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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.

After having a new shape as public limited company, the banks will have to follow the Bangladesh Bank rules and regulations like other private banks.

The government will issue notification through a gazette to add 'limited' after the banks name. All liabilities and assets of the banks would be transferred to its new company name.

The Rupali bank was made a public limited company in early 90s, but it went by the Nationalised Bank Order, 1972. However, this bank has been run like an NCB since it turned into a public limited company.

The new memorandum of article would give more autonomy to Janata and Agrani banks. The board of directors of the banks

from now on will be able to fix up their employees' salaries.

Earlier, the two banks were registered under the Memorandum and Article of Association to the Registrar of Joint Stock Companies and Firms (RJSCF) to operate as public limited companies.

Meanwhile Sonali Bank, another state-run bank, will soon be registered with the joint stock company as it has already fulfilled the required number of members of the board of directors.

The government has already gone for newspaper advertisements to choose managing directors for Janata and Sonali. Sources said the authority has so far received 34 applications for the posts.

Bangla-Belarus deal on economic cooperation

UNB, Dhaka

Bangladesh and Belarus have signed an agreement for expansion of trade and economic cooperation between the two countries through increased contacts at different levels.

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 Gaisnok and Bangladesh Ambassador to the Russian Federation, concurrently accredited to Belarus, Amir 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," Gaisnok was quoted to have told the signing ceremony.

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

\$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 surplus is in sharp contrast to the same period a year earlier when the country was running a balance of payments deficit of \$37

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 percent, while foreign aid dropped by 2 percent 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.

Manpower export doubled Says foreign affairs adviser

UNB, Dhaka

A record number of 2.50 lakh workers went abroad with employment during the last five months, which is double of the last year.

In April alone some 66,196 workers went abroad with jobs to the comfort of the national exchequer, which is hoping remittances to surpass US\$ 6 billion dollars this fiscal year ending in June.

Foreign Adviser Hefkar Ahmed Chowdhury told a press briefing at the PID yesterday that the country also earned a record amount of remittance worth Tk 14, 145 crore in four months ending April.

Painting a rosy picture of success in manpower export, Chowdhury said the Malaysian government has so far approved recruitment of 2, 69,978 Bangladeshi workers.

Of them, fingerprints of 1,17,525 workers were sent to Malaysia for their 'calling visas'. So far calling visas of 91,296 workers have been received.

In reply to a question, the adviser said the government is contemplating formulating policy on female workers who intend to go abroad with employment.

He said some 68, 147 female workers got employment abroad and in four months up to April 60,093 female workers went

abroad. Chowdhury who goes on a trip to South Korea on Saturday said Dhaka and Seoul will sign an MOU on June 6 providing for import of semi-skilled labourers from Bangladesh.

Under the Employment Permit System (EPS), he said the Korean government will recruit 50,000 workers from 14 countries. Under a special package they will recruit some 10,000 workers from four countries including Bangladesh.

"One prime target of the present government is to open newer windows in economic front," the adviser told the briefing.

Chowdhury who is also scheduled to visit Canberra middle of next month will hold meeting with Australian Foreign Minister Alexander Downer and sign an MOU to create opportunity for Bangladeshis to work under Work and Holiday Visa Program.

Besides, he said the government is taking initiatives to dispatch workers to Sudan, Afghanistan and Canada.

The adviser said an effort is underway to set up a catering institute of international standard here with the support of the British government so that trained workers get job in expanding catering industry in the UK.

Asked if any action was taken

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 asset 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 Matin Chowdhury also responded to queries from reporters.

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 briefing at a city hotel.

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.

Toab will arrange a three-day tourism fair from September 6, 2007 at the Bangladesh China Friendship Convention Center in Dhaka to woo international tourists as well as local ones.

It will also help outbound tourists to learn more about destinations they can visit safely as tourists, Mansur said.

He said Toab is expecting around 50 participants representing tour operators, travel agents, hotels, airlines, resorts, land transport operators, theme parks and bank and insurance companies.

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.

