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IMF reviews economy in post-MFA era

Team due in Dhaka Sept 4

REJAUL KARIM BYRON

International Monetary Fund (IMF) has asked for information from the government to review the country's overall economic condition including export, balance of payment and trade balance in the post-MFA regime.

An IMF team led by Thomas Rumbaugh, adviser, the Asia Pacific region, is scheduled to visit Bangladesh from September 4 to 11 in this regard, according to a finance ministry source.

The IMF also enquired about the latest status of Bangladesh's trade negotiations with the US, European Union (EU) and Saarc countries.

The IMF questionnaire has asked about trade policy reform plans during FY2005-06 and beyond as well as update on the status of the most important trade negotiations with EU, US, WTO and Saarc nations.

It also wants to know the initial impact of the post-MFA regime on the country's readymade garment (RMG) sector.

Other important queries include specific developments in garment and textile sectors with a focus on monthly order flow, opening of letters of credit (LCs) and investment in new productive sectors.

The IMF has also asked about data on volumes and unit prices for various categories of exports and imports and updated information in terms of trade in FY2004-05.

The IMF earlier predicted an export growth of 4.1 percent for FY2004-05, with policy adjustment in the post-MFA regime. A trade imbalance of about $ 3.8 billion was also anticipated for the last fiscal year against $2.3 billion of FY2003-04.

Proving the IMF prediction wrong, the country achieved an export growth of 14 percent last year. However, the huge rise in import has resulted in a trade imbalance of $3.3 billion last year, still less than the IMF projection.

However, the country's RMG sector, which contributes 80 percent to the country's total export income, was not affected significantly due to a temporary breathing space in the face of invoking WTO safeguards by the US and EU against China, the IMF pointed out to the government, the source said.

In order to make sure that Bangladesh maintains a considerable momentum, the IMF is putting emphasis on the completion of trade negotiations and trade policy reforms.

A commerce ministry source, however, said a little progress has been achieved in negotiations regarding Trade and Investment Framework Agreement (Tifa) with US, Safta with Saarc countries and implementation of Saarc cumulation with EU.

The IMF has also made queries about the recent Bangladesh Foreign Exchange Dealers Association (Bafeda) initiative to contain the ongoing dollar crisis in the country.

Against a backdrop of recent price hike of the greenback, the Bafeda took initiative to rein in the dollar price. Despite some difference in Bafeda's intervention, the upward trend in dollar price got stalled following the Bafeda initiative.

Dhaka office of the IMF has already talked with some local bankers about the issue and the visiting mission might raise the topic to the Bangladesh Bank, a bank source said.

Malaysia Airlines launches special package

STAR BUSINESS REPORT

Malaysia Airlines has launched a special package, free stay in Malaysia for four days and three nights, for Bangladeshi travellers.

The offer, meant for two persons on purchase of air tickets from Malaysia Airlines, is valid from September 1 to December 15, 2005 for travellers.

Christopher Yek, regional manager (South Asia) of Malaysia Airlines, formally announced the package, 'Showcase Malaysia 2005', at a hotel in Dhaka on Monday. Hamiz A Hasim, acting high commissioner of Malaysian to Bangladesh, was also present at the function.

Any two passengers travelling together during the offer will be eligible for a complimentary four days and three nights stay on twin sharing basis at selected hotels subjects to room availability, airline officials said. Travellers can choose from over 29 hotels and resorts around the country for their accommodation.

Akhter Uddin Ahmed, chief executive officer of Malaysia Airlines, Bangladesh, and Sheikh Farid Ahmed, manager of Malaysia Airlines, Bangladesh, were present at the function.

RMG IN QUOTA-FREE ERA

Nat'l policy needed to ensure compliance

Tripartite meet suggests

STAR BUSINESS REPORT

A high-profile meeting yesterday recommended formulation of a national policy to maintain social compliance issues for garment factories to face the challenges of quota-free era.

The social compliance issues include minimum wage, appointment letters and a single code of conduct for RMG workers.

The tripartite meeting involving the government, workers' representatives and employers also stressed the need for developing technology, workforce and infrastructure for the growth of the sector.

Ministry of Commerce and International Labour Organisation (ILO) jointly organised the meeting on 'Enhancing Employment & Global Competitiveness through Decent Work: Post-MFA Challenges and Opportunities' at Sonargaon Hotel in Dhaka.

