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Propaganda against RMG sector protested

BGMEA urges buyers not to leave Bangladesh

STAR BUSINESS REPORT
 Bangladesh Garment Manufacturers and Exporters Association (BGMEA) voiced its strong protest at the propaganda by a section of international media against the Bangladesh apparel industry, the largest foreign currency earner.
 Addressing a press conference in Dhaka yesterday, BGMEA President S M Fazlul Hoque urged the buyers not to leave Bangladesh after being confused by the propaganda on the issues of factory compliance and working atmosphere.
 Referring to a recent report broadcast in the BBC World Service, Hoque turned down the

report saying it was not fully based on facts. Such a report is likely to impact badly the Bangladesh's apparel markets in Europe, he fears.
 The report mentioned that three British companies- Tesco, Premark and Asda- buy apparels from Bangladesh at very cheap prices and offer consumers a discount. The report also pointed fingers to the low salary and poor working conditions at the garment factories in Bangladesh.
 Hoque said the report was not acceptable as it was compiled on the basis of interviews of 60 workers in only six factories out of 4,500 garment units in Bangladesh. He also protested the allegations raised in the report that the female

workers are forced to work for 80 hours a week and often become subject of sexual harassment.
 The Bangladesh RMG sector follows the country's labour laws and recently a minimum wage structure has been declared for the garment workers, the chief of the apex trade body of the apparel sector said, claiming that all the factories have implemented the new wages.
 Former BGMEA president Annisul Huq, directors including Salam Murshedi of the association, were present at the press conference at its head office.
 Even the buying companies mentioned in the report have rejected it, the BGMEA leaders told the journalists. According to them,

the companies said they provide apparels to the poor British citizens at low prices but that does not mean that the working atmosphere in the manufacturing country is bad.
 The BGMEA leaders observed that the RMG sector has been facing a stiff competition in the world market since 2004. They underscored the need for developing forward linkage as well as backward linkage industries for sustaining in the competitive markets.
 The leaders, however, appreciated that part of the news where the consumers have been requested to change the habit of buying apparels at low prices. This part would help flourish the garment industry and expand its export base, said Annisul Huq.



TCB gets new chairman

Mustafa Kamal Haider, additional secretary to the government, took over as the chairman of Trading Corporation of Bangladesh (TCB) on Sunday, says a press release.
 A Master in history from Dhaka University, Haider is a member of BCS (Admn) cadre and previously worked as deputy commissioner of Noakhali and joint secretary to cabinet division.

5 Asean leaders to attend rescheduled Jan summit

AFP, Manila

At least five Southeast Asian leaders are attending the rescheduled Asean summit in the Philippines in January, regional governments said Monday.
 President Gloria Arroyo made a dramatic last-minute decision to postpone the event, originally set for this week, citing an approaching typhoon.
 The bad weather eventually spared Cebu, the central Philippine island resort that would have hosted the Association of Southeast Asian Nations (Asean) meeting.
 The organizers on Sunday proposed a January 11-13 date for the annual leaders' meeting.
 The proposal was subject to the availability of the leaders of Asean member nations, namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.
 Indonesian President Susilo Bambang Yudhoyono "will attend, but we will announce it in time," his spokesman Dino Patti Djalal told AFP in Jakarta.
 Thai Prime Minister Surayud Chulanont is to join Arroyo on the new summit date, government spokesman Yongyuth Mayalarp said in Bangkok.
 Malaysian Premier Abdullah Ahmad Badawi was also expected to attend, as will Cambodian Prime Minister Hun Sen, spokesmen for their respective governments told AFP.

DSE down sharply on advisers' resignation

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Price indices on the Dhaka Stock Exchange (DSE) declined sharply yesterday after the news of resignation by four advisers to the caretaker government spread.
 DSE All Share Price Index went down by 25.96 points or 1.97 percent to close at 1291.89 points while DSE General Index declined by 27.11 points or 1.70 percent to close at 1566.84 points.
 Besides, DSE-20, which includes blue chips, also dropped by 24.84 points or 1.78 percent to close at 1363.19 points.
 On the DSE, losers overwhelmed gainers. Of the total 186 issues traded, only 23 advanced, 138 declined and 25 remained unchanged. A total number of 53,41,985 shares worth Tk 56.61 crore changed hands on the DSE yesterday.
 Market analysts said at the end of a calendar year general investors usually show interests in banking stocks on expectation of

