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16 SoEs to be privatised in six months

Privatisation Commission chairman says

UNB, *Dhaka*

A total of 16 more state enterprises will be handed over to private sector in the remaining six months of this fiscal year, as the Privatisation Commission does not see any major hindrance in the process.

Meanwhile, six industrial units were handed over to private entrepreneurs in the year 2005.

The ongoing privatisation process is expected to keep pace next year with the performance in the outgoing year in divesting the state-owned enterprises (SoEs), which was claimed to be "very good".

"We've done a good job during the outgoing year and are expecting another good year in 2006," Privatisation Commission Chairman Enam Ahmed Chowdhury told the news agency yesterday.

He said an apprehended political unrest ahead of the next general election might affect the process but at a very minimum level as both the ruling BNP and the main opposition Awami League have been "very much willing" in this regard.

"We'll carry out our programme as usual... the important thing is that both the opposition Awami League and the ruling party are very much eager about privatisation of the SoEs," he said.

The companies listed for privatization for this fiscal year include Particle Board Veneering Plant, Chittagong, Bangladesh Can Company Limited, Chittagong, Standard Asiatic Oil Company Limited, Rupali Bank Limited, Arco Industries Limited, Chittagong, Tiger Wire Products Limited, Farashganj Road, Dhaka, SAF Industries Limited, Noapara, Jessore, and Dhaka Match Factory Limited, Shyampur, Dhaka.

A total of 26 state-run industries were sold out to the private entrepreneurs during the past four years in this government's tenure.

Anlima Yarn Dyeing okays 5pc dividend

Anlima Yarn Dyeing Ltd has declared a five percent dividend for its shareholders for the year 2004-05.

The dividend was approved at the 10th annual general meeting (AGM) of the company held on Tuesday in Savar, says a press release.

Mahmudul Hoque, chairman and managing director of the company, M Abul Kalam Mazumdar, Hubbun Nahar Hoque and Abul Bashar, directors, were present at the AGM.

Forex reserves stand at $2.8b

WB releases $200m Development Support Credit

REJAUL KARIM BYRON

The country's forex reserves yesterday stood at $2.8 billion after the World Bank (WB) on Wednesday released the third tranche of the Development Support Credit (DSC).

The foreign exchange reserves were $2.6 billion on Wednesday while on June 30 the reserves stood at $3.02 billion.

The WB in early December approved the release of the DSC-3 and on Wednesday released $200 million to help make the reserves healthy.

However, the government is due to pay off around $300 million import bill of Asian Clearing Union early next month, which will again bring down the reserves amount.

Bangladesh Bank Governor Dr Salehuddin Ahmed yesterday told The Daily Star that the release of DSC will reduce the government's bank borrowing and consequently ease pressure on inflation. "It will also brighten Bangladesh's image outside," the governor observed.

The sharp rise in import in the last fiscal year eroded the forex reserves substantially and after last June the reserves came down to about $2.4 billion.

On the other hand, as the DSC-3 was not being released the government's bank borrowing also climbed up. In the mid-December, the net government borrowing from the banking system rose by 19 percent or Tk 4,368 crore from last June.

Again, the depreciation of taka besides domestic credit growth is fuelling inflation.

Taka has been depreciated by 8.73 percent from December 04 to December 05.

Despite tight monetary policy adopted by the Bangladesh Bank domestic credit growth in October 05 was 18.43 percent higher than that in October 04. The credit growth in public sector was 38.77 percent and in the private sector 16.93 percent.

On average the inflation stood at 6.21 percentage in October 2004 and 6.49 in June 2005. But in October 2005 it hit 6.77 percent.

The BB governor however hoped that the steps undertaken by the central bank and government will reduce the borrowing. He also hoped that the inflation will not exceed 7 percent.

On the foreign exchange market the governor said it is an open market and the BB cannot interfere. However, the central bank is closely watching the various developments there, Ahmed assured.