Although many studies predicted some adverse impacts of quota phase-out including loss of garment workers' employment, the reality was quite different, Commerce Minister Altaf Hossain Choudhury said at the inaugural session.

No joblessness or market loss has been detected until now, but the global issues related to social compliance and standards have posed serious challenges to the manufacturers, especially following the Spectrum factory accident, he said.

"Now, the exporters are facing fierce competition regarding price cuts and meeting buyers' demand," he added.

Export of readymade garments during January to June period of 2005 has fallen by about 1.52 percent compared to the corresponding period of the previous year, he added.

The minister termed this fall seasonal, but expressed concern saying if workers lose jobs, the outcome will be unhealthy for the economy as a whole. "We are strongly monitoring the progress," he said.

Bazlul H Khondker, a professor of Economics at Dhaka University, said exports of woven products declined by 6.6 percent in the first four months of 2005 compared to the same period of 2004, while knitwear sector enjoyed a robust growth rate of 32.5 percent in the first four months of 2005.

Discussants also recommended development of a database to keep record of changes related to employment situation and working conditions at firm level. They also emphasised the need for helping the small and medium scale RMG enterprises to comply with standards and holding social dialogues involving employers, workers, policy makers and multilateral agencies.

Bangladesh Employers' Federation President Syed Manzur Elahi said the international organisations such as UNDP and ILO should work together to ensure that the realities of the globalisation process are addressed fairly.

Commerce Ministry Secretary Faruq Ahmad Siddiqi, Adviser Barkatullah Bulu also spoke at the inaugural session, while Vice Chancellor of North South University Hafiz GA Siddiqi, BGMEA President Annisul Huq, BKMEA President Md Fazlul Hoque, Jatiyo Sramik League General Secretary Roy Ramesh Chandra took part in the panel discussion.

Canberra, KL to hold fresh FTA talks

AFP, *Sydney*

Negotiations on a free trade agreement between Australia and Malaysia will top the agenda at a ministerial meeting starting in Kuala Lumpur Thursday, Trade Minister Mark Vaile said.

Vaile and his Malaysian counterpart Rafidah Aziz will co-chair the two-day Australia-Malaysia joint trade committee meeting, he said in a statement.

"Negotiations for a Free Trade Agreement between Australia and Malaysia, launched in April this year, will be a key feature of the trade talks," Vaile said.

India to seek joint bid with China for world oil assets

AFP, *New Delhi*

India will seek to jointly bid with China for energy resources in other countries after losing out to its giant neighbour in a bid for Kazakhstan's third-largest oil producer, a report said Wednesday.

The loss of the bid "underlines the need for China and India to adopt a collaborative approach in bidding for oil and gas assets," India's oil minister Mani Shankar Aiyar was quoted as saying by the Press Trust of India.

"I'm going to Beijing in November to consolidate relations between the two countries and see that wherever possible and when in mutual interest, we mount joint bids," Aiyar said Tuesday.

China's National Petroleum Corp (CNCP) won the bidding war against India's state-run Oil and Natural Gas Corp after it offered a higher sum for PetroKazakhstan.

"ONGC-Mittal made a very good bid and lost out only by a thin margin apparently because CNCP was allowed to revise its bid while the Indians were not allowed to do so," Aiyar said.

ONGC, which is India's largest oil exploration company, has said it will revise its bid if given a chance by PetroKazakhstan, which accounts for 12 per cent of Kazakhstan's oil production and produces 150,000 barrels a day.

Both India and China have been scouring for oil resources abroad to meet the energy needs of their burgeoning industries, which have been driving the strong growth of the two Asian economies.

While the two Asian countries are often seen as rivals, energy analysts have said it might make more sense for them to cooperate to gain economies of scale and negotiating muscle.

An Indian Joint Task force visited China earlier this month and found strong support from Chinese state-run firms to forge a "joint participation" for assets in third countries, the Indian Express said.

Right now, the Chinese have an upper hand over India in bidding as they can clinch a deal at any cost while Indian public sector companies need to ensure the investment provides at least a 12 percent rate of return, according to government rules, the newspaper said.

One of the strongest voices for a partnership has come from CNCP which pipped India at the post for PetroKazakhstan, it said.

