Star BUSINESS

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Crude oil prices too low: Iran

AFP, *Tehran*

Iran, Opec's number-two exporter, hit out Saturday at the recent hike in oil prices, saying real prices were far lower than the 90-dollar-a-barrel level of last week.

"Oil is still cheap," acting Oil Minister Gholam Hossein Nozari said in an interview with the Iran newspaper.

"The sweet taste of oil is not tangible because it is very far from the range that is expected by us (Iran and Opec)," Nozari said.

Nozari argued that calculations based on current inflation rates and depreciation of the dollar's value as well as high costs of oil and gas projects puts oil's true price at less than 50 dollars a barrel.

"Today's prices even at the level of 90 dollars a barrel (in the market) are not effective because the real price of oil is currently about 47 dollars per barrel (as profit)," he said.

Nozari also said political issues were casting a "shadow of threat" on the flow of investment into the oil-producing countries, especially Iraq, Nigeria and Venezuela.

"If the owners of financial sources do not make a meaningful investment in the oil-rich countries, oil prices will be uncontrollable in the near future," he warned.

Oil prices ended lower Friday after striking a record high above 90 dollars in New York amid global supply jitters and lingering tensions between Turkey and crude producer Iraq.

New York's key oil futures contract, light sweet crude for delivery in November, closed down 87 cents at 88.60 dollars a barrel. But the contract had earlier surged to a record 90.07 dollars. That beat the previous high of 90.02 dollars set late Thursday.

India's ICICI Bank to set up branch in NY

PTI, *New York*

The US regulators have given permission to ICICI Bank, the second largest financial lender in India with assets worth over USD 91 billion, to open a branch here.

The branch would engage in wholesale banking business, including trade financing and factoring services to US-based subsidiaries of Indian firms, the US Federal Reserve said.

Mumbai-based bank engages primarily in corporate and retail banking and also has foreign exchange operations. Through its subsidiaries, the bank provides insurance, brokerage, investment banking and asset management services.

The bank, the US Fed said, has policies and procedures to comply with the Indian laws and regulations and the Reserve Bank of India guidelines regarding anti-money laundering.

Besides, it has also taken additional steps on its own to combat money laundering and other illicit activities.

Its application, they said, met the requirements of International Banking Act and it is also supervised by RBI.

NEW PARTNERSHIP FOR DEVELOPMENT BILL TABLED IN CONGRESS

Dhaka lobbies to get RMG's duty-free access to US

STAR BUSINESS REPORT

Bangladesh government has launched an all-out lobbying for passage of a bill recently placed in the US Congress seeking to allow a duty- and quota-free access of apparels from the poorest countries to that country.

According to a report released by News World, a New York based news agency, the bill was tabled Wednesday in the House of Representatives.

If the bill, New Partnership for Development Act of 2007, is passed, least developed countries (LDCs) including Bangladesh would get such facility for their ready made garments (RMG).

As part of the lobbying, the Bangladesh Embassy in Washington will soon initiate a parley with Josheph Crowly and Gregory Mix, co-chairmen of Bangladesh Caucus in the Congress, so that they could use their good office to help endorse the bill.

Congressman Jim McDermott introduced the long-awaited bill that aims at reducing global extreme poverty through eliminating tariff on all products from the LDCs. However, a proposal for extensive monitoring of proper execution of labour rights and law in any country entitled to such special facility was also incorporated in the bill.

Quoting Bangladesh Ambassador to Washington Humayun Kabir, the news agency welcomed the introduction of the bill.

Kabir said if the bill is passed, it will not only help Bangladesh's RMG sector, but it will also create employment opportunities significantly. Besides, the passage of the bill will contribute significantly to poverty elimination and social development, he added.

Bangladesh really appreciates the innovative provision of capacity building in the bill and hopes that the provision will go a long way in building up skilled manpower, the report quoted the Dhaka envoy as saying.

The bill has rekindled a new ray of hope to millions of Bangladesh RMG workers, mostly women, for the betterment of their personal life and greater stability and moderation in the society as a whole.

SUSPENSION OF OPERATIONS IN MEGHALAYA QUARRY

Lafarge faces difficulties in cement production

STAR BUSINESS REPORT

Lafarge Surma Cement Ltd faces difficulties in cement production as the factory has been unable to manufacture clinker, the main raw material of cement, since April this year after an Indian court has asked the cement giant not to go for mining of limestone in Meghalaya for the time being.

The US$ 250 million multinational cement plant however is now continuing its production by importing clinker, a high official of Lafarge Surma Cement Ltd told The Daily Star yesterday. The cement giant procures limestone, the main raw material of clinker, from Meghalaya bordering Bangladesh.

The Lafarge plant is a unique cross-border project as the cement plant is linked between its quarry site at East Khasi Hills in Meghalaya and clinker and cement manufacturing plant at Chhatak in Sunamganj with a 17 kilometres (ten kilometres in Bangladesh side and seven kilometres in Indian side) long conveyor belt.

Earlier, