

Multilateral trade deals to bode well for Bangladesh

Workshop on Indo-Bangla trade observes

STAR BUSINESS REPORT

Bangladesh will benefit more from such multilateral agreements as Safta and Bimstec rather than any bilateral free trade pact, as the country lacks infrastructure and strong negotiation capacity, speakers observed at a workshop yesterday.

The proposed free trade agreement (FTA) with India is unlikely to bring immediate trade benefit to Bangladesh. However, it may produce better result in the long run if there are huge investment and diversification of export products here, leading economists said.

They were speaking at a daylong workshop on 'Bangladesh-India Trade' in Dhaka. The World Bank in collaboration with Bangladesh Enterprise Institute (BEI), SouthAsia Enterprise Development Facility (SEDF) and International Finance Corporation organised the workshop.

"The FTA will bring no benefit to Bangladesh unless the negative list is shortened. India is pursuing the FTA very strongly as it will promote investment in India, but it might be a major setback for investment in Bangladesh," said MA Taslim, a professor of Economics at Dhaka University.

"Even the WTO experience suggests that the least developed countries (LDCs), which are not strong enough in bilateral negotiations, would benefit from the multilateral agreements," he added.

The trade deficit of Bangladesh with India now stands at US\$ 1.5 billion, the reduction of which is impossible if India does not remove the trade barriers, said Commerce Secretary Faruq Ahmad Siddiqi.

"Ignoring South Asian Free Trade Agreement (Safta) or the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Bimstec) will be a



PHOTO: STAR

Farooq Sobhan, president of Bangladesh Enterprise Institute (BEI), speaks at a workshop on 'Bangladesh-India Trade' organised by the World Bank yesterday in Dhaka. Faruq Ahmad Siddiqi, commerce secretary, and Veena Sikri, Indian high commissioner, among others, were present.

threat to us," he said, adding "We can see the outcome of Safta or Bimstec once those come into operation."

The workshop was also addressed by Commerce Minister Altaf Hossain Chowdhury, FBCCI President Abdul Awal Mintoo, Indian High Commissioner to Bangladesh Veena Sikri, World Bank's senior economist Zaidi Sattar, former commerce secretary Alamgir Farouq Chowdhury, former foreign secretary CM Safi Sami and BEI President Farooq Sobhan.

"A colossal trade deficit exists between Bangladesh and India and there are such non-tariff barriers, which significantly hinder the development of trade relations between the two countries," said Altaf.

Veena Sikri spoke in favour of bilateral FTA citing the example of such agreement between India and Sri Lanka.

She said Sri Lankan exports to India in FY2000-01 were worth US\$ 45 million, which grew to US\$194.78 million in FY2003-04 due to implementation of FTA.

Sri Lanka's exports growth to India was only 49.71 percent in FY2001-02, but in FY2003-04 it grew by 114 percent, Sikri said, adding that the two countries are now discussing a comprehensive economic partnership agreement. "This will not only expand the list of goods covered under the FTA, but also promote cooperation in services, investment and trade facilitation."

The proposal for bilateral FTA was made taking into account Bangladesh's desire for duty-free access to Indian market, she said.

Bilateral FTA provides a structured framework under which various issues such as rules of origin, harmonisation of HS Code and custom procedures and negative

lists can be addressed, said Veena Sikri.

A WB study on 'India-Bangladesh Bilateral Trade, Exchange Rate and Trade Policy Development', presented at the workshop, says under such FTA, Bangladeshi goods would enjoy duty-free access to Indian market and would not be subject to non-tariff barriers.

WB economist Zaidi Sattar told the reporters that the WB is not for or against the FTA. The WB study just gives an opportunity for the two governments and businesspeople to analyse the prospects of the FTA on product basis.

WB consultant Garry Pursell, SEDF Programme Manager Marlon Lezama, former state minister for foreign affairs Abul Hasan Chowdhury also spoke at the workshop.

Tk 100cr cash incentives released for BKMEA

BDNEWS, Dhaka

Finance Ministry has released Tk 100 crore cash incentive for knitwear exporters, ministry sources said yesterday.

Earlier last month, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) led by its President Fazlul Haque met Finance and Planning Minister M Saifur Rahman and urged him to release Tk 300 crore remaining pending against cash incentives for about two years.

