Star BUSINESS

E-mail: business@thedailystar.net

Special economic zone soon for organised industrialisation

Says industries adviser

STAR BUSINESS REPORT

The government is mulling to set up a special economic zone (SEZ) shortly in order to give the growing unplanned industrialisation into an organised shape.

The Board of Investment (BoI) already has started a feasibility study across the country to find out a suitable place for such a zone, aimed to attract huge local and foreign investment.

Industries Adviser Geeteara Safiya Choudhury in a workshop yesterday hinted at setting up an SEZ saying, "We need a special economic zone due to prevent rapid growing of unplanned industrialisation".

The workshop marking the release of the World Bank report 'Bangladesh: Piloting Reform through the Development and Management of Economic Zones' was jointly organised by Board of Investment, IFC Bangladesh Investment Climate Fund and World Bank at a city hotel.

The adviser said, "We must be careful that zones do not end up benefiting big business with little positive effect on a greater community. That is why we must consider large-scale zones in order to have significant economic impact on the areas where they are established."

The existing policies are not feasible for systematic industrialization, she admitted, also pointing it out that the present pace industrialisation is inadequate to create required employment generation.

She said, "We would like to create a policy and regulatory framework that will allow public-private partnerships in zone development and management".

PHOTO: STAR

Industries Adviser Geeteara Safiya Choudhury (2-R), Executive Chairman of Board of Investment Md Nazrul Islam (2-L), World Bank Country Director Zhu Xian (R) and Head of IFC Bangladesh James Crittle are seen at a workshop in Dhaka yesterday.

The industries adviser said, "We have a rapidly growing work force that cannot be absorbed by agriculture. Bangladesh will need to provide jobs to an additional 100million people by 2015. Well-planned industrial growth is very vital to providing the number of jobs needed."

Md Nazrul Islam, executive chairman of BoI, also reiterated the need for establishing a special economic zone in the country.

"We have conducted a study in some parts of the country, including Sylhet and Chittagong, for a suitable place for SEZ," he said.

He, however, said the process of establishment of this zone is now at primary stage.

Speaking at the workshop, Zhu Xian, country director of the World Bank, said the success stories from international arena show that economic zones can catalyze a multiplier effect on the economy by attracting investments, both domestically and internationally.

Citing an example of zones in the Dominican Republic, he said these zones have accounted for over 80percent of total exports of the country.

And only one zone in China created jobs for 3million people, he added.

"I do believe that the potential and opportunities presented by zones are profound and Bangladesh needs to consider how to strategically capitalise on such potential now," Zhu Xian said.

"EPZs in Bangladesh have had success in attracting nearly $1.1 billion in total investment in 1983-2005, account for nearly 20 percent of annual exports and bring in 25 percent of total FDI, said James Crittle, head of IFC Bangladesh, the private sector development arm of the World Bank Group.

"But there is greater potential, which has been tapped in other countries", he said.

"This report is a beginning. We will continue to help government and the private sector to explore options for expanding zones to help promote an conducive investment climate," he said.

Zaidi Sattar, senior economist of World Bank, and other officials of IFC Bangladesh and Board of Investment took part in the workshop.

Proper steps suggested to tap $170b IT outsourcing business

STAR BUSINESS REPORT

If proper steps are taken, Bangladesh can earn a huge foreign exchange utilising the golden opportunity from the booming international IT outsourcing business, a seminar in Dhaka made this observation yesterday.

"Bangladesh has a golden opportunity of US $ 170 billion international market, but for that the country have to take proactive role to avail of such an opportunity," Tony Brown, international trade adviser of UK Trade and Investment Department, told the seminar.

Bangladesh Association of Software and Information Services (BASIS) organised the seminar on 'outsourcing opportunity in UK for software and IT services' at the Bangladesh China Friendship Conference Centre.

The seminar also identified negative image of Bangladesh in the world, linguistic barrier, separate time zones, dearth of educated IT experts and lack of specialisation as major obstacles to having a global market for the sector.

The size of global outsourcing business is $ 170 billion, of which around 60 per cent is IT outsourcing, Brown said in his keynote presentation in the seminar.