When asked why the central bank is not supplying dollar in the wake of dollar crisis, the governor said forex reserves of a country are the balance sheet of the country. "One needs to look at the forex reserves before investing there, so we have to keep the reserves at a certain level," he explained.

PHOTO: ANLIMA YARN DYEING

The 10th annual general meeting (AGM) of Anlima Yarn Dyeing Ltd was held on Tuesday in Savar. Chairman and Managing Director Mahmudul Hoque, directors M Abul Kalam Mazumdar, Hubbun Nahar Hoque and Abul Bashar were present at the AGM, which declared a five percent dividend for its shareholders for the year 2004-05.

Asian airlines to hit turbulence in 2006, says report

AFP, *Sydney*

2006 will be a make-or-break year for airlines with big expansion plans in the Asian region, the Centre for Asia-Pacific Aviation (CAPA) said in its annual outlook report.

With an unprecedented number of aircraft ordered by Asian airlines for delivery in 2007, the Sydney-based industry research group said next year represented "the quiet before the storm.

"As we enter 2006, there is a higher-than-usual-level of unpredictability as the still-unknown impact of higher fuel costs continues to flow through to consumer spending," it said.

The centre said 2006 would be a year of consolidation after the shocks posed by SARS and terrorism, with airlines preparing for massive fleet upgrades and overhauls of their route systems.

"If, for whatever reason, their efforts are thwarted, it places in jeopardy strategic development plans which are essential to their medium-term futures and, in some cases, to survival," the report said.

The centre said the expansion plans would present new challenges, including a pilot shortage and industrial tensions as airlines outsource the service and maintenance of their newly-arrived fleets.

Recent aircraft purchases in the region include Qantas' order earlier this month of up to 115 new Boeing 787 Dreamliners, China's decision to buy 150 Airbus A319, A320 and A321's along with 70 Boeing B737's, and Emirates move for 42 Boeing B777s, bringing its new planes on order to 132.

President, ICAB

New office bearers of ICAB

The Council of the Institute of Chartered Accountants of Bangladesh (ICAB) has elected its new office bearers for the year 2006.

ASM Nayeem has been elected president and Showkat Hossain, Jamaluddin Ahmed and SM Atiar Rahman have been elected vice presidents of the institute.

Nayeem qualified as a chartered accountant and a certified accountant from UK in 1980, says a press release.

Showkat Hossain is a partner of Hoda Vasi Chowdhury & Co, Chartered Accountants, an independent affiliate firm of Deloitte Touche Tohmatsu USA.

Jamaluddin Ahmed is also a partner of Hoda Vasi Chowdhury & Co while SM Atiar Rahman is a partner of Masih Muhith Haque & Co.

China looking to build power plants overseas

REUTERS, *Beijing*

China is looking into building power plants in neighbouring countries and transporting the electricity across its borders on high voltage cables, the China Daily reported yesterday.

It is considering hydropower and coal-fired stations in Kazakhstan, Mongolia and Russia, which would be built by Chinese firms and connected to the Chinese power network by the State Grid Corp, the country's top grid operator, the paper said.

"These negotiations are still at a preliminary stage, and the company is investigating appropriate sites for these projects," the paper quoted a director of State Grid Corp's research arm as saying.

China has suffered from widespread power shortages over the last two summers that forced factories to close, Shangahi to dim its bright lights in the evening, and apartment buildings and hotels to cut back on air-conditioning.

But runaway investment in generating capacity means the country could be facing a glut in some areas as early as 2007, officials have said.

China Southern Grid Company is also discussing power exchanges with neighbours Vietnam and Thailand, the China Daily said, without giving further details.

Indian cabinet okays Safta accord

Offers Bangladesh additional tariff rate quota

PALLAB BHATTACHARYA, *New Delhi*

The Indian cabinet yesterday approved the decision to join the South Asian Free Trade Area (Safta), which goes into force from January 1.