"The minister told us that he would pay the full amount by the first week of August," Haque said, adding that, "But we have been given only one-third of the amount."

"The minister has agreed to release a portion of the arrears of the cash incentive by the first week of August and accordingly he did it," said a senior official of the finance ministry.

The remaining amount will be paid gradually, he added.

Knitwear exporters in the country receive a cash incentive from the government at a rate of 5 percent.

SEC plans to set up institute to deal with licensing, accreditation

BDNEWS, Dhaka

The Securities and Exchange Commission (SEC) has planned to set up an institute to issue licences to brokers and dealers and train officials engaged in the market, sources said yesterday.

The planned institute will be responsible for issuing accreditation to brokers, dealers and other stakeholder, SEC Executive Director Anwarul Kabir Bhuiyan said.

"Establishment of an institute will help the stakeholders to comply with the rules and regulations of the market and ensure corporate governance," said Bhuiyan.

The institute was planned in line with an Asian Development Bank (ADB) recommendation in the final report of the Financial Markets Governance Programme, official sources said.

A 13-member steering committee, headed by SEC Chairman Mirza Azizul Islam, was formed to review the feasibility of the institute, they said.

The SEC is also considering incorporation of an integrated and improved surveillance software for the Dhaka and Chittagong stock exchanges.

Pakistan dates show ends

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The two-day Pakistan Dates Show 2005, which was organised to boost the country's date exports to Bangladesh, ended yesterday amid huge response.

A total of eight date exporters from Pakistan and two importer companies of Bangladesh participated in the third version of the promotional fair in Dhaka. Export Promotional Bureau and Pakistan High Commission jointly organised the fair.

The Pakistani exporters will meet the major local importers on August 15 to ease dates trade between the two countries.

Bangladesh is the fifth largest date importer from Pakistan and the volume of dates imports increased by 100 percent over the previous year.

In FY2003-04, Bangladesh imported dry dates worth \$ 9,915 from Pakistan that shot up to \$21,799 in FY2004-05.

Khulna Hardboard Mills resumes production

UNB, Khulna

Khulna Hardboard Mills resumed trial production yesterday after a closure for about three years.

Officials said they would go on commercial production in a week.

The state-run mill was laid off in December 15, 2002 following huge loss. Industries Minister Matuor Rahman Nizami while visiting the mill recently assured of its reopening.

HC orders FBCCI to hold polls on Aug 21

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The High Court (HC) yesterday ordered the country's apex trade body FBCCI to hold its biennial election on August 21 as per the previous schedule.

An HC division bench comprising justices MA Matin and Mamoon Rahman declared the rescheduling of FBCCI election announced on August 5 illegal and passed the order to hold the polls on August 21, as per the June 1 schedule.

In clearing the way for the FBCCI polls, the HC bench also withdrew the injunction on the publication of the final list of candidates to the election of the Federation of Bangladesh Chambers of Commerce and Industry.

The HC also directed the FBCCI and the government authorities to include Bangladesh-China Chambers of Commerce and Industry (BCCCI) and Bangladesh-Thai Chambers of Commerce and Industry (BTCCI) on the voter list of the FBCCI before holding the election on August 21.

The HC passed the order after BCCCI filed a writ petition to include it on the voter list of the FBCCI.

On July 30, BCCCI filed the writ petition seeking permission to the FBCCI before holding the election.

The HC order came upon four writ petitions filed by BCCCI, BTCCI, Bazlur Rahman, vice president of Narayanjan Chamber of Commerce and Industry (NCCI) and Dewan Sultan, director of Laxmipur Chamber of Commerce and Industry, and Abdul Wahed, director of Chapainawabganj Chamber of Commerce and Industry.

On August 8, Abdul Wahed and Dewan Sultan filed a writ with the HC challenging the legality of the August 5 announcement of the rescheduling of the polls by the FBCCI election board. Holding of the election as per the previous schedule for August 21 was also demanded in the petition.

Following another HC order, the FBCCI election board on August 5 rescheduled the polls to September 10 instead of August 21.

The HC passed the order after BCCCI filed a writ petition to include it on the voter list of the FBCCI.

On July 30, BCCCI filed the writ petition seeking permission to the FBCCI before holding the election.