The UK accounts for 79 per cent of total outsourcing business of the European Union and the market has shown 67 per cent growth in the 2006-07 financial year, he said.

Suggesting the way of penetrating into the market, he said, "As Bangladesh is not familiar in the UK market as an IT exporting country, the interested persons here can arrange regular fairs in the UK".

In the beginning, the country may not get good response, but continued effort will give Bangladesh a positive image as an IT service exporting country, he said.

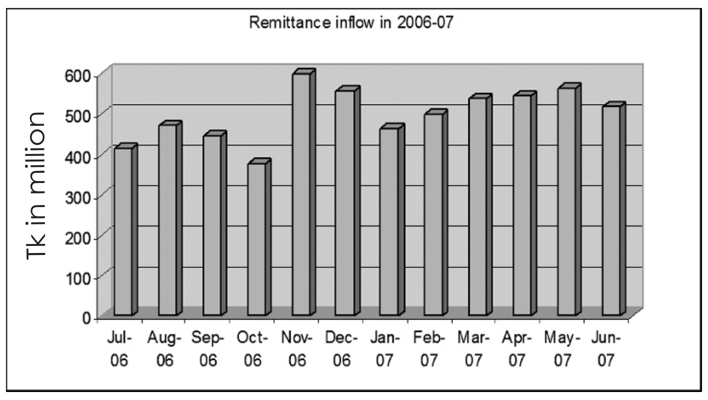
Addressing the seminar as chief guest, Faridul Hasan, director general of Export Promotion Bureau (EPB), said the government is organising fairs overseas to get rid of the image problem.

Rafiqul Islam Rawly, acting vice president of BASIS, Kevin Ringham, director of Trade and Investment of British High Commission in Bangladesh, also spoke at the seminar.

Remittances stand close to $6b in FY07

Clock 24.61pc growth

STAR BUSINESS REPORT



Bangladesh received close to US$ 6 billion remittances in the just concluded fiscal year, thanks to increased manpower export.

Non-resident Bangladeshis (NRBs) in 2006-07 sent $ 5984 million compared to $ 4802 million in 2005-06, recording a 24.61 percent growth.

With the rise in remittances, the country's foreign exchange reserves yesterday hit an all time high at $ 5.09 billion.

The remittance inflow maintained $ 500 a month during the last five months. The remittances reached $ 517.23 million in June, $ 561.92 million in May, $ 545.93 million in April, $ 537.29 in March and $ 500.32 million in February of the last fiscal year.

Banking sources said the remittances would have crossed $ 6 billion last fiscal year had there been no money transfer scam by the First Solution Money Transfer Ltd in London.

Bankers said the government's recent measures against 'hundi', an illegal way of money transfer, encouraged the Bangladeshi wage earners to send money home through legal channels.

According to Bangladesh Economic Review 2007, the government took several initiatives to increase the remittance apart from creating opportunities for employment abroad.

The measures include extension of drawing system of Bangladeshi banks with more foreign exchange houses, and fixation of annual minimum limit of exchange houses in the UK, US and Canada to increase remittance inflow through banking channels.

The private commercial banks have also taken initiatives to increase their earnings from remittance services, the sources said.

The Bangladesh Economic Review said overseas employment and money sent by the NRBs are contributing to the country's economic development.

A total of 2.5 lakh Bangladeshis went abroad in 2004-05, which was 9.75 percent lower compared to the previous year. But in 2005-06, the number stood at 2.91 lakh, which was 16.4 percent higher than the previous fiscal year's, the review said.

It said in the first ten months of the 2006-07 fiscal, the number of manpower export stood at 4.21 lakh, showing 83.14 percent rise.

Bangladesh exported around 47.51 lakh people across the globe from 1976 to April 2007, according to the review.

The NRBs send roughly $ 7 billion every year and a significant amount of the total amount still comes through 'hundi'.

Sonali Bank, Agrani Bank, Pubali Bank and Islami Bank Bangladesh Ltd are the major players handling the remittance inflow.

Dhaka seeks WTO help for RMG access to rich states

UNB, Dhaka

Dhaka sought WTO support to secure full market access of Bangladesh's readymade garments to developed countries' markets, which is 'crucial' for the country's economy.

