Star BUSINESS

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Grameenphone partners with UNAIDS to start campaign against AIDS

STAR BUSINESS REPORT

Mobile phone operator Grameenphone yesterday signed a memorandum of understanding (MoU) with UNAIDS, a joint initiative of the 10 United Nations agencies and the World Bank against AIDS, to launch a campaign to combat the global epidemic in Bangladesh.

Erik Aas, managing director of Grameenphone, and JVR Prasada Rao, UNAIDS director for regional support team, signed the MoU on behalf of their organisations in Dhaka. Health and Family Affairs Adviser ASM Matiur Rahman was also present at the function.

As part of its corporate social responsibility, the largest mobile phone operator in the country will jointly work with UNAIDS to create awareness about the disease.

As per the deal, Grameenphone along with UNAIDS will fund all communication campaigns undertaken countrywide for creating awareness against HIV and AIDS.

Under the initiative styled 'Asia Pacific Leadership Campaign on HIV and AIDS in Bangladesh', six personalities as UNAIDS ambassadors will engage themselves in creating enabling environment to fight AIDS.

The personalities, who will work as UNAIDS ambassadors, are Health and Family Affairs Adviser ASM Matiur Rahman, singer Runa Laila, actor Alamgir, media personality Shykh Seraj, fashion designer Bibi Russell, and director of New Business Division of Grameenphone Kafil HS Muyeed.

Japan's Hino Motors eyes truck plant in Colombia

AFP, *Tokyo*

Japan's largest truck maker Hino Motors Ltd. is considering building a factory in Colombia in an effort to expand sales in South America, a spokesman said Friday.

"We are considering construction of an assembly (plant) to manufacture trucks in Colombia," Hino spokesman Hidenobu Tezuka said.

"This is part of our strategy to widen our market share in South America," Tezuka said, adding that the company hopes to finalise the plan "as soon as possible."

The Nikkei business daily reported earlier that Hino will team up with Japanese trading house Mitsui and Co. Ltd. and local firms to build a joint venture factory in Colombia that will begin operating in 2008.

The plant will have an initial capacity to assemble 4,000 to 5,000 vehicles a year which will eventually increase to 15,000, the financial daily said.

Engines, platforms and other core components will be shipped from Japan for assembly at the Colombian plant.

Saarc chamber talks ways to expedite Safta implementation

STAR BUSINESS REPORT

Saarc chamber yesterday discussed ways to expedite the Safta (South Asian Free Trade Area) implementation process to bolster regional trade and investment.

Leaders of the chamber also discussed means to make the Saarc Chamber of Commerce and Industry (SCCI) as the focal point in enhancing the region's trade at the 39th executive committee meeting on board a ship in the Meghna.

"We have discussed ways to make Safta operational," Dsho Ugen Tsechup Dorji, president of SCCI, told a post-meeting briefing.

He said the businesspeople have realised the potential of South Asian Association for Regional Cooperation (Saarc).

"All the businesspeople in the meeting agree that there is a huge potential in regional trade in the Saarc bloc," Dorji said.

He said the meeting favoured strengthening the capacity of the Saarc cells in apex chambers in the member countries.

He said if the capacity of the Saarc chamber is strengthened, the chamber will seek cooperation from international chambers such as International Chamber of Commerce, Commonwealth Chamber of Commerce and European Chamber of Commerce.

Mir Nasir Hossain, president of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) and vice-president SCCI, said the region's main problem in trade is non-tariff and para-tariff barriers.

The South Asian countries should address the trade barriers, enhance cooperation in customs points and harmonise products standards to increase trade.

He also said the Saarc chamber will work to ease the problems that stand in the way of trade.

Afghanistan Chamber of Commerce and Industry representatives formally joined the Saarc chamber executive body meeting.

