

# Star BUSINESS

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## RMG MARKET

# Bangladesh may lose out to other S Asian competitors

## Fear exporters

RAFIQ HASAN

Bangladesh's apparel exports tend to fall due to volatile politics followed by labour unrest for several months.

The exporters fear about losing out its position as a RMG exporting country to other competitors in the South Asia region.

They said Bangladesh secured the second highest position in the region last year in RMG exports fetching \$ 8 billion after giant India, which earned around \$12 billion.

"The declining trend of RMG exports as observed during the October -December quarter this fiscal would be felt further in the next January-March quarter," said BGMEA president S M Fazlul Hoque.

He, however, said the total figure of the garments export during the last quarter is yet to be compiled. The sector has been growing at a rate of 30 per cent for the last couple of years.

The decline in the growth rate already surfaced in the export figure of October as the woven export growth came down to 22.70 per cent from 31 per cent in September.

The exporters said they had experienced a very low placement

of orders since the last quarter.

The chief of the apex trade body of the sector said, "A worse situation has prompted me to ask the government and financial institutions for providing soft term loans to the RMG exporters just to continue the workers' salary and thus help survive the industry."

He alleged there is an international conspiracy to shift the export orders from Bangladesh to somewhere else in the pretext of political uncertainty in the country.

"It will be difficult to retain the position as a RMG exporting country unless normalcy is back in the political arena," Annisul Huq, former president of BGMEA, said.

He also lamented that the rivalry between the two political alliances in the country is pushing the economy towards a total deadlock.

Annisul said some buyers have already shifted orders and many others are waiting before placing orders for import of apparels from Bangladesh.

"This is not a good sign that the customers are hesitating while placing orders for importing apparel from Bangladesh," he observed.

While talking to The Daily Star, he also cited an example that a major buyer of Bangladeshi apparels like Van-Heusen has already

shifted 30 per cent of its orders from Bangladesh.

Normally, the placement of export order remains low in the February- March period but this year it was the lowest in recent times.

The former BGMEA chief also pointed out that the deadlock at the Chittagong port hampered garments exports badly.

For example, Annisul said, "I received supply of yarn against an order in 30 days after shipment of the consignment due to the blockade at Chittagong port".

Sources in the apparel sector said India earned \$12 billion from apparel exports, while Pakistan earned \$3 billion, Sri Lanka \$ 4 billion, Cambodia \$2.2 billion, Vietnam \$5 billion and Nepal nearly \$1 billion last year.

According to the industry insiders, although Bangladesh is well ahead of many south Asian RMG exporting countries like Sri Lanka, Pakistan, Indonesia, Vietnam and Nepal, a sharp rise is anticipated in the item's exports from those countries and it is imminent that those countries would emerge as Bangladesh's strong competitors.

The exporters claimed that the country can achieve a tremendous growth in garments export if the

political situation and sea port remain normal.

"We are hopeful that the export earning may reach \$15 billion within the next five years, if the election takes place peacefully and the country survives from any major political uncertainty," S M Fazlul Hoque told The Daily Star.

When asked, he said, "If the situation does not improve, we will simply lose the game".

The country's apparel sector faced series of setback last year. In the middle of the year, the garments workers went for movements demanding salary hike and a new wage commission. They resorted to massive vandalism in the garments industry setting fire on dozens of factories. The volatile situation in the sector continued for several months.

Later, a long container and ship congestion at the premier port Chittagong affected the industry badly as it delayed the supply of raw materials and shipment of manufactured items.

The port remained closed for several weeks due to rail- road-port blockade programme by the major political alliance that demanded reforms in the caretaker government and electoral process.

## Merkel for closer US-EU economic ties



AFP, London

German Chancellor Angela Merkel said she wanted to see "ever-closer economic co-operation" between the European Union and the United States in a Financial Times interview published Wednesday.

Merkel singled out financial market regulations and intellectual property law as two fields which she wanted to review, saying that there were "clear advantages" for both sides in coming together.

She will visit Washington on January 4 for talks with US President George W. Bush that are expected to touch upon the Middle East, Afghanistan, Iraq, Iran and Kosovo.

The relationship between Germany and the United States hit a low when Merkel's predecessor, Gerhard Schroeder, opposed the US-led invasion of Iraq in 2003.

"We want to talk about ever-closer economic co-operation. Our economic systems are based on the same values," Merkel told the FT.

"We should be looking for ways to keep developing these together at a transatlantic level.

"We must watch out that we do not drift apart but instead come closer together, where there are clear advantages for both sides."

Germany's six-month presidency of the European Union began earlier this week and Merkel is also chair of the G8 for 2007.

