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Janata, Agrani banks now public limited companies

STAR BUSINESS REPORT

Janata and Agrani, two nationalised commercial banks (NCBs), yesterday got licenses from the central bank to become public limited companies.

As per the license, the banks will conduct their activities following the Memorandum and Article of Association instead of the Nationalised Bank Order, 1972.

Sources said the first privatisation move empowers the banks' management (board of directors) to take policy decisions independently, though the government will remain as owner. The independent board of directors of each bank will appoint its managing director of its choice.

WB warns China of share market risks

AFP, Beijing

The World Bank warned Wednesday the risk of a sharp correction in China's stock market could rise if share prices continued to soar but argued the impact on the overall economy would be limited.

"If prices were to continue to rise rapidly, risks of a sudden change in mood and sharp negative correction could increase," the World Bank said in its latest quarterly update on the Chinese economy.

The main impact could be damage to the new-found confidence in the Chinese capital market."

China's stock markets have tripled in value since 2005, sparking concerns of a major correction that could hit investors hard and possibly cause major problems for the wider economy.

Britain to sell part of British Energy

AFP, London

Britain outlined proposals on Wednesday to sell part of its holding in British Energy, the nuclear power station operator, which could earn it 2.19 billion pounds (3.22 billion euros, 4.33 billion dollars).

Trade and Industry Secretary Alistair Darling confirmed the plans before parliament on Wednesday and said the proceeds would go towards decommissioning costs of British Energy's eight nuclear power stations.

Darling said that 400 million shares would be sold -- slashing the government's holding to around 39 percent from approximately 64 percent.

Image problem blamed for failure to attract tourists

Toab to arrange 3-day tourism fair in Sept

STAR BUSINESS REPORT

Political instability, poor air links and the image of a nation in crisis are the reasons for the failure of Bangladesh to develop its tourist industry, tour operators claimed yesterday.

"We fail to attract significant numbers of tourists despite having all the potential needed, such as natural beauty. This is due to the image crisis of the country and political instability," Hasan Mansur, president of Tour Operators Association of Bangladesh (TOAB) told a press conference.

The organisers will visit Kathmandu, Kolkata, Delhi and Bangkok to promote the fair among the potential participants. The organisers are expecting around 30 overseas participants mainly from neighbouring countries.

Toab said it has no official figures for the number of foreign tourists, but Hasan Mansur expressed doubts over government figures that claimed more than two lakh had visited Bangladesh last year.

The organisers are seeking assistance from airline companies

as well as Bangladesh's missions abroad to create interest among foreign participants.

Trevor MacDonald, general manager, Dhaka Sheraton Hotel, Salina Momen, general manager, Pan Pacific Sonargaon, San Amalan, general manager, Westin Dhaka, Ian R. Barron, general manager, Radisson Water Garden Abdullah Al Hasan, general manager marketing, Biman, Quazi Shahriar, general manager, GMG Airlines, MA Mohaiman Saleh, president, Travel Agents Association of Bangladesh, Hakim Ali, managing director, Hotel Aragbad also attended the press conference.

The fair will remain open for all from 10 am to 8 pm with a minimum entry fee.

The Daily Star, Prothom Alo and Channel i are the media partners of the fair.

\$6b package for Indian farm sector

PALLAB BHATTACHARYA, New Delhi

Indian Prime Minister Manmohan Singh has announced a six billion dollar package to revive the country's slow-growing farm sector hit by a combination of low productivity and high debt of farmers, many of whom committed suicide.

The aim of the premier's package is to double the rate of growth of agriculture, which contributes 20 per cent to India's GDP, to four per cent, a government spokesman told reporters here on Tuesday evening after a meeting of a special meeting of chief ministers of all

states.

Manmohan also announced a time-bound Food Security Mission to contain rising prices of food products by enhancing production of rice, wheat, pulses and edible oil to ensure their easy availability in the next four years.

The federal government would provide additional assistance to the states to expedite programmes for bridging yield gaps and increasing farm productivity.

The meeting adopted a resolution to raise rice production by ten million tonnes, wheat by eight million tonnes and pulses by two million tonnes by 2011-12.

Manmohan said the recent rise in prices of certain food products has been the result of slow supply of response to growing demand.

"Therefore, we need to work towards a rapid rise in production of rice, wheat, pulses and edible oil so that prices can be kept under check and there is adequate supply of these commodities for the common man," he said.

Speaking at the meeting, Finance Minister P Chidambaram expressed concern over stagnation in food grains production during 1998-2007.