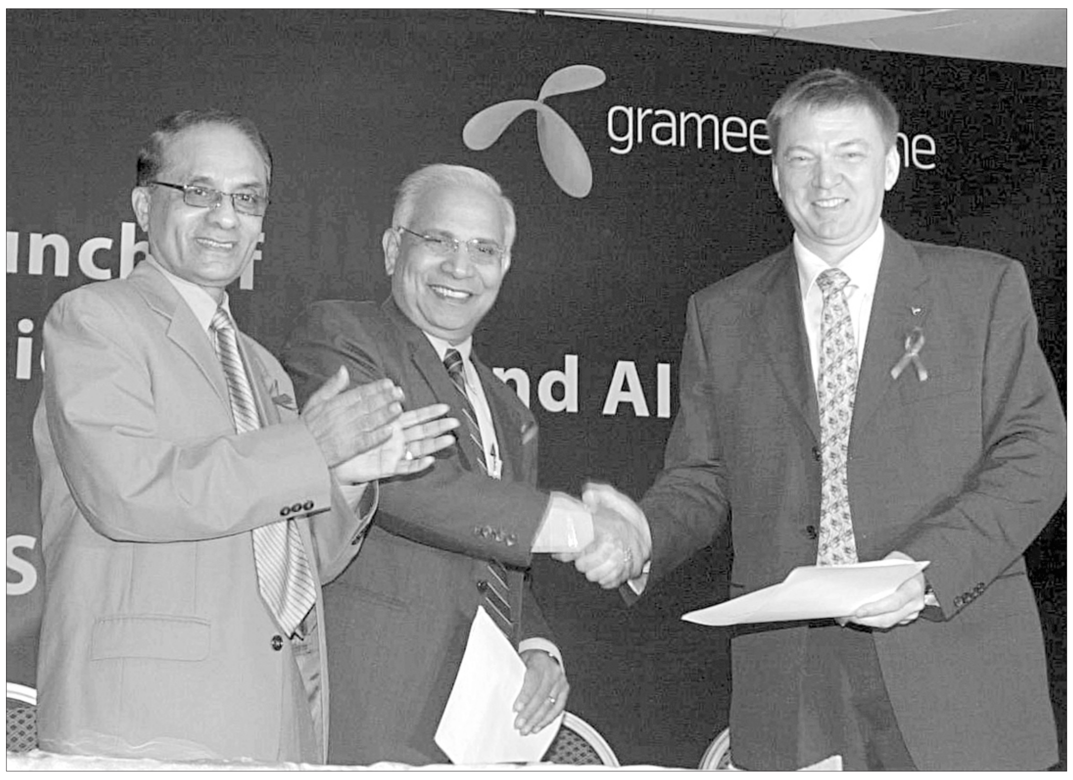

PHOTO: STAR

Erik Aas (R), managing director of Grameenphone Ltd, and JVR Prasada Rao (C), UNAIDS director for regional support team, shake hands after signing a memorandum of understanding to launch a campaign against AIDS at a function in Dhaka yesterday. ASM Matiur Rahman, health and family affairs adviser, is also seen.

SEDF-BGMEA initiative to up RMG competitiveness

STAR BUSINESS REPORT

IFC Advisory Services for South Asia -- the SouthAsia Enterprise Development Facility (SEDF) -- and Bangladesh Garment Manufacturers and Exporters Association (BGMEA) have jointly taken an initiative to explore ways to strengthen the competitiveness of the country's garment sector.

To this effect, the SEDF, a multi-donor funded facility managed by International Finance Corporation (IFC), and BGMEA have recently organised a roundtable in Dhaka to bring together BGMEA directors and leading international buyers, according to a press release.

The discussion focused mainly on expanding the export market and how the association can contribute to this effort, and highlighted BGMEA's initiative regarding corporate social responsibility and minimum wage.

The BGMEA will do everything possible to bring significant changes in the readymade garment sector, especially on compliance issues and market expansion, said Anwar-Ul-Alam Chowdhury Parvez, the association's president.

The BGMEA has set a plan to make all RMG factories fully compliant by 2010. It has urged buyers to price Bangladeshi garments appropriately to help cope with the costs for compliance.

"In order to remain competitive, we must adhere to international standards and for this IFC-SEDF has been trying to coordinate the two important parties involved -- the buyers and the manufacturers," said Deepak P Adhikary, deputy general manager of IFC-SEDF.

Regarding the unified code of conduct, he said, "We have already standardised a health and safety checklist in collaboration with 10 international buyers that has been distributed to 1,000 factories in Bangladesh."

Foreign investment should not be restricted: India

PTI, *New Delhi*

At a time when the rupee is appreciating against the dollar on rising capital inflows, the government on Thursday said high flow of foreign investment should not be restricted even if it leads to some problems.

"There are of course some problems associated with copious flow of foreign investment, but that cannot become a ground to reject foreign investment," Finance Minister P. Chidambaram said at a Confederation of Indian Industry (CII) function here.

He said the country should learn to manage flow of foreign investment as was being done by China.

"We must learn to manage these inflows, but we must not do anything that will restrict investment -- domestic and foreign and both private and public," he said.

Rupee rose for the fourth consecutive day Wednesday to 40.56 against the dollar as global funds increased purchases of local equities. "The rupee's rate is directly related to capital flows we are seeing," an analyst said.

The Indian currency has appreciated nearly 14 percent since August 2006. Although it is hitting exporters, the Reserve Bank has refrained from taking steps to stop the rise as this also makes imports cheaper and helps check inflation.

The government however, did tighten the flow of foreign funds recently, restricting External Commercial Borrowings (ECBs) by real estate companies.

It had barred companies, to raise ECBs for developing integrated township, built on at least 100 acres of land. It had also made it difficult for small players to raise ECBs by lowering ceiling on interest rates to be paid on such debts.

The move was aimed at slowing down flow of foreign debt into the real estate sector, Chidambaram had said earlier.

Singapore manufacturing output up 18.8pc in April

AFP, *Singapore*

Singapore's manufacturing output rode strong growth from pharmaceuticals and shipbuilding-related activities to rise 18.8 percent in April compared with the same month last year, the government said Friday.

The output beat forecasts by economists who expected growth of between 6.3 and 18.0 percent, and it reversed a revised 2.7 percent contraction in March.

After the earlier fall in output, economists had expected a downward revision in the city-state's economic growth expectations. Instead, the government on Monday raised its 2007 growth forecast to 5.0-7.0 percent from 4.5-6.5 percent.

On a seasonally adjusted month-on-month basis, industrial output in April rose almost 8.0 percent from March, the Economic Development Board (EDB) said.

Two northern districts to come under tea plantation this year

OUR CORRESPONDENT, *Rangpur*

The government is going to bring Lalmonirhat and Nilphamari under tea plantation to create job opportunities for the extreme poor in the monga (near famine situation)-prone northern districts.

Inspired with the success in Panchagarh, also a northern district, Bangladesh Tea Board (BTB) plans tea cultivation this year on 150 hectares of land in the two districts under the 'Small Holding Tea Cultivation' project.

The BTB, which has already set up an office in Lalmonirhat, hopes the project will create job opportunities for at least 5,000 in the two districts in the next few years.

Director (Production) of BTB Md Azharul Islam said, "The main purpose of the project is to alleviative poverty and increase tea production in the country."

Response from farmers in Patgram upazila is encouraging, Islam said, adding that growers in Sadar upazila under Lalmonirhat are preparing land to cultivate tea.

The BTB however is yet to get enough response from farmers in Nilphamari district, said Islam, adding, "Hopefully, adequate number of farmers will be motivated soon for tea farming through counselling."

The government is offering subsidies and loan facilities to attract farmers to cultivate tea in the districts.

CURRENCY ROW

China tells US lawmakers sanctions 'inappropriate'

AFP, *Washington*

Chinese Vice-Premier Wu Yi told US lawmakers here that it was "inappropriate" to impose sanctions against China over its allegedly undervalued currency, an official said Thursday.

Several lawmakers want to proceed with legislation imposing stiff penalties on Chinese imports after lengthy meetings on Capitol Hill on Wednesday and Thursday with Wu on the currency issue.

Wu "stressed that it is important for the two sides to use sincere dialogue to solve (issues) gradually and it is inappropriate to use non-economic means to seek a solution or willful resort to pressure," Chinese Assistant Finance Minister Zhu Guangyao told reporters.

Zhu said that China was already "very dissatisfied" with recent US actions to haul Beijing to the World Trade Organization for copyright piracy and Chinese barriers to US music, films and books even though the issues could have been resolved bilaterally.

"And we hope that the US side will know the position of the Chinese side, and redressing similar issues in the future will follow the principles of reciprocity and equal consultations," he said.

Zhu also indicated that any US sanctions triggered by legislation in Congress over the currency issue could jeopardize relations between the two powers.

"We hope they will have a correct understanding of the importance and significance of the economic and trade relations between the two countries and bear the overall state interest of the United States and view the issue of legislation from this perspective," he said.

Zhu had accompanied Wu and 15 other Chinese ministers to high level talks this week with the United States on key economic issues eclipsed by American concerns over a burgeoning trade deficit blamed on an undervalued Chinese currency.

The Chinese team met with US President George W. Bush at the White House Thursday.

Bush said after the talks that Washington was "watching closely" whether Beijing would allow the appreciation of the Chinese currency to help address the burgeoning US trade deficit with the Asian giant.

