Star BUSINESS

E-mail: business@thedailystar.net

DUTY-FREE ACCESS TO US

TRADE Bill needs to be reintroduced: Officials

Apparel exporters still in the dark

JASIM UDDIN KHAN

Local apparel exporters are in the dark about the latest position of the much-talked-about TRADE Bill 2005, although the Bangladesh embassy in Washington informed the government that the bill has to be reintroduced in the new US congress.

The embassy in a letter to the ministries of foreign affairs and commerce said as the tenure of the 109th US congress has already ended, validity of all the pending bills, including the Tariff Relief Assistance for Developing Economies Bill 2005, lapsed.

Commercial Councilor Kazi Md Shamsul Alam on December 17, 2006 in his letter said, "The bill has to be reintroduced in the 110th Congress."

The bill was first tabled in the US Congress on February 17, 2005.

Republican Congressman Jim Kolbe and Bangladesh Caucus Chairman in US Congress Joseph Crowley of Democratic Party tabled the bill seeking a duty-free access of Bangladesh products and 13 other least developed countries (LDCs) to the United States.

Annisul Huq, former president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said he does not know anything about the matter.

"If any bill is tabled it gets processed automatically. But we will contact our lobbyist firm soon to enquire of the issue," Huq added.

SM Fazlul Hoque, president of BGMEA, also admitted his ignorance about the latest development of the bill.

"Please, give me time to know the matter in detail. I am not sure whether the bill is required to be placed afresh or just to resume in the new congress," he added.

A high official of the Ministry of Commerce said they got the message and discussed about it.

"We are contemplating to convene a meeting soon in this connection to make the BGMEA people aware of the development, if any," the official added.

BGMEA is the lead organiser of the bill as Bangladesh is the only significant RMG exporting country among the 14 LDCs that export the item to the US.

The 13 other least developed countries are Afghanistan, Bhutan, Cambodia, Kiribati, Laos, the Maldives, Nepal, Samoa, Solomon Islands, East Timor, Tuvalu and Yemen.

The BGMEA withheld the contract with the US lobbyist firm Sandler, Travis & Rosenberg, P.A. (ST&R) from mid 2006 due to excessive service charge as complained by thousands of the association members who do not export to the US market, sources said.

The BGMEA appointed Sandler, Travis and Rosenberg, widely known as STR, another lobbyist firm based in Washington DC, from June 2004 with an approximate cost of US$25,000 per month for trying to convince the US senators in favour of the bill.

Annisul Huq said, "If necessary, we will revive the contract with the ST&R soon.

Earlier, the BGMEA engaged Pattern Box, a lobbyist firm for US$12,000 per month in August 2001. It also pays US$3,000 monthly to one Sabbir Ahmed, a Bangladeshi lawyer residing in the USA, for the same purpose.

Saarc business leaders' meet from Feb 17 in Mumbai

DIPLOMATIC CORRESPONDENT

The two-day second Saarc Business Leaders Conclave will begin in India's Mumbai on February 17 aiming to focuses on developing new mindsets and changing attitude in the Saarc region to ensure economic and social benefits.

The conclave intends to offer a channel to discuss new comparative advantages in South Asia to efficiently allocate resources and thereby enable the whole economy to expand and develop optimally.

The Saarc Chamber of Commerce and Industry (SCCI) will organise meeting in collaboration with Federation of Indian Chamber of Commerce and Industry (Ficci) along with all national federations representing the Saarc member countries.

The World Bank will join as knowledge partner, according to officials here.

Indian Minister for External Affairs Pranab Mukherjee will formally inaugurate the conclave while Secretary-General Saarc Chenkyab Dorji will address the delegates.

According to officials, the conclave will address the common challenges that incorporate the whole region. Much focus is needed to create peace constituencies without which the regional development cannot be ensured.

The commerce ministers of all Saarc (South Asian Association for Regional Cooperation) nations -- Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka-- have confirmed their participation to address the conclave along with prominent scholars, top corporate leaders of Saarc, media and entertainment leaders, NGOs and development activists and business leaders from all over the world.

The meeting is expected to be attended by over 400 leading business leaders from the region.

DSE turnover comes down to Tk 111.8cr

SARWAR A CHOWDHURY

After a four-day rally, turnover on the Dhaka Stock Exchange (DSE) yesterday dropped slightly, coming down to Tk 111.8 crore.