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 Mohaimen Saleh, president, Travel Agents Association of Bangladesh, Hakim Ali, managing director, Hotel Agrabah 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

PALIL 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 percent to India's GDP, to four percent, 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.



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.

Prizes given to winners of 'Aktel World Cup Challenge'

STAR BUSINESS REPORT

Mobile phone operator Aktel yesterday gave away prizes among the winners of an SMS-based quiz organised by the cellphone operator during the last world cup cricket contest.

One Sarwar Haider from Chittagong won a 'Proton Zen 2' car as the first prize of the contest, while another 11 persons were awarded with Sony Ericsson K790i model mobile handsets.

Radio Today, Channel i and the daily Ittefaq were the media partners of the contest styled 'Aktel World Cup Challenge' that began on March 13 and continued until April 29.

"Aktel is very happy for being able to successfully organise the contest and give away prizes among the winners", said Ahmad Bin Ismail, managing director of the operator, at the prize giving ceremony in Dhaka.

Zakir Ibne Hai, head of Advertising and Promotions of Aktel, Shakil Monjur, executive director of Radio Today, and Arshed Hossain, director of the daily Ittefaq, among others, spoke at the function.

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?

ZILLUL 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 machinery, 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 Bangladesh 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 (GSP) between the garments

exporters and the fabric manufacturers of Bangladesh 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 after December 2008, when the quotas on China imposed by the EU and USA will be lifted.

Success amidst apprehension

There are two major apprehensions related to an export setback looming large in the minds of Bangladesh RMG exporters. These are the likely preferential erosion following a drastic reduction of tariffs on textile products under NAMA negotiations in WTO. The second one is the end of the EU and US restrictions on certain textile exports from China after December 2008. The outcome of NAMA is not likely to have any impact on RMG export from Bangladesh in the near future as the DDA negotiations do not show any sign of early resolution. However, the EU/US restrictions on Chinese exports on textile items which are in direct competition with Bangladeshi products (woven shirts, woven trousers, t-shirts and sweaters/pullovers) will be removed soon. Here one may recall that the restriction or the quota imposition on 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 hardly substantiated.

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 t-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

RMG exports to the EU and USA remains a major concern for the country. There is also no immediate possibility to reduce that dependence. The only potential way out, in the long term, is probably through an export decision of hydro-carbon resources of Bangladesh.

It is very likely that the competitive edge of Bangladeshi shirts, trousers in the woven sector and t-shirts and sweaters in the knitted sector would continue even after 2008. One may argue that the lifting of quantitative restrictions on China may adversely affect Bangladesh exports. However, analysts should not forget that the size and economic features of China and India are not comparable with that of Bangladesh. Bangladesh would probably remain a major supplier of basic/cheap clothing items, despite an astronomical growth of export of its competitors. Some of these countries have much lesser production capacity than that of Bangladesh (Cambodia, Sri Lanka and Vietnam) and some would be more competitive with items Bangladesh does not export in bulk (China and India), simply stated, high-priced items.

Is there a silver lining? There is a persistent nervousness among textile and clothing producers in Bangladesh about the future rules of origin for EU GSP

The apprehension of a loss of preferential margin under NAMA is also a ground reality. The RMG exporters are excited about a radical relaxation of rules in coming months allowing them to use imported fabric and be eligible for GSP. On the other hand, the local fabric producers are worried about the loss or shrinkage of market for their products as there will be no attraction to buy local fabric for getting a GSP certificate to export duty-free. However, there is always a possibility that a buyer may prefer to source the inputs of clothing from the place it is exported, depending on certain factors. This decision may be independent of the preferential margin Bangladesh enjoys. The fact that Bangladesh has succeeded in exporting to USA (both knit and woven) and EU (large number of woven products without GSP) in the post-MFA period, amply justifies the belief that the country has become a reliable (price may not be the only criterion) supplier, albeit, for some limited products.

Bangladesh has increased its export of trousers to the EU in recent years with corresponding increase in the GSP utilization. Increased export of trousers could be owing to the increase in the use of local fabric or a better GSP utilization, both being linked. The same could be said about the knit

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 factor.

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 this 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.