The Bush administration is under pressure from US lawmakers threatening to push ahead with legislation imposing punitive tariffs on Beijing if the Chinese refuse to allow an appreciation of the yuan.

They accuse China of keeping its currency grossly undervalued to make its exports to the United States cheaper -- a key factor cited for the snowballing US trade deficit with the Asian giant that hit 232.5 billion dollars last year.

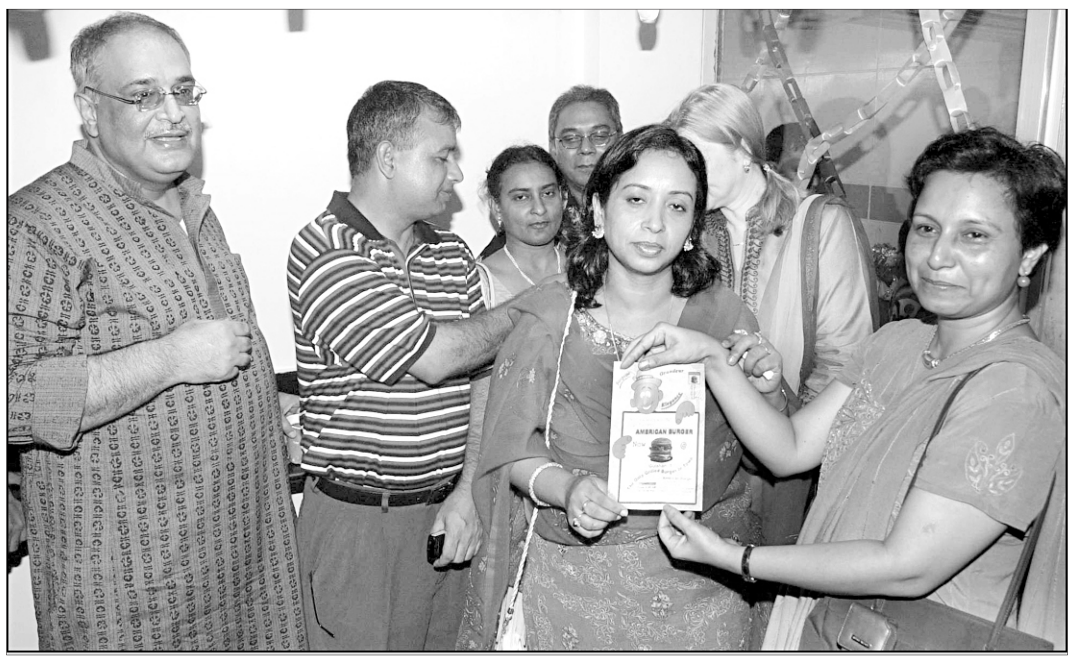

PHOTO: STAR

Guests are seen at the opening ceremony of a new branch of American Burger at Gulshan Circle 1 in Dhaka yesterday.

CPD's diagnostic study on price of daily essentials: Recommendations

The recommendations to control the prices of essentials are extracted from the study titled 'Price of Daily Essentials: A Diagnostic Study of Recent Trends', which was conducted by the CPD (Centre for Policy Dialogue) for the Ministry of Commerce, Government of Bangladesh

Part I

(i) Define "Essential Commodities" and Enact "Supply and Regulation of Essential Commodities Ordinance". The government may officially identify certain food products as "Essential Commodities" and declare its intention to maintain stability of prices of such commodities through policy and institutional interventions in greater public interest.

The government needs to reexamine the effectiveness of the "Essential Commodities Control Order (1981) and explore the need to enact a law styled as "Supply and Regulation of Essential Commodities Ordinance (2007)" to provide a statutory basis to the government's targeted emergency measures for keeping prices of certain "essential commodities" within the means of common citizens.

(ii) Strengthen Market Intelligence. The government may create a new agency styled as the Department of Market Surveillance (DMS) under the existing legal framework of the now extinct Department of Prices and Marketing Intelligence (DPMI) for prudential supervision of the daily essential commodities markets. The proposed DMS will work in close collaboration with the DAM, Department of Agricultural Extension (DAE), Directorate of Food (DAF) including Food Planning and Monitoring unit (FPMU), and TCB. The price monitoring Unit of the TCB may be merged with proposed DMS. The DMS will particularly be responsible to collect data on global production and price situations as well as the projection of different essential commodities. The DMS will provide suggestions to the TCB regarding import and export policies based on its assessment of the local and global market.