Commerce Minister Kamal Nath told reporters here after the cabinet meeting presided over by Prime Minister Manmohan Singh that Safta would give a major boost to trade among Saarc countries, particularly border trade and trade through the land route.

He said the agreement provided for special concessions to least developed countries (LDCs) in the region and compensation for them for revenue loss resulting from tariff cuts granted by them.

The cabinet clearance to Safta was necessary because the pact involves import duty concessions to be provided in phases.

As per the provisions of Safta, member-countries, barring the LDCs, will bring down their tariffs by 20 percent by the end of first year. With gradual progressions, customs tariffs would be reduced to five percent after seven years, effectively cutting import duties by 15 percent every year. The LDCs would get ten years to bring down their tariffs to five percent.

India has submitted a negative list of 884 items, which will be excluded from tariff concessions. In case of LDCs, the list would be restricted to 764 items.

India will also convert its specific duties into their ad valorem equivalents on certain textile items from Bangladesh and Pakistan.

Terming Safta a "historic milestone" in the economic profile of Saarc, Nath has said, "Despite the limited concessions of South Asian Preferential Trade Agreement so far, the regional trade has failed to register the kind of growth, which would give us satisfaction".

"Implementation of Safta will help to correct this by further strengthening our trade with Saarc (South Asian Association for Regional Co-operation) countries," he added.

Over 90 percent requirements of South Asian countries are sourced from outside the region and major parts of exports are also destined for countries outside the grouping, he pointed out.

Saarc's total exports in 2003-04 stood at $4,170.5 million, while its imports stood at $679.68 million.

The Safta culminates clear commitments of Saarc countries made at the Kathmandu summit in October 2002 about a South Asian Economic Union.

Indian trade experts envisage that pacts like Safta could foster investment by Indian companies in the LDCs in South Asia in areas like textile and ceramics where countries like Bangladesh are more competitive.

N Srinivasan, director general of Confederation of Indian Industry, said many Indian companies have global aspirations and investment in emerging countries like LDCs, which is a part of the process to become multinational corporations.

Investments will also flow for creating a value chain across India and Bangladesh, if necessary, he said adding the best example of such investment can be in the area of textiles and clothing.

According to Veena Jha, Coordinator of Unctad India project, with knitwear projects to the US from LDCs like Bangladesh having more than doubled in the first six months of 2005, the space for textile exports from India to developed countries could shrink.

Therefore, to mitigate the adverse impact of this, Indian exporters could be encouraged to invest in Bangladesh in order to enhance exports to third country markets, she said.

Additional Tariff Rate Quota for Bangladesh

The Indian cabinet also gave its approval to offer Bangladesh an additional Tariff Rate Quota (TRQ) of two million pieces of garments besides six million already offered.

Indian commerce minister said, "In order to protect interest of its domestic stakeholders, India has finalised two separate lists -- a longer list for non-LDCs like Pakistan and Sri Lanka containing 884 items and a shorter for others like Bangladesh, Bhutan, Maldives and Nepal with 763 items."

OUTCOMES OF HK WTO MINISTERIAL

CPD's reflections from Bangladesh perspective

DEBAPRIYA BHATTACHARYA, MUSTAFIZUR RAHMAN, UTTAM KUMAR DEB, FAHMIDA KHATUN

1. OVERALL ASSESSMENT

The Ministerial Declaration of the WTO that was adopted on 18 December 2005 [WT/MIN(05)/W/3/Rev2 with amendments] is a document of crucial importance which is going to guide the final set of discussions towards the successful conclusion of the Doha Round. A careful reading of the negotiated text leads us to the following overall assessment.

! The Ministerial Declaration does not adequately project the pro-development promises of the Doha "Development" Agenda. The bracketed texts of the latest Geneva draft (with brackets and options) were "cleaned" largely in favour of the developed countries.

! Among the developing countries, G-20 succeeded in withstanding the pressure of the developed countries, and extract substantial dividends from Hong Kong. It is obvious that the advanced developing countries such as Brazil, China, India and South Africa will continue to exert formidable influence in the upcoming negotiations.