Questioned about Europe's reliance on Russian energy imports, Merkel warned that relations between the two must be based on reciprocity.

"If obstacles are being erected to protect Russian companies from European investors, nobody should resent it if the Europeans take reciprocal action," she told the FT.

## \$30m ADB loan to modernise Vietnam farm sector

AFP, Hanoi

The Asian Development Bank (ADB) said Tuesday it would lend Vietnam 30 million dollars to help modernise agricultural science and technology in the country, a major exporter of rice and other farm goods.

The loan and an additional 10 million dollars from Vietnam's government will fund research and training, new laboratory equipment in some institutes and education and information services for farmers in remote regions, said the ADB.

The communist country, which was a net rice importer in the late 1980s, is now the world's number two exporter of rice and coffee, and a major international supplier of tea, cashew nuts and rubber.

The ADB said "access to new technologies by farmers and agro-based enterprises is essential as Vietnam's agriculture is gradually shifting its focus from increased production volumes to increased production values."

## Libra Infusions okays 17.5pc dividend

Libra Infusions Ltd has approved a 17.5 percent dividend for its shareholders for the year 2006.

The dividend was okayed at the 28th annual general meeting of the company held in Dhaka recently, says a press release.

Begum Shamsun Nahar Ahsanullah, chairman of the company, and its founder-director Dr Rawshan Alam spoke at the meeting.

Managing Director Begum Ayesha Alam, Directors Saira Mariam Alam and Monami Alam, senior officers, shareholders and ICB representative Golam Rabbani were present among others.

## DUTY-FREE GOODS FLOOD LOCAL MARKET

# Tk 50cr tax evasion yearly in CEPZ

## NBR plans close vigilance on all EPZs

JASIM UDDIN KHAN

A section of unscrupulous export-oriented industries at Chittagong Export Processing Zone (CEPZ) have been evading taxes worth Tk 50 crore every year through sales of duty-free goods in the local market, according to the industry insiders.

These companies allegedly import products to use as raw materials for finished goods but they sell the products to the local market in connivance with the EPZ authority.

When contacted, NBR Chairman AFM Solaiman Chowdhury said, "Such an allegation is not a new phenomenon, and so far I know the National Board of Revenue is planning different initiatives to check the menace."

The NBR is mulling to prepare a list of such dubious industries in all the EPZs in the country to keep a close vigilance on them, he added.

Admitting the malpractice, Farid Uddin Ahmed, commissioner, Chittagong Customs House, said they sued eight factories in this connection.

He held a section of corrupt CEPZ officials responsible for colluding with the entrepreneurs in committing the smuggling.

"No industry officials or owners can import any raw material without obtaining order from the EPZ authority. If the officers concerned of the EPZ do not have a nexus with the ill-doer companies, it is impossible to smuggle out the products to the local market," Farid Uddin told The Daily Star over telephone.

He further said these dubious companies would be brought under severe vigilance to stop the malpractice.

The customs authority has also fined some factories after finding them guilty, he also informed.

Sources in the NBR said the industries located at EPZ enjoys exemption of import duty, value added tax and supplementary duty imposed on imported goods only for processing and export in accordance with section 10 of the Bangladesh Export Processing Zones Authority Act and section 19 of the Customs Act, 1969.

The capital machinery and spares, instruments, apparatus and appliances including testing and quality control equipment and parts thereof, imported for installation in an export processing zone, are also allowed duty-free facility under section 10 of the BEPZA Act.

NBR officials alleged that the manufacturing companies in the EPZs avail of this facility and sell the duty-free products in the local market evading a huge amount of revenue as well as posing an uneven competition to the legal importers who pay 7.5 percent to 25 percent duty and supplementary duty for the same products.

The CEPZ has a total of 246 industries in operation..

The CEPZ companies produce mainly toys, cycle, zipper, electronic goods, plywood, software, audio- video tapes, fan motor, printed jute bag and rope, plastic bag, carton box and hanger.

The CEPZ with 428 industrial plots is located on 453 acres of land.

The BEPZA sources said enterprises in the EPZs exported goods worth around \$1,800 million in FY 2005-06.

During the period, the EPZ units also employed around 21,700 people.

In FY 2004-05, the enterprises in EPZs exported goods worth \$1,548.68 million.

The eight EPZs in the country also contributed nearly 17.90 per cent to the total export earning in FY 2005-06.

## New bank branches



PHOTO: MUTUAL TRUST BANK

Syed Manzur Elahi, chairman of Mutual Trust Bank Ltd, inaugurates the 24th branch of the bank at United Super Market in Savar recently. Managing Director Mosharrar Hossain was also present.