The DAM should be provided with adequate manpower and financial resources to convert it to a more effective organisation. The DAM should be given the responsibility to estimate the region-wise demand and supply capacity with the help of other agencies and this information may be disseminated through the proposed DMS.

(iii) Rationalise Import Duties of Essential Commodities. If possible, government should introduce zero tariffs for selected essential commodities (currently zero import tariff has been provided for rice and wheat) particularly for the ones for which import price is high (e.g. Lentil).

The ad-valorem tariff depends on the import prices. For specific tariffs to be in place the government will need to replace the existing ad-valorem tariff structure by specific tariffs for essential commodities. The CPD analysis of National Board of Revenue (NBR) data reveals that NBR should analyse the import data for essential commodities for the last few years and recommend a product-specific flat rate per tonnage replacing the existing tariff structure. It will give the importers protection against the highly fluctuating international price of essential commodities on the one hand, and eliminate incentives for misinvoicing on the part of the importers as regards import tax evasion thereby ensuring revenue generation interest of the government.

Rationalisation of high Supplementary Duty is essential for certain products (taking in cognisance local production prospect), particularly for whole cream milk powder. However, the government should negotiate with packaging and distributors of WCMP (e.g. Nestle, Sanwara group) before implementing this removal/reduction so that the benefit originating from such move is accrued to the consumers in the form of reduction in the existing market price.

The importers have urged the government to provide a declaration in the budget speech regarding the possibility of revision of the duty structure of essential commodities subject to overall national demand and supply situation of the country and in view of any fluctuations in international prices. This kind of declaration will give the importers a higher degree of business predictability.

(iv) Increase Market Agents at Import Level. The government should encourage the commercial banks to facilitate formation of groups of small scale importers (in terms of capital) to import essential commodities so that they may take the benefit of economies of scale (bulk import). This will help new players to enter the market and with the growing number of importers/traders, the popular perception and speculation about syndication may be removed. However, existence of such groups will give rise to some technical queries such as What would be the legal identity of such groups? Will they place purchase orders using one of the member's business name/trade licenses or will they need to register themselves as different entities and use the information pertaining to that entity for banking and tax purposes? Will they be equally liable for the bank loans or will they be liable only for their proportion of the loan? Government has to think through these issues and amend the rules and regulations, if necessary.

The government should monitor international prices of imported essential products on a regular basis through its institutional mechanisms and disseminate the information among concerned authorities and in the market to prevent price fixing and supply manipulation through syndication.

(v) Reduce the Production Cost of Agricultural Commodities. Power distribution to the agricultural sector should be increased with a view to reduce the use of diesel for irrigation through load management. In this regard government must increase the local electricity generation capacity and may consider a wider application of solar power to generate electricity in rural areas with the help of NGOs. The government should also explore the opportunity to import from the neighbouring countries and to establish a SAARC regional gridline in the medium term.

The government should consider providing more subsidies on the rate of power usage in agricultural sector which is currently Tk 1.89 per KWh. Importantly; electricity supply for irrigation purposes has to be increased on a priority basis.

The government needs to provide subsidy directly to the farmers' on petroleum usage for irrigation. Modalities for this subsidy should be developed with strict monitoring mechanism (so that only genuine farmers may be benefited) and tight border security to prevent smuggling. To this end, either issuance of Entitlement Card or use of the proposed voter/National ID card may be considered.

As the government and private entrepreneurs are currently meeting only 12.50 per cent of the total demand for seeds, initiatives should be taken to increase supply of quality seed by private sector and NGOs. Towards this, special support for production of breeders' seed and supplying those seed at subsidized rate to NGOs and private sector companies for production of truthful level seed is necessary. This will reduce their production cost and increase seed supply and thereby production.

(vi) Reduce Financial Charges and Exchange Rate for Trade in Essential Commodities. In case of letter of credit (L/C), banks usually determine the margin on the basis of bank-client relationship a higher margin could raise the price of foodgrains and emergency necessary items. In case of emergency daily necessary items, L/C margins should be fixed as low as possible.

Bangladesh Bank may take initiative to encourage all commercial banks to lower the interest rate against loan for importing/domestically procuring essential commodities (e.g. LTR, LIM, CC Pledge, CC hypo). This may be fixed for a certain period of time and then may be reviewed again.

In Bangladesh, the USD-BDT exchange rate buy-sell difference for importers and exporters is currently 2.23 per cent, which is 1.30 per cent in India, 0.61 per cent in Pakistan and 1.47 per cent in Sri Lanka. This difference should be close to 1.00 percent.