getting first-rate dividends.
 "And the premier bourse started the week with a rise in prices of banking sector's shares. But, the latest political uncertainty over the advisers' resignation prompted the investors to keep themselves at bay," said a DSE broker.
 DSE Senior Vice-President Ahmad Rashid Lali said the capital market must react to the political situation of the country. "If the market does not react like that, it proves there is something wrong," he added.
 Meanwhile, the DSE at a board meeting on Sunday fixed March 12 for polls to elect four new directors to its board.
 As per DSE charter, four of the directors retire on completion of their respective three-year terms from the board every year and the bourse holds elections to choose the same number of directors for the vacant posts.
 The bourse is scheduled to hold its annual general meeting (AGM) on March 15, DSE sources said.

C'wealth slams US, EU over WTO

AFP, Cape Town

The Doha round of world trade talks may yet yield a deal, Commonwealth Secretary-General Don McKinnon said Monday as he slammed the United States and Europe for holding the process to ransom.
 "In the end, neither (United States) President (George W) Bush nor the European Union (EU) want to admit to a failure. And I suppose admitting to a failure is worse than sort of getting some kind of a deal, so there may still be something coming out of it," he told reporters in Cape Town on the fringes of a Commonwealth education ministers' meeting.
 But he said he doubted the round would emerge with a comprehensive agreement on agriculture.
 McKinnon flayed the United States and the European Union for putting a spoke in the wheel.
 "It is just dismal, the fact that these two very wealthy entities ... can persist in supporting agricultural commodities, growing them at five times the world price and therefore totally distorting the world."
 "The same entities would pour scorn on any African country that said: 'I'm going to build motor vehicles at five times the world price', but they are doing exactly the same."
 McKinnon said the Commonwealth would keep up pressure for a successful conclusion to the Doha round of trade liberalisation talks, which ended in deadlock five months ago.
 "There must be a resolution to the round. This must be a development round."

EC to help Bangladesh boost export of handicrafts

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Ambassador of European Commission (EC) to Bangladesh Stefan Frowein yesterday said the commission will give trade-related technical assistance to boost Bangladesh's export of handicrafts.
 The quality of products, however, must be developed, he said at a workshop on 'Improving Product Development Practice amongst Micro, Small and Medium-sized Enterprises' organised by Tradicraft Exchange in the capital.
 The UK-based NGO, Tradicraft Exchange, in association with EC-funded Asia Invest, is providing training on handicrafts focussing on EU buyers' requirements.
 The first rule of business is to know customers and ensure that the products are designed with such care and skill that they are tailored to meet the demands of design and fashion, said Frowein, also head of delegation of EC.
 The Tradicraft officials said there is a wealth of raw materials available in Bangladesh, including wood, jute, cane, bamboo, grass, straw, clay and hand woven fabrics.
 Handicraft producers, 80 percent of them are women, use a wide range of traditional techniques to produce interior accessories, fashion accessories, giftware and stationery products.
 Tradicraft UK's Helen McCree and Tradicraft Bangladesh Country Director Kazi Shahed H Ferdous also spoke.

Trouble brewing in Lankan tea industry

AFP, Colombo

Sri Lanka, one of the world's largest exporters of tea, is facing trade union action that could seriously undermine quality and quantity of the island's "green gold", officials said Monday.
 Striking tea trade unions are expecting crucial talks later Monday to settle their wage demand, with their move coming at the start of the "quality" season for the island's main export commodity.
 Lush tea plantations are getting

overgrown with some 400,000 workers keeping up a work stoppage for a seventh straight day Monday. They are demanding an 85 percent wage hike, trade union officials said.
 Tea workers are currently paid 135 rupees (1.35 dollars) a day and they want it pushed to 250 (2.5 dollars). Employers argue that the take home pay of workers is already more than 250 rupees if allowances are taken into account.
 Tea is Sri Lanka's main export commodity and earned 810 million

dollars last year as it shipped some 308 million of the 315 million kilograms it produced.
 The employer's federation said the trade union action has cost the industry over three million dollars so far and the quality of tea would suffer unless the work stoppage ends immediately.
 Sri Lanka is better known for its high quality aromatic tea that is made with tender leaves and buds of the plant which is botanically known as Camellia sinensis.



