

## Singapore businesses keen to invest in composite textile

STAR BUSINESS REPORT

A business delegation from Singapore yesterday expressed interest to invest in Bangladesh's composite textile sector.

"Based on the collected information during our visit to Bangladesh, we will assess the size and exact time of the investment," said Benny Pua, president of Singapore-based Textile and Fashion Federation (TaFF) and the leader of the 16-member delegation.

Another TaFF delegation will come to Bangladesh soon with formal investment proposals, he said, adding, "we want to invest in Bangladesh's textile value chain."

He was speaking at a press conference in Dhaka to brief about the outcome of their four-day visit that concluded yesterday.

The delegation of TaFF came to Dhaka at the invitation of Texas Group of Bangladesh to explore investment potential here.

"During our meeting with the authorities of Board of Investment and the officials of Bangladesh Export Processing Zones Authority (Bepza) we were apprised of various government facilities with regard to making investment here, and based on these we will propose short and medium term investment soon," Pua said.

The major export item of Bangladesh is textile and the government provides various types of facilities for this sector. So the country has the basic infrastructure to help invest in this sector, he added.

Pua, who has textile business in Sri Lanka and Cambodia, said the investment facilities in Bangladesh are much better compared to those countries'.

Meanwhile, the delegation also met the leaders of Bangladesh Garment Manufacturers and Exporters Association (BGMEA). The BGMEA urged the delegation to avail of the government facilities for foreign investors and invest in the country.

## Budget implementation tough without finance ministry reform

### Former minister observes

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The proposed budget for FY '08 is too tough to implement, unless there is a full-fledged reform in the finance and planning ministry, observed MK Anwar, a former minister of the immediate past four-party alliance government, referring to his own bitter experiences.

Anwar, who held the charge of agriculture ministry, also demands autonomy of Bangladesh Bank saying that the central bank cannot serve as a directorate of the Ministry of Finance.

He was addressing a post-budget discussion organised by Economic Reporters Forum (ERF) at the CIRDAP auditorium in Dhaka.

The finance adviser, Mirza Azizul Islam, who was present at the discussion as chief guest, echoed the former minister's views and made an assurance that the government will consider reforms in his ministry.

He said the autonomy of the central bank basically depends on the relation between the finance ministry and the governor.

The adviser, however, thinks Bangladesh Bank enjoys autonomy in all areas except creation of posts and increase in salary.

"If there is no good relation

between the governor and the finance ministry, autonomy would bring no good," he said.

Pointing to the fact that the present government has taken several measures to bring about reform in different ministries, M K Anwar suggested that first of all reform is needed in the Ministry of Finance and Planning.

"Otherwise, it will be difficult to implement the proposed budget," he said.

He narrated his experiences when he was in the agriculture ministry and said release of allocation and fund from the finance ministry was not hassle-free, although the agriculture ministry was given freedom to get allocation for the ministry under a medium-term budgetary framework.

According to the tariff structure in the proposed budget, import cost of 2800 finished products would be reduced. On the other hand, import cost of 1200 highly used industrial raw materials would be increased.

This tariff structure will have adverse impact on domestic industries, Anwar said.

He said although the PRSP (Poverty Reduction Strategy Paper) targeted generation of 30 lakh new jobs, but it succeeded in creating only 10 lakh jobs during the three years period of PRSP implementation.

And for such poor performance, a total of 20 lakh people remain far away from the job market, Anwar said, adding that if the tariff structure makes any hindrance to the growth of local industries, the probability of new job creation would be minimised.

Citing an example of his ministry's dilemmas, Mirza Aziz said the planning ministry takes two year to finalise a development project paper. And so the government will consider decentralising the financial power of the ministries.

He differed with the view that proposed tariff structure would affect the local industries adversely and said, "We should realise how far the proposed tariff structure hits the local industry."

The survival of an industry depends on its financial efficiency, he said. Citing examples of Russia and China, he said China's economy marked 10 to 11percent growth on an average even after privatisation and trade liberalisation.

On the other hand, Russia geographically separated after taking protectionism, he said.

The adviser said the finance ministry will scrutinize the 1807 recommendations it received about the proposed budget.

Speaking on the occasion, Awami League leader and former commerce minister Tofail Ahmed said the present government proposed a very good budget neutrally as there is no political activity in the country.

He however suggested keeping the current fiscal's tariff intact in the new budget so that the local industries' smooth running is not hampered.

Rashed Khan Menon of the Bangladesh Workers Party, Colonel (rt'd) Faruk Khan, Dr Mohammad Abdur Razzak of AL, GM Kader, former lawmaker of JP, Jahir Uddin Shawpan, former lawmaker of BNP, and Md Kamruzzaman of Jamaat-e-Islami Bangladesh took part at the discussion.

## Investment cost in Bangladesh reduces, but hidden expenses rise

### Jetro survey finds

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Although cost of investment in Bangladesh is getting cheaper because of its competition with other countries to reduce the cost, which is related to cost-component of investment, some hidden expenses are causing an increase in the investment cost, a survey of Japan External Trade Organisation (Jetro) found.

The 17th survey of investment-related cost comparisons conducted by the Jetro said Bangladesh has been indicated 'as the cheapest place' in Asia in terms of nine investment cost components including legal minimum wages, social security burden ratio, office rent, monthly basic charge for using mobile phone and charges of utility services.

The Japanese organization conducted surveys in 30 Asian cities according to 32 cost components.

