and long term basis to discourage use of imported diesel.

A high-powered committee at the energy ministry has already been formed to hammer out detail plan of action and supervise implementation of the programme.

He said under short-term measures the ministry will sit with the home ministry soon to launch a drive to stop smuggling of diesel.

He said substantial quantities of petroleum fuel are smuggled out to India and Myanmar.

Rahman, also the executive chairman of the Board of Investment (BoI), said as per midterm measures the government will bring the most diesel-run irrigation pumps under electricity network by the next six months.

There is also a plan to convert the diesel-run vehicles into gas-run vehicles.

Rahman said he has already directed the managing director of the Rupantarita Prakritik Gas Company Limited (RPGCL) to initiate the project as a priority project.

As the long-term measures Rahman said steps are under way to discourage setting up of diesel-based power plants. Besides, the existing power plants will be converted into gas-based plants step by step.

Bangladesh annually consumes an average of 3.7 million tonnes of fuel of which 2.3 million tonnes are diesel.

He said the BPC incurred a loss of Tk 2.7 billion last year.

Workshop on ISO, environment management begins

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Ensuring the standard of products through improving management quality is key to competing in the global market, Energy and Mineral Resources Ministry Adviser Mahmudur Rahman said yesterday.

The adviser, also the executive chairman of the Board of Investment (BoI), put emphasis on conserving environment side by side to carve a niche in the competitive global market.

Rahman was speaking as the chief guest at the inaugural session of a five-day workshop on 'ISO 14000 Series and Environment Management System (EMS) Implementation," held at the Institution of Engineers, Bangladesh.

Ring Shine resumes production

45 workers sacked, 7 suspended

EMRAN HOSSAIN EMON, *Savar*

Production in Ring Shine Textiles Ltd (RSTL), the second largest company in Dhaka Export Processing Zone (DEPZ), resumed yesterday after a four-day suspension. However, authorities sacked 45 workers and suspended seven others.

Productions will restart in full swing in phases by July 28, the authorities said.

"The workers were terminated as they were involved in creating the unrest," said Barun Debnath, chief administrative officer of RSTL.

As a huge number of workers gathered at the factory gate to join work at around 8:00am yesterday, the authorities allowed only 1210 and kept others waiting outside the gate taking their ID cards of both DEPZ and RSTL.

The authorities also made payments including arrears and terminations benefits to 45 workers.

"I was on a five-day vacation since July 16 but the authorities terminated me without showing any reason," said Hasibul Islam, a knitting section worker.

"I did not even know the demands that led to the strike," said Mizan, another worker, adding "They forced us to sign a paper, which read 'my dues are paid'."

Taiwanese and Indonesian owned Ring Shine with $40 million investment, suspended production on Wednesday.

Bepza officials told The Daily Star Saturday that Ring Shine having over 6,000 workers occupies 62 out of 410 industrial plots at DEPZ and feeds as many as 300 local sweater and garment factories with raw materials.

Local newspapers reported that over 200 workers of Ring Shine were injured in a police action at the DEPZ on Wednesday. The police swung into action when several hundred workers of Ring Shine were enforcing a strike for the fourth consecutive day, demanding withdrawal of cases against some workers of the factory and to realise their demands including the removal of a number of factory supervisors.

According to BEPZA rules, no EPZ investors are allowed to lockout their units and no EPZ workers are permitted to enforce strikes.

3-day housing fair in Ctg from August 11

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A three-day housing fair, organised by Bangladesh Real Estate Directory, will begin in Chittagong on August 11.

Some 30 firms will participate in the show at Engineers Institution Auditorium of Chittagong Center. Real estate companies and construction and other house building material manufacturing firms will display their products.

This fair titled 'Abasan Mela' (BD-RED fair'05) in Chittagong will be the fourth version, Chief Executive of Real Estate Directory Yeasen Khan told a press briefing in Dhaka yesterday.

Bangladesh Real Estate Directory, which has been publishing a directory since 2002 compiling all types of information relating real estate, has organised seven fairs of this type in different cities outside Dhaka.

Brokerage firms ordered to become limited cos by Dec 31

BDNEWS, *Dhaka*

The Securities and Exchange Commission (SEC) yesterday ordered all the proprietorship-based brokerage firms to become limited companies by December 31, 2005, official sources said.

"This will ensure transparency, fairness and efficiency of the capital market because of expanded ownership base and stronger regulations governing such companies," Mansur Alam, executive director of the SEC, told reporters after a meeting of the commission in Dhaka.

ASIAN ECONOMIC MONITOR JAPAN REPORT

Sustainable recovery expected

ANN/DAILY YOMIURI, YOMIURI SHIMBUN

With the notable exception of rising government debt, it is hard to find anything particularly wrong with the Japanese economy right now. Indeed, most official statistics of late have indicated that the economy will enter into a sustainable recovery phase as early as later this year.

In May, consumer prices, excluding those of perishable goods, were unchanged from a year earlier, while the unemployment rate in the same month posted a year-on-year decline for the 24th consecutive month.

According to the Cabinet Office's latest quarterly gross domestic product (GDP) data, released in May and revised in June, Japan's GDP rose by an annualised 4.9 percent in the January-March period -- the highest quarter-on-quarter gain since an annualised 6.1 percent increase during the corresponding quarter of 2004. The next quarterly GDP data will be released on Aug 12.

A Bank of Japan survey released on July 1 found that the business confidence of major Japanese companies had improved for the first time in three quarters.

Deflation trap remains

Overall, there seems little reason to worry about the state of the Japanese economy in the near future, although it must be pointed out that beneath all the favourable statistics, the nation remains trapped in deflation.

The January-March GDP data showed the 28th consecutive year-on-year quarterly decline in the GDP deflator a gauge that measures the cost of goods and services purchased by households, government and industry. In other words, Japan has been caught in a deflation trap for seven years.

Therefore, despite a spate of otherwise encouraging economic statistics, the Bank of Japan can be hardly in a position to end its easy monetary policy, which has been effectively the only official means to prevent the economy from losing steam.

On the fiscal side, both central and local governments are currently so heavily indebted -- with a combined 748 trillion yen (US$6.8 trillion) or 5.8 million yen (US$53,272) per capita, compared with the nominal GDP of 507 trillion yen (US$4.6 trillion) -- that little fiscal injection is feasible.

Solid consumer spending

The latest GDP growth stemmed from an upturn in consumer spending, which accounts for more than half the GDP. Yet it is too early to expect domestic demand to rise substantially enough in the coming quarters to remain the driving force behind economic growth.

Japan is traditionally vulnerable to external developments, such as a contraction in exports and a rise in crude oil prices. If net exports exports minus imports continue failing to prop up the economy's growth rate in the coming quarters as in the recent three quarters, Japan will not be able to attain the government-targeted GDP growth rate of 1.6 percent in fiscal 2005, compared with the 1.9 percent expansion last fiscal year.

Exports contracting

The January-March GDP data showed an ominous development: Japan's gross exports of goods and services shrank by a revised 0.4 percent, the first fall since the October-December quarter of 2001.

This was mainly due to a decline in shipments of electronic devices to China, which has replaced the United States as Japan's largest trading partner.

Another worrisome factor for the future of the Japanese economy is oil prices. Japan is not panicking like it did during the 1970s oil crises because this time it has strategic national stockpiles of oil enough to cover the equivalent of more than 150 days of total consumption.

The nation also has made progress in energy efficiency as well as the development of alternative energy sources.

As in the past, the Japanese economy is largely dependent on external factors in the short term, such as the Asian market led by China, the US economy and the price of natural resources such as crude oil and other key materials.