

## REAPING SAFTA BENEFIT

# Bangladeshi entrepreneurs urged to expand export market

## Removal of Indo-Pak dispute stressed

Md HASAN

Bangladeshi entrepreneurs should turn their eyes to the Saarc region for expanding their export market by taking all advantages of a free trade pact, said experts.

They suggested that local businessmen should realise that a big opportunity has already been created for a booming trade in the south Asian region after signing the South Asia Free Trade Area (Safta) agreement. This opportunity will also help reduce trade gap among the member-countries of the regional forum.

Intra-Saarc trade experiences reveal that Bangladesh has always been on top of the list of importing countries among the Saarc member-countries. According to the Export Promotion Bureau, in the 2004-05 fiscal, Bangladesh imported goods worth \$2.190 billion from other countries of the bloc, while it exported goods worth \$223.9 million only.

Safta will bring benefits for Bangladesh to reduce the trade gap, the experts said, adding that local exporters should realise first the advantages of the deal.

"Bangladesh will not get trade benefits from all countries under Safta. But as per the deal, it can get some export benefits from India, Bhutan, Sri Lanka and the Maldives," they said taking into account the all member-countries' sensitive lists.

"Local entrepreneurs have to identify the goods beyond the sensitive lists of the Saarc member-countries. Because under Safta, every country can get trade advantages through trading with each other," said an official of the com-

merce ministry.

He said Bangladeshi traders are habituated at exporting to EU and US markets, which is not safe for a country in terms of maintaining export volume in a free market economy.

"As Safta has given more or less benefits to Bangladesh, it is very important for Bangladeshi entrepreneurs to take the advantages because of proximity," he said.

### Possible benefits

#### Bangladesh may get

Bangladesh can be a beneficiary of the seven-nation deal, the experts said, through export of fish, vegetables, jute, tea, leather, readymade garments, home textiles, medicines, processed food, consumer goods, cosmetics, handicrafts and ceramics to other Saarc countries.

The country will get market access to India for jute and jute goods, leather and leather products, ceramics and fruit juice under free trade.

As per the Indian Safta sensitive lists, Bangladesh can export all types of HS heading products like fertilisers, raw hides, skin, leather, special woven fabrics, vegetables, some textile articles, headgear and parts.

On the other hand, India has committed to provide market access of 8 million pieces of garments to Bangladesh under Tariff Rate Quota (TRQ), which can expand garments market in India.

Commerce Ministry sources said although India included Hilsha fish in their sensitive list as per the Sapti (Saarc preferential trading arrangement), it is yet to gain a duty-free access to the Indian market.

Bangladesh has huge trade gap with India. Under the free trade deal, it can be the biggest trading partner of India to reduce the trade gap.

Quoting an example, a high official of the commerce ministry said India's trade with Saarc countries during the April-August period of FY 2005-06 reached \$2.29 billion, registering a 19 percent growth compared to the same period the previous year. India's exports to Pakistan have gone up by 10 percent while exports to India from Pakistan have registered 80 percent growth during this period.

"So why not Bangladesh should get the advantages from India," he questioned, suggesting a two-way effort to overcome the present negative mindset of the policy makers in the interest of reaping reciprocal benefits.

In the Safta sensitive list, Pakistan includes potential export items of Bangladesh such as jute, fabrics, woven and knitted garments, special woven fabrics, made-up textiles and footwear.

EPB said Bangladesh exported goods worth \$46.17 million to Pakistan in the July-March period of FY 2005-06, which is 0.61 percent of the total export earnings of the country. The main products that Bangladesh usually exports to Pakistan are raw jute and tea.

Sri Lanka sensitive list includes fish, leather and footwear, while all major export items of Bangladesh except tea are excluded from the sensitive list of Bhutan. So, Bangladesh will get a chance to boost its export to these countries.

Meanwhile, major export items of Bangladesh such as fish, jute fabrics, woven and knitted gar-

ments, made-up textiles and footwear are on the sensitive list of Nepal. Only three major items of Bangladesh are on the sensitive list of the Maldives.

Data of the country's promotional agency for export show that the main export items of Bangladesh to the Saarc region are chemical fertilisers, raw jute, frozen fish, leather goods, tea, ceramic, garment and textile products.

Experts said the trade liberalisation process under Safta mostly depends on Indian interest, because Saarc regional import is dominated mostly by exports from India, which accounts for 84 percent of its regional trade.

"While the region absorbs 5 percent of India's total exports, only 1 percent of India's imports come from the region. So as a big market player India should look forward to liberalising its market under Safta accord," an expert of the commerce ministry opined.

He said with non-tariff and para-tariff barriers, the recent India-Pakistan trade dispute under Safta may hamper the smooth implementation of Safta.

Meanwhile, on the eve of the Safta implementation, India alleged that Pakistan restricted list of 773 Indian items despite its ratification of the accord without any reservation.

To settle the dispute, an emergency meeting of the foreign ministers of Saarc countries will be held in Dhaka on August 1-2.

"If the India-Pakistan dispute is not resolved, Safta implementation may fall in trouble," the official said.

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## US, Asean ink partnership deal

AFP, Kuala Lumpur

US Secretary of State Condoleezza Rice and Southeast Asian foreign ministers yesterday signed a five-year action plan aimed at boosting trade, investment and political ties.