Asked if any action was taken

\$812m BoP surplus in Jul-Mar

STAR BUSINESS REPORT

Boosted by a surge in remittances and strong exports the balance of payments surplus reached US\$812 million in the first nine months of the current fiscal year (2006-07), despite a fall in foreign direct investment and foreign aid.

The agreement was signed in the Belarusian capital of Minsk on Tuesday, according to a message received here yesterday.

Belarusian Deputy Foreign Minister Victor Anatolievich Gaisenok and Bangladesh Ambassador to the Russian Federation, concurrently accredited to Belarus, Amit Hussain Sikder signed the agreement on behalf of their respective countries.

"The two countries would be benefited by the already concluded trade agreement through expansion of trade and economic cooperation between the two countries," Gaisenok was quoted to have told the signing ceremony.

Belarusian Ambassador Amit Hussain Sikder sought Belarus' assistance and cooperation in agriculture and energy sectors, and power generation.

million.

The main reason for the surplus was a strong jump in the level of remittances from Bangladeshis abroad. In the nine months to March 31 remittances rose by 26 percent compared to the same period a year earlier, to reach \$4.9 billion.

The surge was mainly due to the increased use of official channels by Bangladeshis abroad to send their money home.

Exports rose by 20.21 percent to

\$9.03 billion, compared to \$7.51 billion in the same period a year earlier. One of the largest gainers was the knitwear sector.

Imports rose by 20.55 percent to reach \$12.74 billion compared to \$10.57 billion, meaning the deficit reached \$2.55 billion, up from \$2.09 billion in the same period a year earlier.

Larger deficits in services and income meant the current account surplus fell to \$318 million from

\$523 million during the same period of 2005-06.

Foreign direct investment fell to \$385 million in the July-March period, down 24 per cent, while foreign aid dropped by 2 per cent to \$909 million, according to the Economic Relations Division.

However, portfolio investment increased 212 percent to \$50 million, compared to \$16 million during the same period a year earlier.

Prizes given to winners of 'Aktel World Cup Challenge'

STAR BUSINESS REPORT

against unscrupulous recruiting agencies, Chowdhury said, "We are extremely conscious about that and we will not tolerate that."

He said after inquiry the authorities concerned cancelled licenses of some recruiting agencies and realised fine from them.

Out of 52 complaints against recruiting agencies, 36 cases were settled by realising more than Tk 36 lakh and the money was returned to aggrieved persons.

The adviser said "it is not our sole objective to send workers abroad and receive money. Our prime aim is to ensure the highest welfare of our workers employed abroad and increase the welfare if necessary."

Appearing a bit emotional Chowdhury said "they (workers) may be hapless, but they are our real assets. We want to establish this sector in society."

The adviser, who made a surprise visit to immigration counters at Zia international airport recently, said tough actions would be taken

against any harassment of the departing or arriving workers at the airport.

Secretary to the Expatriate Welfare Ministry Abdul Main Chowdhury also responded to queries from reporters.

Canada talks free trade with China

AFP, Ottawa

Canada's Trade Minister David Emerson pressed the idea of Canada signing a free trade pact with China after meeting with his Chinese counterpart, local media said Tuesday.

In an interview with the daily *Globe and Mail*, Emerson said: "I just would say flat out that free trade is where Canada's bread and butter has to be. The question is, what is the path you follow to get there."

He said he and China's Commerce Minister Bo Xilai agreed to try to speed up talks on a foreign investment promotion and protection agreement to safeguard investor rights in both countries.

"At some point, there will be a need for, I expect, a bilateral free trade type of negotiation," Emerson added.

Bangladesh RMG exports to EU: Is the success sustainable?

ZILLU HYE RAZI

The European Community has been a major trade partner for Bangladesh for several decades. Over the years, however, the pattern of trade has changed significantly. The EU has remained a significant import source for machineries, equipments, chemical raw materials and dairy products since the independence of Bangladesh. However, the EU share of total imports by Bangladesh has declined in percentage terms. On the other hand the EU has become the single largest (over 50%) destination of Bangladeshi exports in the last ten years. Readymade garments (RMG) became the main export item to the EU with about 90% share of all exports there. The dependence grew gradually despite a clear necessity for diversification of exports and corresponding policy announcements. Interestingly the nature of dependence is clearer when one sees that, of the total woven items exported to the EU, the share of trousers and shirts is about 80%. In the case of knitted items the share of T-shirts and sweaters is about 95%.