Earlier on Monday, the turnover on the DSE was Tk 119.06 crore, the highest ever in Bangladesh.

The price indices, however, closed mixed on the DSE. The DSE All Share Price Index rose by 13.84 points or 0.96 percent to close at 1441.58 points while the DSE General Index went down by one point or 0.05 percent finishing at 1761.42 points.

DSE-20 Index, comprising blue chips, also dropped by 20.07 points, or 1.30 percent, to close at 1519.07 points.

A total of 23,712,608 shares of 211 issues worth Tk 111.8 crore were traded on the premier bourse.

Of the issues traded, 72 closed in gains, 117 suffered losses and 22 remained unchanged.

The DSE market capitalisation, however, stood at Tk 34,838 crore, which was the highest.

Market analysts said the downtrend proves that the market is enough matured now, as the market witnessed both upward and downtrend during the last couple of days.

"If the market rises continuously, then it will become into an abnormal market," said an expert.

A high official of a merchant bank said although the bourse is witnessing a bullish trend both in turnover and indices, the price of the shares are not much higher.

"We see the price behaviour as normal," said a DSE official.

On the DSE yesterday, Power Grid Company of Bangladesh (PGCB) topped the turnover leaders followed by Dhaka Electric Supply Company of Bangladesh, Summit Power, Southeast Bank and EXIM Bank.

The PGCB, the state-owned power company, topped the list with 579,400 shares worth Tk 18.91 crore.

UNB adds: Trading at Chittagong Stock Exchange (CSE) closed higher yesterday, though the losers dominating the gainers.

The CSE All Share Price Index increased by 1.14 percent to close at 4048.16 points.

The CSE-30 Index, however, shed 1.14 percent to close at 3588.20 points.

A total of 106 issues were traded. Of them, 40 gained, 61 declined and five remained unchanged. Some 5,601,809 shares and debentures worth Tk 25.57 crore changed hands.

PHOTO: STANCHART

Osman Morad, chief executive officer (CEO) of Standard Chartered Bank Bangladesh, and Rashid Naseer Khan, CEO of Banglalink, sign a 'Bridge Financing' agreement on behalf of their organisations recently.

New two-taka note enters market Sunday

UNB, *Dhaka*

Bangladesh Bank will circulate a new two-taka note with its present design and size from the bank's Motijheel office Sunday.

The note, signed by former Finance Secretary Siddiqur Rahman Chowdhury, would also be issued from other offices of the central bank later, said a press release yesterday.

The hologram and security thread now being used in the 10-taka note would replace that of the existing two-taka note.

The logo, comprising tiger-head and Bangladesh Bank, is placed on the left side of the note while the 2mm-security thread a bit right from the middle of the note. The security thread could be seen from the back of the note. All other features of the existing note will remain the same.

The existing two-taka note will also remain in circulation, the release added.

Oil prices slip in Asian trade

AFP, *Singapore*

Oil prices slipped slightly in Asian trade Tuesday as a buildup in US stockpiles eased concerns over heating fuel demand during the northern hemisphere winter, dealers said.

At 11:25 am (0325 GMT), New York's main contract, light sweet crude for March delivery was down four cents to 52.54 dollars a barrel from 52.58 dollars in late US deals Monday. The February contract expired at 51.13 dollars.

Brent North Sea crude for March was at 54.64 dollars, down six cents.

"In the short-term ... inventories are high and they are going to stay high even with the cold weather," said Tony Nunan, who manages energy risk for Mitsubishi Corp in Tokyo.

"The market outlook is bearish in the short-term and crude inventories will continue to build."

The US cold snap, which saw snow blanket parts of the northeast after weeks of mild temperatures, was expected to raise demand for heating fuel.

That explained an earlier rally in prices but the market remained convinced that the United States has plentiful reserves of petroleum products.

The US Department of Energy said crude oil reserves in the world's biggest energy consumer rose 6.8 million barrels to 321.5 million in the week ended January 12.

Levels of distillate products, such as heating oil and diesel fuel, increased 900,000 barrels to 141.9 million over the week.

In the long-term, however, "we still face a very dangerous world," said Nunan, suggesting that prices will remain under pressure from geopolitical risks.

While prices had fallen below 50 dollars a barrel in intra-day trading last week, they still settled above the 50-dollar threshold.

Premier Bank, 2 other firms get nod to float IPOs

STAR BUSINESS REPORT

Premier Bank and two other companies yesterday received approvals from the Securities and Exchange Commission (SEC) to raise a total of Tk 98 crore from the public through initial public offerings (IPOs).

The two other companies, which got approval from the SEC, are Golden Sun and Union Capital.

The approval came at a commission meeting of the capital market regulator yesterday, sources said.

Premier Bank will raise around Tk 84.5 crore while Golden Sun will raise Tk 6 crore and Union Capital Tk 7.5 crore.

The Premier Bank will float around 84.5 lakh shares of Tk 100 each to raise the amount while Golden Sun and Union Capital will float 75 lakh and 60 lakh shares of Tk 10 each.

Earlier on February 12, 2005, the SEC suspended the IPO subscription of the Premier Bank as it detected serious irregularities in the processes. At that time, the SEC found that some 26,000 fake beneficiary owners' accounts opened with the depository participant wing of the bank.

The SEC on May 25, 2005 once again rejected the Premier Bank's application of floating its IPO.

An SEC high official said as the bank fulfilled all the requirements of IPO rules, the commission gave its nod to float primary shares.

Market sources said after a long period a manufacturing sector company is going to float primary shares in the market as the SEC approved the IPO application of Golden Sun.

Chittagong-based Golden Sun, which started its production in 2005, manufactures hotpot, food warmer, toys, tennis racket and tennis ball. The company also exports its products to Canada, Australia, the UK, Taiwan and Singapore. The company will also raise another Tk 4 crore through private placement, sources said.

UNB adds: SEC warned eleven companies, their directors, managing directors and company secretaries for non-compliance of securities laws in connection with submission of capital and shareholding position.

The companies are Daffodil Computers, Chic Textile, Eagle Star Textile Mills, Fine Foods, Rose Heaven Ball Pen, The Engineers, Mona Food Industry, Pharmaco International, Shyampur Sugar Mills, Amam Sea Food Industry and Popular Life Insurance.

The capital market watchdog warned Daffodil Computers, Chic Tex, Eagle Star Textile Mills, Fine Foods, Rose Heaven Ball Pen and The Engineers, their directors, managing directors and company secretaries for non-submission of capital and shareholding position for the month of September 2005 on time.

The SEC issued the warning notice to Mona Food Industry and Pharmaco International, their directors, managing directors and company secretaries for non-submission of capital and shareholding position from September-December 2005.

Shyampur Sugar Mills and Amam Sea Food Industry, their directors, managing directors and company secretaries got the SEC warning for non-submission of capital and shareholding position for the month of February 2006.

The SEC warned Popular Life Insurance Company, its directors, managing director and company secretary for non-submission of capital and shareholding position for the month of October 2005.

UAE to expand investments in Pakistan

APP, *Islamabad*

UAE's investments in Pakistan will witness a major boost in 2007 in various sectors such as energy, investment, trade and manpower.

UAE is the largest foreign investor in Pakistan's public and private sectors, with $1,456 billion investments, a private news channel reported.

These investments will expand to areas such as agri-business, tourism, hospitality services and food packaging.

Pakistan has developed a strong base of trained, educated, skilled and professional manpower, which could meet the growing workforce needs of the UAE.

Delhi announces major import duty cuts

PALLAB BHATTACHARYA, *New Delhi*

Seeking to contain inflationary pressures on the economy and bring down cost of production, the Indian government has announced customs duty cuts on a range of products, including cement, steel, zinc and copper.

The customs duty on Portland cement has been scrapped from 12.5 percent, an official release of the Indian Finance Ministry said on Monday. The duty on project import has been slashed to 7.5 percent and the tariff reduction will take effect immediately.

The move came five to six weeks ahead of the national budget and against the backdrop of Finance Minister Palaniappan Chidambaram expressing concern over rising inflation, which has been ruling over six percent.

The government has attempted to reduce the cost of manufacturing in basic industries and ensure infrastructure development, the release said.

Project imports and capital goods imports will now attract a 7.5 percent duty as compared to the earlier range of 10-12.5 percent and the facility will be available to airport development and metro rail projects.

The government had recently cut prices of petroleum products to check inflation and with the latest round of customs duty cuts, it hopes to rein inflation to below five percent.