India imports nearly 70 percent of its oil needs and last year consumed a little over two million barrels a day. A government paper has forecast that by 2025, India will consume 7.4 million barrels a day.

Beijing relies on foreign producers for one-third of its oil supplies and accounts for about seven percent of world oil demand. China's annual use stood at 5.46 million barrels of oil a day in 2003.

Citibank's brand management programme for RMG exporters

Citibank NA Bangladesh recently organised a four-day programme titled 'The Business of Fashion -- Strategic Brand Management' for entrepreneurs and executives of readymade garment sector.

The programme, which concluded on Friday, was held in association with Fashion Institute of Technology (FIT) of New York and Indian School of Business (ISB), says a press release.

The programme aimed at sharing the best practices and targeted for the entrepreneurs and executives from the export oriented-apparel manufacturers who are interested in developing their own brands.

Four entrepreneurs and executives from Bangladesh participated in the programme held at ISB campus, Hyderabad, India.

1 lakh foreigners involved in illegal indenting business

Indenting agents' assoc alleges

UNB, *Dhaka*

More than one lakh foreign nationals are illegally engaged in indenting business in Bangladesh, causing a huge loss to the national exchequer, according to local indentors.

They alleged these foreigners are staying in Bangladesh illegally and running business without registration, certificate or any other legal documents.

Their allegations came from a press conference arranged by Bangladesh Indenting Agents' Association (BIAA) in Dhaka.

BIAA President Syed Moazzam Hossain read out a written statement at the press conference. Also present at the news conference were BIAA Senior Vice-president Maj Gen (retd) KM Abdul Wahed, Vice-president Bahalul Mansur Sagar and Member KMH Shahidul Haque.The BIAA leaders said the foreigners do not pay any taxes and even have no membership of the indenting association.

Wrong policy of the government has harmed the indenting business, BIAA president said. He also said a mess was created in fiscal 1986-87 when the policy for opening LC through Proforma Invoicing had been initiated.

The policy also relieved the traders from submitting reports to the Bangladesh Bank and the government upheld the interest of the foreigners introducing the Direct Proforma Invoicing (DPI), he said.

With the introduction of DPI, a vested local group found their way to make money by joining hands with the foreigners, the BIAA president said.

He claimed the vested group got involved in money laundering by opening LCs through DPI and urged the government to allow import through indents only stopping it against DPI.

The BIAA leaders said the indenting registration certificate, trade license, TIN certificate, VAT registration and declaration of commission must be made mandatory for the foreign traders.

They also urged the government to make arrangement for proper utilisation of hard-earned foreign currency, protecting the importers' interest, justifying the competitive prices, ensuring collection of taxes and duties properly and repatriation of indenting commission officially.

They also demanded steps to stop money laundering, ensure the accountability of bad or default exporters and take action against illegal stay of the foreigners and their unlawful business.

They also demanded of the finance minister to reduce their license fee, which was raised to Tk 20,000 from Tk 5,000.