Foreign Adviser Dr Iftekhar Ahmed Chowdhury sought the intervention of the World Trade Organization when he met WTO Director General Pascal Lamy at his office in Geneva on Tuesday evening.

Chowdhury urged Lamy to facilitate this process of obtaining the free access of Bangladesh's main export product to the developed world as per the global trading rules enforced by the WTO, which grant preferential treatment to products from the less-fortunate nations.

"I told him that Bangladesh must not be penalised for her performance, and the WTO must use all its influence so that countries like ours can derive benefits from our comparative advantage," he told the media after the meeting in the Swiss city.

The adviser said he also explained to the WTO chief executive the reforms being currently undertaken in Bangladesh and the prevailing socioeconomic stability, which is giving the economy a big boost. "I assured him we would remain an active partner of the WTO," he further stated.

Earlier, Dr Chowdery met with Doru Romulus Costea, president of the UN Human Rights Council, when they discussed the role of the council in advancing human rights everywhere.

The foreign adviser apprised him of the decision of the Bangladesh government to set up a national Human Rights Commission soon. The UN body chief expressed his satisfaction at this, according to a message received here yesterday.

146 customs points closed down

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has formally closed down operations of 146 customs points with effect from July 1 for being inactive for a long time.

NBR issued a gazette on June 27 to this effect.

NBR sources said most customs points were established on political considerations.

Korean RMG accessories plant in Karnaphuli EPZ soon

UNB, Dhaka

Korean company M/s Kosh Industrial (BD) Limited is going to set up a garments accessories manufacturing industry in the Karnaphuli Export Processing Zone with an investment of US$ 8 million.

The 100 percent foreign owned company will manufacture 160 million pieces of woven and printed labels, hang tags, screen printed logos, dyed yarn and thread, poly bags, webing strings, tape, band, steel poles, fiber glass poles, plastic items, velcro tape and zipper annually.

The industry will create employment opportunity for 988 Bangladeshi and 12 foreign nationals.

An agreement, to this effect, was signed between the Bangladesh Export Processing Zones Authority (Bepza) and the M/s Kosh Industrial (BD) Ltd here Tuesday.

Prime Bank, DBBL sign deal for sharing ATM, POS network

Clients of Prime Bank Ltd will be able to use the ATMs (automated teller machines) and POS (point of sale) of Dutch-Bangla Bank Ltd (DBBL).

An agreement to this effect was signed between the banks on Monday, says a press release.

Prime Bank is under process of installing its own ATMs, and once the process is complete the DBBL cardholders will also get the same facility from Prime Bank under the deal.

M Shahjahan Bhuiyan, managing director of Prime Bank, and Md Yeasin Ali, managing director of DBBL, signed the deal on behalf of their organisations, while other senior officials from both the sides were present.

Bangladesh RMG to face tough time as curb on China to expire in 2008

Says IMF

UNB, Dhaka

Bangladesh will face much greater competition in its two largest garment export markets -- USA and EU -- in the near future as the safeguard restrictions on China are due to expire in 2008.

The apprehension comes from an IMF evaluation based on the erosion, over the past two years, of Bangladesh's market share in Canada, which is Bangladesh's only major market where there are no safeguard restrictions on China.

Despite rapid growth in exports to Canada and its rise to the number two position in the Canadian garment market in 2006, Bangladesh's share of the overall Canadian market has declined from 7.4 to 6.9 percent over the past two years.

The evaluation received here yesterday said Bangladesh has demonstrated that it is highly competitive in the world's major garment markets since the expiration of the Agreement on Textiles and Clothing (ATC) due to the transitional safeguards on exports from China.

It said Bangladesh's strong performance to date is attributable to significant competitive advantages emanating from its abundant low-cost labour, the flexible exchange rate, and increasingly close ties with major international buyers that are allowing the industry to benefit from the transfer of knowledge and technology.

"Vietnam's accession to the WTO in January 2007 poses a challenge for Bangladesh since Vietnam now has quota-free access to the large markets in which these two countries compete head-to-head," said the evaluation report prepared by IMF Staff team based on information at the time it was completed on April 18.