The accord highlights increasing moves towards smaller regional pacts in Asia and elsewhere in the wake of the collapse of World Trade Organisation talks earlier this week.

"Asean is an important organisation for us," said Christopher Hill, US Assistant Secretary, Bureau of East Asian and Pacific Affairs, referring to the Association of Southeast Asian Nations.

The bloc's Secretary-General Ong Keng Yong told AFP that the Asean-US plan of action was "predicated on the position that the United States would like to do more to open up its trade with Asean countries."

The association groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam.

Under the plan, both sides will work towards an Asean-US Trade and Investment Framework Agreement (TIFA) that will serve as a mechanism to ease trade and investment.

The bloc offers a combined market of more than 500 million people and an alternative manufacturing base to China for multinational companies.

Officials have said the plan could lay the groundwork for a possible US-Asean free trade pact, pointing out that Asean is already in talks for region-wide free-trade agreements with China and Japan.

Asean in May signed a pact liberalising trade in goods with South Korea, but Thailand was left out due to internal disagreements and objections to Seoul's barriers on rice. Thailand, a major rice exporter, may sign on later.

# Banks-NGOs partnership to reduce poverty

## Seminar told

### STAR BUSINESS REPORT

A partnership between banks and non-governmental organisations (NGOs) or micro-finance institutions (MFIs) can accelerate the poverty reduction in line with the Poverty Reduction Strategy Papers (PRSP) of the government, speakers said at a seminar Wednesday.

They said Bangladesh micro-finance sector has emerged as one of the leading actors contributing to the national economic growth and there are ample scopes for broadening such tripartite partnership to enhance this growth through reaching out to the vast left-out poor clientele population in the country.

The national seminar on 'Bank-NGO/MFI Partnership: Today and Tomorrow' was jointly organised by Credit and Development Forum (CDF), Federation of NGOs in Bangladesh (FNB) and International Network of Alternative Financial Institutions (INAFI) in Dhaka on Wednesday night.

Although a few banks are involved in micro financing, it is not satisfactory, the speakers said, suggesting that the banks should increase their domain of interventions and thus they can develop a friendly micro-credit financing policy within their corporate social responsibility.

Welcoming the Microcredit

Regulatory Authority Act 2006, they also urged the Bangladesh Bank, Palli Karma Sahayak Foundation and the finance ministry to formulate a policy so that a linkage could be established between banks and NGOs or MFIs for micro-credit financing.

Addressing the function as chief guest, Dr Kamal Uddin Siddiqui, principal secretary to the prime minister, said the importance of micro-credit financing is highlighted in the PRSP and such financing is an essential way for reducing poverty. "It will also help the poor people to increase their purchasing capacity."

He said although the country has made a growth in poverty reduction, it is quite insignificant. "And we have nothing to feel proud of this," he observed.

"The nationalised commercial banks (NCBs) must be involved in poverty reduction programme or micro-credit financing for the betterment of the country's economy," he added.

Finance Secretary Siddiqui Rahman Chowdhury advised the NGOs and MFIs to focus on poor people not only in rural areas but also the missing poor in urban areas.

Moderating the seminar, Dr Atiur Rahman, chairman of CDF, said the NCBs have a mindset problem that they do not hesitate in disbursing big loans to the big entrepre-

neurs but they feel hesitate in providing loans to the small ones. "Such mindset have to be changed and this change can be brought about through building up a linkage with the NGOs or MFIs," he observed.

Khondker Ibrahim Khaled, managing director of Pubali Bank, said although banks and MFIs work in different environments, they are not competitors to each others, but their roles are supportive.

But, the structures of commercial banks do not suit the rural economy while the MFIs' structure is more suitable than banks. "So, the banks can take MFI license and open a wing as MFI in the rural areas," he suggested.

"A lot of money are coming from the rural areas and if we cannot return the money to these areas, the difference between the economies of rural and urban areas will create a major problem in the coming days," he said.

In his welcome speech, Dr Mohammed Ibrahim, chairman of FNB, said the commercial banks along with their conventional services can also engage in micro-financing through establishing a partnership with the NGOs and MFIs and thus they can play a role in poverty reduction.

Mosharaf Hosain, vice-chairman of CDF, presented a keynote paper at the seminar.



SN Kairy, head of Finance & Accounts of Brac, and Ahmed A Shah, head of Client Relationships of Standard Chartered Bank, sign a Tk 100 crore term loan agreement on behalf of their organisations in Dhaka yesterday. Senior officials from both the sides are also seen.

## Brac, StanChart sign Tk 100cr term loan agreement

Bangladesh Rural Advancement Committee (Brac), a leading NGO, signed an agreement yesterday with Standard Chartered Bank for a Tk 100 crore (US\$15 million) term loan, which will be used to bring changes to living standard of six lakh people across the country.

Under the deal, low-income individuals primarily in rural communities, which are not reached by Bangladesh's commercial banks, will get access to micro-credit facilities, says a press release.

SN Kairy, head of Finance & Accounts of Brac, and Ahmed A Shah, head of Client Relationships of Standard Chartered, signed the deal on behalf of their organisations.

Abdul Muyeed Chowdhury, executive director, Md Aminul Alam, deputy executive director of