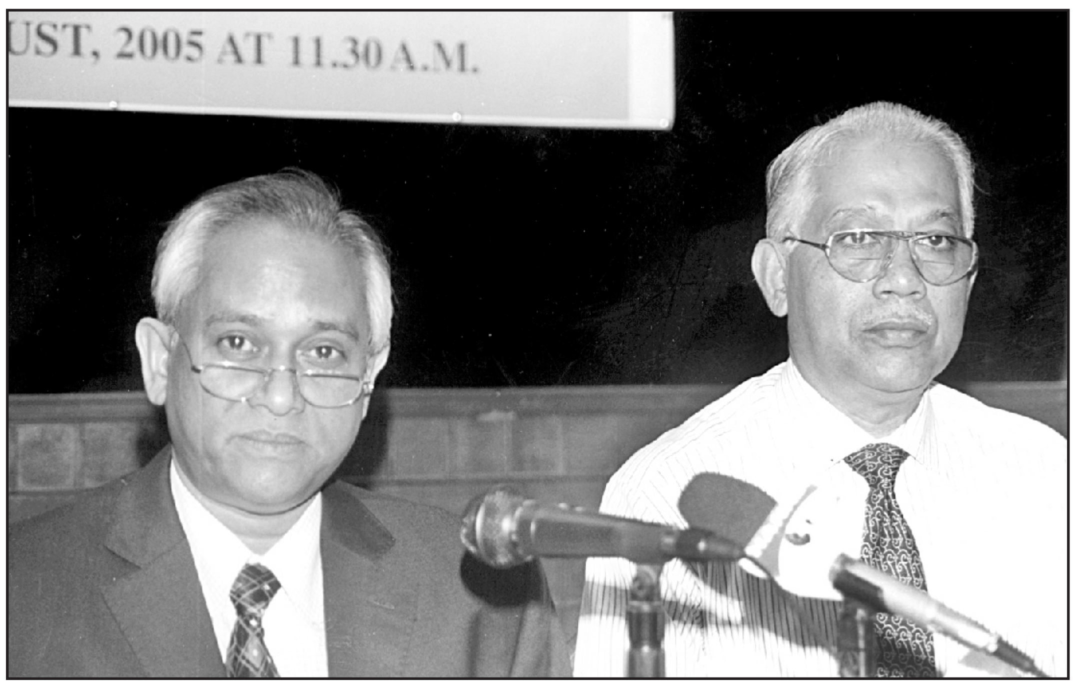

PHOTO: STAR

Bangladesh Indenting Agents' Association President Syed Moazzam Hossain and Senior Vice-president KM Abdul Wahed are seen at a press conference in Dhaka yesterday.

AVOIDANCE OF DOUBLE TAXATION

Dhaka, Yangon sign agreed minute

BDNEWS, *Dhaka*

Bangladesh and Myanmar yesterday signed an agreed minute to avoid double taxation.

AS Zahir Mohammad, member (Income Tax Policy) of National Board of Revenue and Ul Ko, deputy director general of revenue department of Myanmar, signed the minute on behalf of their sides after a three-day consultations in Dhaka.

After initialling the minute, Zahir said the minute will be sent to the law ministry for vetting. Later, it will be placed at a cabinet meeting for approval, he added.

Bangladesh has already singed agreements with 25 countries to avoid double taxation, he added.

If an agreement to this effect is implemented, the existing economic and trade relations between the two countries will be strengthened, he hoped.

Oil over $66 ahead of stock data

REUTERS, *London*

Oil climbed above $66 a barrel on Wednesday as the market awaited US data expected to show sliding gasoline stocks in the world's biggest consumer and a gathering Caribbean storm posed a new threat to output.

Supply disruptions in Iraq, Nigeria, the North Sea and Ecuador have driven oil back toward its $67.10 a barrel record and added to concerns that stocks are running low.

On Wednesday, traders watched the beginnings of two tropical storms that could hit oilfields in the US Gulf. The first is gaining strength and could soon become Tropical Storm Katrina.

As Iran's parliament prepared to vote on the country's next oil minister, the market was reminded that Opec's second biggest producer is at odds with the West over its nuclear program.

"Despite signs of near-term demand weakness, fear is alive and well and the market has not given up its hypertensive reaction to news of supply glitches no matter the magnitude," analysts at Refco said in a report.

US crude traded 58 cents higher at $66.29 a barrel at 1217 GMT. London Brent was up 49 cents at $65.14.

US government figures due at 1430 GMT are expected to show a 100,000 barrels decline in crude oil stocks last week and a 1.1 million barrel fall in gasoline, a Reuters survey found.

"The main focus is gasoline, where inventories are very low compared with demand. The market will also be looking at the implied demand figure," said Kevin Norrish of Barclays Capital.

Analysts forecast a 1.5 million barrel rise in distillate fuel stocks ahead of peak winter fuel buying.

Assurances by top exporter Saudi Arabia that it would pump as much oil as its customers need failed to take the sting out of a rally that has lifted oil toward the inflation-adjusted $82 a barrel of 1980, the year after the Iranian revolution.

And there is no sign of a let-up next year. Analysts polled by Reuters predicted for the first time on Wednesday that prices would breach $50 a barrel in 2006.

The perceived vulnerability of supply lines is a major factor supporting prices.

Crude oil exports from Iraq's southern Basra terminal resumed late on Tuesday after a power cut earlier in the day, which had halted crude loadings of around 1.5 million barrels per day (bpd), shipping sources said on Wednesday.

In Ecuador, which mostly supplies crude to California, output is still down to around 80 percent of its 530,000-bpd level after attacks on oil infrastructure last week. Protesters are hopeful for a deal with energy companies on Wednesday.