Syed Anisul Huq, president and managing director of Bank Asia Ltd, and Das Deba Prashad, managing director of Delta Life Insurance Company Ltd, exchange documents after signing an agreement on Wednesday. Under the deal, members of the staff of the bank and their spouses will get insurance coverage for hospitalisation from the insurance company.

Bank Asia, Delta Life sign health insurance deal

Bank Asia Ltd has entered into an agreement with Delta Life Insurance Company Ltd for 'Group Hospitalisation Insurance Scheme' under which members of the staff of the bank and their spouses will get insurance coverage for hospitalisation from the insurance company.
 Syed Anisul Huq, president and managing director of the bank, and Das Deba Prashad, managing director of the insurance company, signed the deal on behalf of their companies at a function on Wednesday, says a press release.
 The bank has undertaken different schemes to ensure maximum financial security for its employees, according to the release.

MAMUN RASHID

Inflation is a sensitive issue in an economy, particularly in countries such as Bangladesh where economic decisions are influenced by political pressures many a times. As a result we observe that the policymakers along with other citizens of the country get worried when inflation rises. This worry stems from the fact that ours is a developing economy where many economic and non-economic issues are not dealt in the right way. Such is the case of inflation. Therefore, we debate on the desirable rate of inflation. How much inflation is desirable from an economic point of view?
 Renowned economist and a champion of monetary policy biased economic management Milton Friedman mentioned that for a developed country in Europe five percent inflation should be acceptable. Growth and inflation are often positively correlated and a high growth economy will also experience relatively high level of inflation. Taking a clue from there and taking cognizance of the importance of employment creation and growth facilitation requirement in a developing country like Bangladesh one could say that we should be okay with a lower double digit inflation rate. Recently a study done by some young economists revealed that 12 percent inflation is tolerable for Bangladesh. However, one should be very cautious in making any statement supporting

that level of inflation, where price spiral led inflation or vice versa has become the main political weapon against the opposite political regime in Bangladesh. The country has experienced a seven percent plus inflation in 2006 compared to around two percent in 2001. Though this was mainly due to an increase in prices of fuel and essential commodities in the international market, (domestic political uncertainty along with rent seeking by political hoodlums and various government agencies have also contributed significantly), political mud slinging and blame-shifting was rampant. Incidentally, we have seen growth happening in Pakistan, Kazakhstan, Indonesia, Egypt, Argentina, and Russia even with historically high inflation rates.
 The tasks of the central bank like any other central bank in a developing country has become a delicate one in controlling inflation, as it essentially involves money supply management. Limiting money supply in a bid to contain inflation may turn out to be undesirable. If that leads to any across-the-counter credit squeeze to reduce money supply, the credit needs of businesses especially industries may suffer. Moreover, excessive focus on reducing inflation does not allow the central bank to support dollar for the exporters and the non-resident remitters. This was experienced in the recent past when the value of dollar was sliding down. Supporting dollar would have put in

more money in the market or circulation, thereby contributing to rising inflation.
 Therefore, the authorities need to apply policies with extreme care in the forthcoming election when both administrative spending and the election-related flow of money from the political parties are likely to soar. The central bank is expected to meet the needs of the economy while taming inflation. Already, there are fears about the great deal of unproductive spending by the government. Such possibilities appear to have increased with the government's borrowing from the financial system reaching a record level. According to a newspaper report, government's borrowing from the banking system stood at Tk 41.59 billion till October 2006. Borrowings were less than half of this amount in October 2005.
 The challenge for the caretaker government is to put a leash on government's spending so that the borrowings are reduced. The relevant ministries will have to plan promptly how government's spending can be rationalised without hurting essential programmes and necessary election preparations. Ironically, advisers concerned are constrained by political uncertainties and have less scope to attend these issues. But controlling governmental expenditures in unproductive sectors merits a priority consideration. A short-term action plan has to be prepared and implemented immediately. This would be