On August 1, the HC imposed an injunction upon publication of final list of candidates following a petition filed by Bazlur Rahman of NCCI, challenging the cancellation of his nomination paper by the FBCCI election board.

However, BCCCI, BTCCI and NCCI representatives withdrew their petitions yesterday on consensus of holding the polls on August 21.

The tenure of the present FBCCI executive committee will expire on September 9 and as per the FBCCI constitution, the election must be completed 15 days prior to the expiry of the incumbent committee.

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

Improved law and order seen key to SME growth

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Improved law and order and utility bills subsidy are needed for the growth of small and medium enterprises (SMEs), Advisor to Energy Ministry Mahmudur Rahman said yesterday.

"Improved law and order is needed so that businesspeople don't have to pay illegal tolls. Tolls invariably increase the cost of business," he said while addressing a seminar titled "Impact of National Budget on SMEs".

Economic Reporters Forum and Katalyst jointly organised the seminar at the Jatiya Press Club in Dhaka.

Rahman, also the executive

chairman of Board of Investment, argued against cash subsidy, which he said, encourage corruption. Instead of the incentives, the government can consider providing subsidy on the utility bills of the SMEs, he observed.

He was also upbeat about Bangladesh's position in the post-MFA era. Even China, which is believed to have been mostly benefited in the post-MFA regime, is relocating business to Bangladesh, he said.

In fact, a big Chinese company that produces under-garments met him last month and offered to relocate its business here, Mahmud said.

Rahman said private sector investment has surpassed public sector's investment in the last few years. At present, investment in the private sector is around Tk 60 to 62 thousand crore. Of them, around Tk 20 thousand crore is invested in large industrial units, while the most of the rest are invested in SMEs, he added.

Former advisor to the caretaker government Rokia A Rahman pointed out that SMEs should receive highest priority to expedite poverty reduction and create more jobs. She also called for setting up a separate cell for SMEs.

DEEPSEA PORT 7 consultants shortlisted for study

UNB, Dhaka

Seven international consulting firms have been shortlisted for conducting technical and financial study on setting up a deepsea port in the country.

The shortlist has been prepared after scrutinising the expression of interests (Eoi) submitted by the international consultants based on the terms of reference for appointing the consultants.

This was informed at a meeting of the inter-ministerial committee formed for deciding the strategy on setting up a deepsea port in Bangladesh. The meeting held at the shipping ministry conference room yesterday was chaired by Minister Akbar Hossain.

The seven shortlisted companies are HPC Hamburg Port Consulting of Germany, Royal Haskoning of Netherlands, Kolen Gromit and Pvt Ltd of Australia, Pacific Consultants International of Japan, BCEOM of France, CPCS Transcom Ltd of Canada and Nathan Associates of USA.

Oil crosses \$67

AFP, New York

Oil futures surpassed a record \$67 a barrel in New York Friday to extend a startling rally fuelled by massive global demand and production problems at strained refineries, dealers said.

After reaching \$67.10 a barrel, the New York contract for light sweet crude for delivery in September closed at \$66.86, up \$1.06 on Thursday's finish.

In London, the price of Brent North Sea crude oil for delivery in September gained \$1.07 to \$66.45 a barrel -- after hitting an all-time high of \$66.77.

New York futures have now rocketed by more than 160 percent since August 2002, when they stood at just \$25 a barrel. They have jumped at least 60 percent since August 2004.

However, adjusted for inflation, they remain below levels reached in the wake of the 1979 Iranian revolution when prices surged to upwards of \$80 a barrel in today's money.