"The relative position of Bangladesh against the components like salary of mid-level manager, legal minimum wage, rate of increase in nominal wage, per square metre monthly rent of industrial estate, telephone installation fee, monthly basic telephone charge and call charge per minute, international call charge, mobile phone subscription fee, monthly basic mobile phone charge, cost of general use of per cubic metre gas and cost of diesel has been improved," the survey said.

But, the Jetro said, some hidden cost which are abstract by nature but exist in matters related to legal, policy, procedural, system and infrastructure

have been playing a vital role in case of elevation of cost of investment.

"Absence of comprehensive one stop service, poor law and order situation, delay in the settlement of L/C payment, sudden changes in government policies, inadequate infrastructure facilities, political instabilities, problem related to Port of Chittagong, political activities like hartal need attention of the Government of Bangladesh to reduce the hidden cost of investment," it said.

According to the survey, the mean order of all the components has switched to 2.44 from 2.49, indicating a very small elevation, which means Dhaka has become a little more cost-competitive from the viewpoint of investment costs.

It said the cost related to the usage of mobile phone has gone down because of internal stiff competition among the mobile operators belonging to private sector.

The survey also found that due to emergence of several new private cell phone operators, the new connection fee for mobile phones has become cheaper and it is anticipated that the call charge and monthly basic charge for mobile phone with ISD facilities will further go down as new operator Warid Telecom of Dhabi Group commenced their operation in Bangladesh recently.

But, the Jetro said, among the 32 cost components mentioned, many of them are controlled and managed by agencies under the public sector.

"Therefore, the government

should remain vigilant in case of any change of cost-components in other countries and has to continue its effort to achieve greater competitive edge by adjusting the cost," the survey pointed out.

The wage for workers, salary of the mid-level managers, legal minimum wages, social security ratio, cost of land area of an industrial estate, telephone installation fee and call charges, electricity and water costs, and corporate taxes are among the other cost-components.

It, however, said comparing to other Asian countries, Bangladesh is less competitive in the areas like cost of industrial estate land, monthly basic payment for broadband internet service, new connection fee for fixed telephone line, container transportation cost and rate of corporate taxes.

Specially, the monthly basic payment for broadband internet service in Bangladesh is continuously the highest in Asia, it said.

Regarding telephone service, the survey said, the charge per call in Bangladesh stands around the middle range among the Asian countries, but the new installation fee is quite high.

Regarding the container transport, the survey has been made for the routes from 30 Asian cities to the ports of Yokohama and Los Angeles and the result shows that even after offsetting the proportional cost due to geographical longer distance, the cost of transportation from Chittagong Port is higher than that from Mumbai Port.

"This is due to the fact that large container ships cannot come to

Chittagong Port due to its shallow draft and, therefore, transshipment of containers becomes necessary either at Singapore or at Colombo," the survey pointed out.

According to the survey, corporate tax in Bangladesh, being 40 per cent for non-listed companies, is one of the highest in Asia. The rate is also highest among all 30 cities considered in the 17th cost survey.

During the budget of 2005-06, the tax holiday period for certain industry has been extended until June 30, 2008 for four and six years depending on the location. "That means, the enterprises which have been enjoying tax holiday so far will have to pay the corporate tax after June 2008, causing disadvantage to the investors," the survey noted, adding that, "Bangladesh might lose its competitiveness if the tax holiday facility is not extended further, while the facility exists in other countries."

In addition, the survey said, the government has to ensure proper care of the existing foreign investors to attract more investment. "If the existing investors are not satisfied, then the probability of getting new FDI will gradually decrease in course of time and the prospective investors will go to other countries, which are keen for attracting foreign investment," it observed.

The Jetro suggested that the government should conduct occasional surveys among the foreign companies on the degree of their satisfaction and try to resolve any existing problem for further improvement.



PHOTO: STAR

Benny Pua, president of Singapore-based Textile and Fashion Federation who led a 16-member business delegation to Bangladesh, speaks at a press conference in Dhaka yesterday.

## Doha deal still possible next year despite US polls

### Says former WTO chief

AFP, Manila

A global trade deal is still within reach by 2008 after years of fruitless talks and despite possible domestic pressure from next year's US presidential election, former World Trade Organisation chief Supachai Panitchpakdi said Thursday.

Supachai, now the secretary-general of the UN Conference on Trade and Development, said there has been recent movement in the deadlocked negotiations because "some of the figures that used to be off the table are now on the table."

He cited discussions about "domestic support" in the United States as well as the so-called "Swiss formula" for import tariff reduction.

## Dollar rallies against yen, euro

AFP, London

The dollar hit a fresh four-year high against the yen on Thursday and climbed against the euro in European trading, as currency movements continued to be dictated by interest-rate expectations.

The dollar struck 123.75 yen in early European deals, the highest point since December 2002. It later stood at 123.57 yen, compared with 123.53 yen late on Wednesday.

The euro fell to 1.3390 dollars, from 1.3404 dollars on Wednesday. "The yen overall remains cheaper against other currencies and the interest rate gap is continuing to expand," said Saburo Matsumoto, chief forex strategist at Sumitomo Trust Bank.

The pound steadied after strong enjoying strong gains on Wednesday. The pound had gained against the dollar and the yen after minutes revealed four of the nine members on the Bank of England Monetary Policy Committee, including Governor Mervyn King, had voted for a rate hike in June.