! LDCs as a group received a limited market access deal. Some progress has been achieved in the areas of export subsidy in cotton, and in a few cases of special and differential treatment. Some promises have been made on "Aid for Trade".

! Bangladesh's ambitions from the Ministerial remain largely frustrated as it did not get meaningful market access, with limited progress in other areas including Mode-4.

! Bangladesh needs to reinvigorate its negotiating capacities during the last lap of the Doha Round. The country definitely needs to revisit its trade promotion and industrialisation strategies in the light of the Hong Kong outcomes.

! In order to realise the full potential of the HK Declaration, Bangladesh will need to devote more time, resources and energy over the next year. Otherwise, there is a high and real possibility that Bangladesh may turn out to be a net loser from the final deals of the Doha Round.

2. BACKGROUND

! The Doha "Development" Round (DDR), was launched at the end of the Fourth WTO Ministerial Conference held in Doha on 9-13 November 2001. The Doha Ministerial agreed on time schedules for negotiations and for reaching modalities for framework, and then translating those modalities into single undertaking by 1 January 2005.

! The Doha work programme suffered a major setback when the Fifth Cancun Ministerial Meeting of the WTO held on 10-14 September 2003 failed to hammer out a Ministerial Declaration.

! The DDR was put back on track through the Framework Package of July 2004. The July Package provided the broad principles for continuing the work on liberalising agricultural trade, industrial tariffs, services and other areas. The July decisions extended the deadline for negotiations under the DDR work plan from the previously agreed time line of January 2005 to the end of 2005 (i.e. till the Hong Kong Ministerial).

! During the run-up to the Hong Kong Ministerial, five clusters of negotiating issues were expected to be addressed. These were: (i) Agriculture, (ii) Non-Agriculture Market Access (NAMA), (iii) Services (GATS), (iv) Rules, and (v) "Development" provisions.

! Considering the slow pace of progress in negotiations in Geneva, ambition levels were lowered to three core areas of market access, i.e. in the area of agriculture, industrial goods and services.

! In November 2005, WTO members acknowledged the fact that progress in negotiations were far from achieving an agreement in Hong Kong in a manner that could fashion a detailed framework for subsidy and tariff cuts on Agriculture and NAMA.

! In this backdrop, it was hoped that in Hong Kong, members would strive to deliver at least a "Development Package" focussing on duty-free and quota-free market access for all exports from all LDCs.

! The first draft of the HK Ministerial Text was circulated on 26 November 2005. The second revised draft was circulated on 1 December 2005, and a further revised document was circulated on 7 December 2005. This latest document was the basis for negotiation at the Hong Kong Ministerial. At Hong Kong, Revision-1 of the Draft Ministerial Declaration was circulated on 16 December 2005, and Revision-2 was circulated on midday 18 December 2005. The Revision-2 with some last minute amendments at the Closing Session of the Ministerial Conference was adopted in the late evening of 18 December 2005.

3. HONG KONG MINISTERIAL AND BANGLADESH

3.1 Key Interests of Bangladesh and Outcomes

a. Major Areas of Interests

! Bangladesh's primary offensive interest in the context of Hong Kong was MARKET ACCESS in the areas industrial goods, services and agricultural commodities.

! Secondary priorities had been in improving the Special and Differential Treatment (S&DT) provisions, reducing trade distortion in cotton, ensuring food aid discipline, identifying and prohibiting harmful fisheries subsidies, and increasing real assistance for trade related supply-side capacities.

! It may be mentioned here that the defensive interests of Bangladesh were serviced through the July '04 text whereby Bangladesh and other LDCs were not required to undertake any obligations under the Doha Round, and in particular cases were given derogation and various waivers.

(TO BE CONTINUED)

The authors are the researchers of the Centre for Policy Dialogue (CPD), Bangladesh.