StanChart signs financing agreement with Banglalink

Standard Chartered Bank signed an agreement with Banglalink for a bridge financing facility of Tk 1.05 billion, says a press release.

This facility bridges the syndicated financing package that Banglalink recently awarded Standard Chartered Bank and KfW of Germany for jointly arranging USD 325 million in local and foreign currencies.

Banglalink is continuing its network expansion programmes across the country.

Osman Morad, chief executive officer of Standard Chartered Bank and Rashid Naseer Khan, chief executive officer of Banglalink signed the agreement on behalf of their respective organisations.

Ahmed A Shah, head of Client Relationships of the bank and Ezzeldin M Heikal, chief financial officer of Banglalink, were present among other senior officials.

Of trade syndicate, price hike and economic data integrity

MAMUN RASHID

For quite some time, we have been hearing about various trade syndicates and how they are directly contributing to the unusual price hike of the essentials in the markets reportedly under various political patronages. Usually syndicate is synonymous word for `business cartels' who group together to influence the price of any specific trade or commodity by using the demand supply gap or supply rationing to ensure profit and at times `abnormal profit' for that business or industry group. Though in a perfectly competitive market, this type of `cartel' or `syndicate' should not exist, but we often get to hear about them and sometime have to face them as well. We know of `OPEC' and how they are maintaining or hiking the fuel price by managing demand supply gap. Most of us don't see anything wrong in it. However trade syndicate in Bangladesh, influencing the price level of day-to-day essentials and enjoying shelter from the influential political quarters have always been under criticism from our media and civil society. There is nothing wrong in this criticism, rather this effort may work as productive check and balance system on the overall efficiency in the open market and its price transparency. However, we must not distort relevant data and information and exaggerate public expectation and create obstacle to the overall wealth and growth generating process.

Before getting down to detailed discussion on the syndicate, formation of syndicate and efficiency of these syndicates, I would like to arrest the readers' attention towards the factors of price hike, especially the essential items. The price of a commodity if procured locally reflects its production costs, transportation costs from one centre to another, wholesalers' margin and retailers margin and some other incidental expenses like frequently used rent seekers' costs. Commodity price, if procured internationally, usually reflects international market price, shipping costs, importers' margin, distributors' margin and retailers' margin. Bangladesh with its growing population though have shown tremendous success in keeping her people fed through adequate rice production, at times it had to import rice at the international price, when there is a flood or drought. We also regularly need to import pulses, edible oil, sugar and other essential commodities and last but not the least fuel. Though lately we are witnessing some slide in the fuel price, but it is yet to come down to the level of USD 30 per barrel of two years ago. Same is the case with various commodities like sugar, wheat, rice, lentils and etc. While the USD 30 per barrel fuel has seen a highest price like USD 72, rice during last 2 years has seen a hike from USD 160 to USD 270 per ton, wheat from USD 150 to USD 250 per ton, lentils from USD 350 to 600 per ton, 'motor dal' from USD 225 to USD 270, rape seeds from USD 300/MT to USD 425/MT, edible oil from USD 400/MT to USD 650/MT. Moreover, drought in our neighbouring country has forced them to stop exporting pulses, sugar and wheat to Bangladesh, further contributing to increased shipping costs and supply constraints driven price hike. During the same period, exchange rate also fluctuated between BDT 60 and BDT 74. All these components along with congestion in Chittagong Port, political unrest contributed significantly to the price hike of imported commodity in Bangladesh, besides increasing financing cost due to contractionary monetary policy followed by the government.

Now, let us come to the domestic market. Starting with rice- the farmers in Bangladesh produce rice primarily for own consumption. Farmers' decision to produce rice for own consumption generally is not based on economic cost benefit analysis, however they decide to do cost benefit analysis when they produce rice in excess of their own need. There are two main rice types- aman and boro. Production cost of aman is relatively low, as it does not require irrigation. However, production cost of boro is high. This season my relatives back home are reaping boro rice on about 6 acres of land. We expect 450 'maunds' of paddy. At current market price value of the paddy is BDT 180,000 (BDT 400 per maund, though at present 40kg paddy is being sold at BDT 420 in the northern region of Bangladesh). We estimate BDT 120,000- (roughly BDT 265 per maund) as the production costs (seeds, irrigation, fertilizer, pesticides and labour), so production of boro rice is only marginally profitable or not even profitable if we take into account the required return on investment in land.