It said the recent labour unrest in Bangladesh's garment sector is a potential risk to the industry and highlights the need for continued efforts to raise safety standards, improve general working conditions and implement wage agreements.

To maximise the likelihood that Bangladesh's garment industry will continue to thrive, the industry and government would need to address a number of issues.

"The foremost among these is the development of vocational and other educational programmes that will support the industry's need for more highly-skilled domestic labour, including line and production managers."

The report said that given the clear constraints imposed on the RMG and other industries by the poor condition of the country's infrastructure, it is critical that the government moves to improve the roads, railways and ports, and to streamline further the customs procedures applied at all points of entry.

It added that a general change for the better in the business climate--from better infrastructure and to having improved governance -- may attract more FDI into the garment sector, including outside the EPZs (export processing zones).

"This could be particularly important since there is strong evidence that productivity (and employment) is higher in FDI firms and more FDI in the sector would create additional competition, thereby helping to improve the competitiveness of all RMG firms."

Aside from addressing these constraints to growth, the report said Bangladesh's garment industry should more actively explore new markets.

Even though firms report that they are constantly running at maximum capacity and prefer to deal with known buyers and customers, efforts should be made to develop new business, at least in large Asian countries such as Japan, China and India.

"This may help Bangladesh sustain its growth in the increasingly competitive global market, particularly since it is well placed to absorb business in the low-end and medium garment market as other major producers move up the value-added chain."

PHOTO: PRIME BANK

M Shahjahan Bhuiyan, managing director of Prime Bank Ltd, and Md Yeasin Ali, managing director of Dutch-Bangla Bank Ltd, exchange documents after signing an agreement on Monday for sharing ATMs (automated teller machines) and POS (point of sale) network. Other senior officials from both the sides are also seen.

China's economy to grow 10.9pc in 2007

AFP, Shanghai

Growth in China's roaring economy is expected to continue apace this year, rising 10.9 percent, a government think tank report said Wednesday, urging further economic cooling measures.

The projected annual growth is slightly higher than 10.7 percent in 2006, supported by strong consumption and high levels of fixed-asset investment, said the State Information Centre, a research arm of the National Reform and Development Commission.

"The trend is of an economy that is moving from a bias of fast growth to overheating," the report published in the China Securities Journal said, adding that the economy was still in an "ascending period" of the cycle.

The country needs to further tighten macroeconomic controls in the second half, with monetary policy generally stable but needing "appropriate tightening" to ensure economic growth remains rapid but stable.

It said that current real interest rates are comparatively low and that the central bank should raise the benchmark lending and borrowing rates and also increase the reserve requirements of banks.

The central bank hiked interest rates twice this year and five times required commercial banks to place more money in reserve in an effort to cool inflation, fixed-asset investment and stock market speculation.

In addition, the central government should consider removing the tax on interest income from bank deposits, the centre said, a move aimed at staunching the flow of savings into the stock market acccounts.

Japanese cut investments in Thailand

AFP, Bangkok

Japanese firms in Thailand are beginning to reduce their investments in the kingdom due to the strong baht and negative perceptions about the investment climate, a survey said Wednesday.

Japan is Thailand's biggest foreign investor, but a survey of the 351 members of the Japanese Chamber of Commerce found that business sentiment in Thailand is "deteriorating" for the first time since 1998.

Firms saying their investments in Thailand would decrease outnumbered those planning to increase capital spending here, according to the poll by the Japan External Trade Organisation (Jetro)

The value of planned Japanese investments in Thailand this year has already fallen 11 percent from 2006, the survey said.

"It was the first time in nine years that we found those results, with sentiment deteriorating continuously," Jetro Bangkok president Yoichi Kato told reporters.

"We found the willingness to invest declined compared to a year before," he added.

The twice-yearly survey, conducted from April 27 to May 23, found the appreciation of the baht was the top concern for Japanese companies in Thailand, following by political instability, economic policies and rising labour costs.

"Japanese firms view that the exchange rate of 37.25 baht to the dollar is a profitable rate. But the current market rate of 34.49 baht makes them lose 7.4 percent in profits," Kato said.

Kiyoharu Yukiyoshi, executive director of JCC Bangkok, said Japanese firms have adopted a wait-and-see stance before making new investments in Thailand.