PHOTO: JAMUNA BANK

Golam Dastagir Gazi, chairman of the executive committee of the Board of Directors of Jamuna Bank Ltd, recently inaugurates the 27th branch of the bank at Dolaikhal in Dhaka. Fazlur Rahman, chairman of the Board of Directors, and Motior Rahman, managing director (current charge), were present among others.

# ROK FTA to put 100,000 out of work

AFP, Seoul

Free trade agreements with the United States, Japan, China and Southeast Asia would put more than 100,000 South Koreans out of work over the next 10 years, a government estimate has said.

In a report submitted to parliament on Monday, the Ministry of Commerce, Industry and Energy said some 13,400 local companies would come under pressure to cut their workforce amid mounting imports.

It was the first time that any government agency has published data on the estimated impact of the FTAs. Despite the forecast job losses, the ministry recommended pursuing the deals as a way to restructure the econ-

omy.

"Survey results showed the impact on the country's industries would be great," the report was quoted as saying by Yonhap news agency.

South Korea has concluded an FTA with the Association of Southeast Asian Nations. Negotiations with the United States resume this month amid disputes over the opening of South Korea's market for autos and pharmaceuticals and US anti-dumping measures.

South Korea also plans to enter talks on FTAs with Japan and China.

The report said the four FTAs would not only increase exports but also imports of cost-effective and high-end products from the three

countries and ASEAN, pushing local businesses to either restructure or go under.

It said the service sector currently had much room for improvement and the manufacturing sector faced growing challenges from China and other emerging economies.

"We will aim to minimise losses from the FTAs and take this chance to turn industry around to become more competitive," the ministry said.

"We are still recommending FTAs as their benefits are greater than disadvantages," a ministry spokesman told AFP.

Along with the report, the ministry asked for a budget of one billion won (1.1 million dollars), including 760 million won for consulting

services for the companies which would be hit hard by FTAs.

William Oberlin, chairman of the American Chamber of Commerce in Korea, said last week an FTA with the United States would increase South Korea's economic output by two percent and create 500,000 new jobs. He gave no timeframe.

Such an agreement would be the United States' biggest deal since the North American NAFTA pact in 1994, marrying two economies whose bilateral trade totalled 72 billion dollars in 2005.

South Korea has seen a series of sometimes violent protests against any agreement, led by farmers who fear their lifestyle would be doomed by cheap imported food.

## US campaign to isolate Iran financially

AFP, Washington

The United States is ready to launch a new diplomatic initiative with several European countries to try to isolate Iran financially, The New York Times reported Tuesday.

Western powers want Iran to suspend uranium enrichment, a process that they fear could be used to make nuclear weapons. Iran insists its atomic programme is entirely peaceful and it has every right to the nuclear fuel cycle.

The UN Security Council last month imposed sanctions and asked International Atomic Energy Agency chief Mohamed ElBaradei to report within 60 days on whether

Iran has suspended uranium enrichment and cooperated fully with an ongoing IAEA investigation.

"The plan is to use the language of the (UN) resolution to help persuade foreign governments and financial institutions to cut ties with Iranian businesses, individuals in its nuclear and missile programs and, by extension, the Iranian Revolutionary Guard Corps," the report said, quoting Stuart Levey, under secretary of the treasury for terrorism and financial intelligence.

The Times said the US initiative is backed by Britain and France but that Germany was believed to have concerns.

## Oil prices ease in Asian trade

AFP, Singapore

Oil prices eased Wednesday as Asian trade resumed for the New Year in a market focussed on mild North American weather.

At 1:56 pm (0556 GMT) New York's main contract, light sweet crude for delivery in February, slipped 15 cents to 60.90 dollars a barrel from 61.05 dollars in late US trades Friday.

Pit trading in New York was closed on Tuesday because of a national day of mourning for former US president Gerald Ford. Global oil markets were shut Monday for New Year celebrations.

The most important factors for the market are still the warmer US weather and high oil stockpiles, CFC Seymour analyst Steve Rowles said from Hong Kong.

The northeastern region of the United States -- the biggest consuming area in the world -- is cur-

rently experiencing unusually warm winter weather.

"The market is still under pressure from concerns about milder weather in the US (and) that is sapping demand for heating fuel," Sudden analyst Michael Davies said during London trading hours.

Rowles said the price per barrel will continue to decline and should be close to 60 dollars by the end of this week.

After hitting record highs in July, oil prices tumbled more than 20 percent in the second half of last year.

Concerns about geopolitical instability in producer regions amid already tight supply had boosted prices early in the year but traders' geopolitical concerns appeared to ease in the second half. Prices fell back dramatically and the market focussed on high United States energy stockpiles and the mild US temperatures.