Fertilizer and irrigation account for more than 50 percent of rice production cost. This season the production cost will go up if current fertilizer crisis lingers. These days farmers in some areas have started to produce maze in paddy producing land, as they find it more profitable. Therefore, the opportunity cost of not producing maze or other crops will be factored in rice price in future. Current market price of coarse rice at around BDT 18-20 per kg is fully reflective of associated cost. Production of 1 kg rice requires 1.5 kg of paddy. Paddy at BDT 400 per maund means that BDT 15 worth of paddy is required for production of 1 kg rice. If we take the crashing, distribution and retailers' mark up into account, current price is well justified. The rice market is fully competitive and efficient. Because of sheer size and number of players this market can't be manipulated. There is some `rent seeking' in practice, while carrying rice trucks into `Babu Bazar' and other wholesale points in the country, but if we distribute that into per kg of rice it won't be more than 25 paisa per kg.

The objective of putting forward the above analysis is to make the statement that, a lot of our economists are creating absurd and exaggerated expectation in public mind with distorted data about the real price level. This exaggerated expectation is creating the perception of syndicate, whereas the actual power of this so-called syndicate may be unrealistic or insignificant. Of course, we want more transparency in the price of our commodities. But that has to be ensured through the mechanism of market, not by force. Any outside intervention will actually distort the whole wealth generating process and will only create obstacle in our economy's growth path. Yes, with further improvement of law and order, war against corruption can reduce the prices by 25- 50 paisa per kg cost from the rice price, but it can't be sold at 10-12 taka per kg as estimated by some populist economists, unless government comes up with drastic subsidy measures and even then, if it reaches the real producers, who produces a kg of rice at 15/16 taka per kg, and the economists want them to sell those at 10-12 taka, not to talk about the contribution of agriculture to our national GDP. Same is the case with other agricultural products. Improving the supply side constraints, better storage facility, reduced fertilizer and fuel price may have a positive impact on the price, but it won't take us to the Shayesta Khan's regime of the history, that's for sure. Plus, we have to take care of our farmers too, and ensure appropriate price for their produces to keep them on the ground.

Bangladesh imports 800 thousand metric tons (MTs) of sugar. International sugar price for the last 1 year averaged at USD 325/MT, therefore the country needed USD 260 million or BDT 1820 core to import sugar, therefore an economist's claim of misappropriating BDT 5000 crore through `sugar trade syndicate' is not based on reality or supported by any numerical counts. Same is the case with another popular economist who said the last government misappropriated BDT 186000 crore through various 'ill ways'. Planning Commission data ensures that during 2002 to 2006 fiscal years our total ADP implemented amount was BDT 84650 crore and the revenue earnings was BDT 178258 crore. I am sure, he or his flimsy popularity biased economists friends, appreciate that the entire ADP or revenue earnings didn't go to the pocket of the politicians or political parties.

Yes, our politicians are bad and mostly corrupt, their parties don't have any transparency or accountability within them. But these types of aggressive and baseless comments unnecessarily increases the expectation of the common people and will obviously put the next government, whoever comes through a free and fair election into a real problem. Unnecessary stimulation of the expectation of common people by a certain quarter has shown this nation its founding leader being buried without any standing ovation or due respect. Time has come to be more objective and focused for all of us. Of course, if we don't want to encourage `acute intelligence deficiency syndrome' in Bangladesh' and want to establish as `knowledge based society 'or economy like many of our neighbors.

The writer is a banker

US investment accord with Indonesia ahead of FTA likely

AFP, *Washington*

The United States is looking into signing an investment treaty with Indonesia this year to set the pace for a larger free trade pact that could boost bilateral trade by up to 40 percent.

Relations between the world's richest nation and the most populous Muslim nation have improved rapidly in recent years and a free trade agreement could be a fitting climax to the blossoming bilateral and Southeast Asian ties.

An investment accord, the cornerstone of any US free trade agreement (FTA), with Jakarta is among Washington's top priorities for Southeast Asia in 2007, US officials said.

"A bilateral investment treaty, which is effectively the investment chapter of an FTA, is something we are exploring," said David Katz, the director of Southeast Asia and Pacific affairs in the US Trade Representative's office.

The United States forged a trade and investment framework agreement (TIFA) in 1996 with Jakarta but the largest Southeast Asian nation plunged into financial and political turmoil a year later as a result of a regional currency crisis.