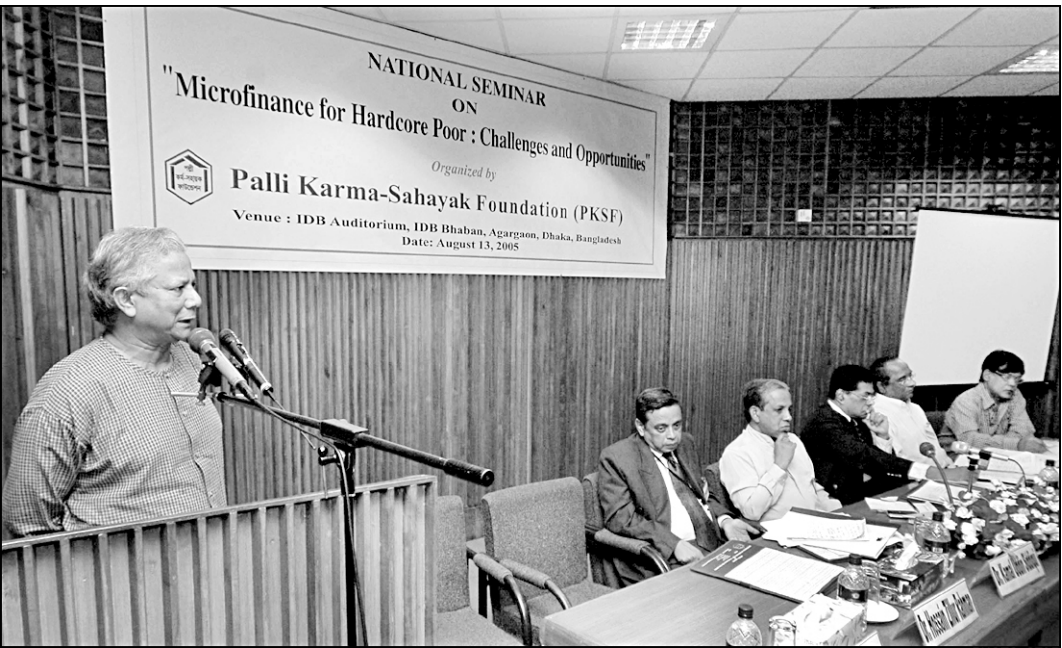


PHOTO: STAR

Dr Muhammad Yunus addresses a seminar on 'Microfinance for Hardcore Poor: Opportunities and Challenges' organised by Palli Karma Sahayak Foundation (PKSF) in Dhaka yesterday. Kamal Uddin Siddiqui, principal secretary to the prime minister, and Fakhruddin Ahmed, managing director of PKSF, among others, are also seen.

Investment needed in Monga-prone areas

Says Dr Yunus

STAR BUSINESS REPORT

Investment in Monga-prone areas is needed to create employment to get rid of the near-famine situation, economist Dr Muhammad Yunus said yesterday.

He also said focus on various social issues such as health and education are key to eradicating Monga, which hits the country's northwestern region every year.

The micro finance expert was addressing a seminar titled 'Microfinance for Hardcore Poor: Opportunities and Challenges' organised by Palli Karma Sahayak Foundation (PKSF) in Dhaka.

Yunus said although Bangladesh has achieved a success in poverty alleviation in the recent years, hardcore poverty is still there in the Monga-prone area.

A co-ordination is now necessary between the government agencies and non-governmental organisations to cut poverty, he added.

Speaking at the function, Kamal Uddin Siddiqui, principal secretary to the prime minister, said it is not possible to cut hardcore poverty only through micro-credit programme.

"Microcredit programmes apart, standards of health and education and employment opportunities have to be increased for the hard core poor," he said.

"Besides, we have to address some social problems such as repression on women, dowry practices and early marriages, which retard poverty alleviation activities," said Siddiqui.

"We want that problems of the hardcore poor be solved according to PRSP (poverty reduction strategy papers). If necessary, the government will increase the amount of allocation to the PKSF," he added.

Stressing the need for a sustainable microcredit programme for the hardcore poor, Fakhruddin Ahmed, managing director of PKSF, said,

"We have to find out that what types of flexibility are needed to make the PKSF programme into a success one."

A co-ordination among the microfinance programmes and other similar programmes run by different NGOs for the hardcore poor is also needed, Ahmed said.

Jashim Uddin, deputy general manager of PKSF, presented a keynote paper on PKSF interventions in micro-finance to the hardcore poor while Shahid-U-Zaman, and Rasel Ahmed Liton, executive directors of ESDO and SKS, the supportive NGOs of PKSF, shared their field experiences on microfinance to the hardcore poor.

Mosharrarf Hossain Khan, deputy managing director of PKSF, Baqui Khalily, prof of Finance of Dhaka University, and Sajjad Zohir, senior research fellow of Bangladesh Institute of Development Studies, also spoke at the seminar.