SOURCE: UNITREND

Chairman and Managing Director of Bangladesh Steel Re-rolling Mills Limited (BSRM) Alihussain Akberali and Managing Director and CEO of Industrial Promotion and Development Company of Bangladesh Limited (IPDC) Shah A Sarwar, sign a debt financing agreement on behalf of their companies in Dhaka recently.

## Billionaire boom in China as stock market soars

AFP, Beijing

China's business elite were the big winners of last year's soaring stock market, with the top 50 executives worth nearly 40 billion yuan (5.1 billion dollars), state media said Wednesday.

None of the top 50 was worth less than 200 million yuan and half of the top 50 saw their stock portfolios break the 500 million yuan mark, the official Xinhua news agency reported.

Zhang Jindong, the chairman of the Suning Appliance Co., one of the country's largest home appliance chain stores, has become China's richest executive, according to the report.

The 210 million shares he holds in the company quadrupled in value in 2006, pushing his estimated wealth to nearly nine billion yuan, it added.

Lu Guanqiu, the chairman of Wanxiang Group, was catapulted to a second spot on the list due to steep rises in the value of his shares in Chengde Lulu, a bever-

age maker, and Wanxiang Qianchao Company, an auto parts manufacturer.

The take-off in executive fortunes has been sparked by shareholder reforms which allowed previously non-tradable shares to be converted into ordinary stock, the report said.

After stagnating for the past five years, China's stock markets finally boomed in the latter half of last year.

The benchmark Shanghai Composite Index hit a record of 2,675 points on the last trading day of 2006, bringing gains for a remarkable year to 130 percent.

The State Information Center, the Cabinet's think tank, predicted that the value of China's stock markets could grow by 20 percent in 2007, Xinhua said in a recent report.

News that some Chinese manage to make literally billions without having to work extra comes amid signs that the wealth gap is deepening in China, with the poor becoming even poorer.

## IPDC signs Tk150m debt financing deal with BSRM

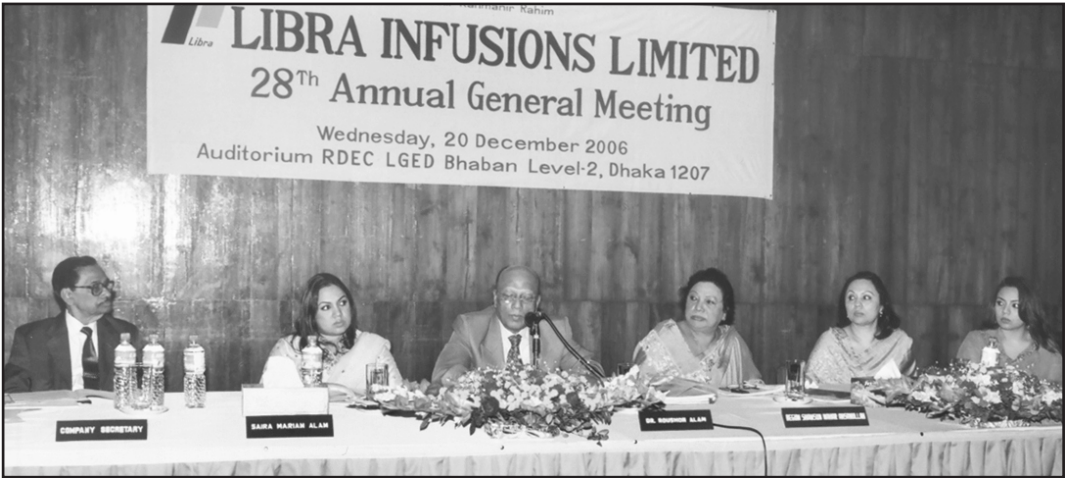
Industrial Promotion and Development Company of Bangladesh (IPDC) will provide Tk 150 million debt financing to Bangladesh Steel Re-rolling Mills Limited (BSRM) for its project expansion.

An agreement to this effect was signed between the two organisations in Dhaka recently, says a press release.

Alihussain Akberali, chairman and managing director of BSRM, and Shah A Sarwar, managing director and CEO of IPDC, inked the deal on behalf of their sides.

BSRM, a unit of H Akberali Group of Industries, having 50 years experience exclusively in steel making, is one of the largest automatic steel re-rolling mills in the country.

IPDC, set up in 1981 by Bangladesh government and four other international financial institutions, is the first non-banking financial institution to promote industrial development in the private sector of Bangladesh.



Dr Rawshan Alam, founder-director of Libra Infusions Ltd, speaks at the 28th annual general meeting of the company held in Dhaka recently. Chairperson of the company Begum Shamsun Nahar Ahsanullah and Managing Director Begum Ayesha Alam were, among others, present.