an important step towards controlling money supply and putting a brake on inflation. But while doing this, every effort should be made to meet the genuine credit needs of the private sector, in tandem with efforts to help maintain a congenial business environment as far as possible even under the current difficult political situation. Credit expansion to the private sector that leads to production of goods and services under enabling conditions does not so much add to inflation. Because of this monetary expansion is then matched by increased production of goods and services. Inflation can become a formidable problem if the supply of idle money increases and is used for unproductive purposes, such as high spending on election related activities. In order to get the desired results the government, therefore, needs to limit such spending, on the one hand, and ensure adequate credit flow to the private sector for productive activities, on the other.
 At the same time, all out efforts should be made by the government to increase revenue collection. If this can be done, the need for the government to borrow from the financial system, which raises the national debt level, will decline and the private sector will not be crowded out as far as the credit flows are concerned. The caretaker government is not supposed to consider political pressures. It is expected, therefore, that they will move forthright to

improve collection of taxes, notwithstanding pressures from interest groups. Even within its short tenure, it can also execute a scheme to improve collection of such taxes as VAT. However, lot of these are dependent on peaceful environment in Chittagong and Mongla seaports and Benapole and Burimari land ports and of course political stability, since trade tariff/customs duty still dominates in the basket of revenue for the government, coming next are VAT and income tax. Next important focus should always be cutting the losses of the state owned enterprises like BPC and Biman by making them profitable or transferring those to private sector.
 In a market-based economy, there are two primary macro-economic tools that the governments use to have control over economic growth and direction of the economy- fiscal and monetary policy. Fiscal policy outlines the process of decision making by the government in deciding on the level of public expenditure and its funding plan. It also reflects governments' purposeful change in spending, borrowing or taxes to accelerate or rationalise the growth of the economy. In a fiscal policy biased or driven economic management system, the government funds the spending through taxation, printing money and borrowings from individuals and institutions by issuing treasury bills and bonds.
 Monetary policy through manag-

ing money supply focuses on achieving specific goals, relating to the inflation, exchange rate, full employment as well as economic growth. Central banks control the economic management by changing the interest rate, setting certain reserve requirements and trading in foreign exchange markets. Governments often use expansionary policy to tackle unemployment during a recessionary period by lowering interest rates, whereas contractionary monetary policy dictates raising interest rates to handle inflation at times, even at the cost of curtailing credit expansion in a growth economy like Bangladesh.
 The global economy is opening up with increasing trade liberalisation, tariff rationalisation, integration of global financial system and lowering of barriers in movement of factors of production such as capital and labour, therefore monetary policy based or biased economic management system is getting prominence as it contains most of the factors relevant to any market based economy, such as inflation, interest rate, employment and money supply. Though Bangladesh is still following a fiscal policy biased economic management to drive growth, soon it has to bring in a balance between the two along with a structured approach for the management of inflation.

Asean should grow high-value exports

Says DHL study

Asean nations should grow high-value exports and reassess strategies to further strengthen their economies, says a DHL-funded study, according to a press release.
 The study aimed to analyse where Asean countries stand today in relation to China and India, and how they measure up as a trade bloc, in terms of high value exports, against the European Union (EU) and the North American Free Trade Agreement (Nafta).
 DHL, one of the world's leading express and logistics companies, on Friday revealed the findings of the study titled 'Asean Exports: Today, Tomorrow and the High-value Challenge' and commissioned to Economist Intelligence Unit (EIU) at the 4th Asean Business and Investment Summit 2006 (Asean-BIS).
 The EIU study focused on the seven largest economies within the Asean (Association of South East Asian Nations) trade bloc: Indonesia, Thailand, Malaysia, Singapore, the Philippines, Vietnam and Myanmar - otherwise termed as 'Asean 7'.
 The study examined the state of exports in these countries by breaking down the exports into two export categories - high-value goods (such as computer chips) and low-value goods (such as T-shirts).
 High-value goods provide greater scope for companies to expand into areas of greater value production, which in turn will develop the economy as a whole, the study said.
 "Asean 7 has been a successful exporter of high-value goods, based on the study, which shows their High Value Export Indicator reflecting 51.3 percent, trailing slightly behind Nafta at 54 percent," said Scott Price, chief executive officer of DHL Express-Asia Pacific.
 The writer is a banker

Monetary policy through manag-