Waiting for a relaxed rules of origin for GSP

There is a protracted debate on the issue of rules of origin of the EU's General System of Preferences (GSP) between the garments

exporters and the fabric manufacturers of Bangladesh for and against the relaxation of rules respectively. Both submitted their respective positions to the relevant services of the European Commission. The crux of this issue is the degree to which exports are required to incorporate input which can be classified as originating in Bangladesh. The Commission is working on the simplification and relaxation of rules where appropriate. It is expected that once the rules are adopted there will be a transition phase to allow the beneficiary countries to prepare for the new system of GSP administration with a major role for the exporters in certifying the GSP Form A.

While the debate here continues on the merits of the relaxed rules, Bangladesh has increased its GSP utilization for its clothing exports to EU. About 90% of the exported knitted items are receiving GSP (duty free entry), while the woven items' share is about 40%. However, the utilization is more on cotton trousers (about 52%) and much less for shirts (about 25%). The growth of exports shows a very positive trend even in the post-MFA period. But some people worry about decline in exports if the Chinese were restricted later

after December 2008, when the quotas on China imposed by the EU and USA will be lifted. Interestingly the share of the Chinese textile products by the EU and USA happened after a few months of unrestricted business in these two markets. The quota was actually applied in the last quarter of 2005 during the famous post-MFA trade regime. How did Bangladeshi clothing items (regarding which the Chinese were restricted later) fare during these several months of stiff competition? If we look at the performance of Bangladesh

exports to the EU in certain categories, the ground for pessimism is hard to substantiate.

Clothing/RMG exports to the EU in 2006 (January-December) show that, among all exporters to the EU (extra-EU imports), Bangladesh's rank is number 2 in shirt, number 4 in men's cotton shirt, number 2 in men's cotton trousers, number 2 in men's denim trousers and number 2 in sweater/pullover. China's position is ahead of Bangladesh in woven shirts, sweaters and trousers. India is ahead of Bangladesh only (among these) in woven shirt.

Bangladesh continued its growth in export even in 2006, the second year of post-MFA trade regime. It is interesting to note that Bangladesh has improved its position in the ranking in the EU for men's cotton trousers (2 from 4) and for men's denim trousers (2 from 3) in the period 2005 to 2006. It also maintained its rank in other items mentioned above.

Bangladesh's export of textile & clothing to the EU reached 4.6 billion euro in 2006, from 3.6 billion euro in 2005. The share of the EU market also increased from 5.16% in 2005 to 6.03% in 2006. Interestingly the share of textile & clothing in the total export to the EU remained static in the last 4 years which is close to 90%. The overwhelming dependence on

exports to the EU, However it is difficult to explain the export of woven shirts in the quota free regime with only 25% GSP utilization in EU.

The issue is equally enigmatic in the case of export (knit and woven) to the USA, where Bangladeshi products face high tariffs. Here one needs to keep in mind that basic clothing items are not fashion sensitive, therefore, not greatly impeded by lead-time factors.

A great challenge ahead

In the near future the EU is likely to formalize and apply the revised rules of origin for its GSP. The rules are, of course, applicable for all eligible imports to EU under such preferential trade. The significant aspect of the revised rules, in addition to the simplification and possible relaxation, would be the new GSP administration. The exporters are envisaged to certify their exported products as fulfilling the GSP rules of origin. This would be a formidable challenge for the Bangladeshi exporters across the board, not for the RMG exporters only. This new regime, with a transition period to prepare, requires very good record keeping, extensive IT use and efficient accounting system on the part of the exporters. The job would be more difficult if a value addition criterion is finally adapted to judge a product's originating status, especially in the

agriculture, textile and fisheries sector. So far the exporters left the job of GSP certification entirely to the competent authorities such as the Export Promotion Bureau.

Bangladesh is known for its low-priced RMG products. The low price is often associated with low wages. The issue of core labour standards has recently become a major cause of industrial dispute. The violence witnessed in May 2006 in some export industries of Bangladesh manifested the seriousness of the issue. The foreign buyers may not remain oblivious to the concerns of the consumers and civil society organizations for an indefinite period. A major setback caused by widespread labour unrest in the RMG sector in Bangladesh may very likely seize up the engine of success. Sustainability of all the positive indicators of RMG exports, accordingly, is largely dependent on the progress in the current efforts to improve labour standards. It is also dependent, with no less importance, on many other economic and non-economic factors beyond the control of the exporters themselves directly.

The writer works for Delegation of the European Commission to Bangladesh. Opinions expressed are personal and do not necessarily reflect the views of the European Commission.



AHMAD BIN ISMAIL (3-L), managing director of Aktel, gives away a brand new car as the first prize to the winner of an SMS-based quiz organised by the cellphone operator during the last world cup cricket contest at a prize giving ceremony in Dhaka yesterday.

PHOTO: STAR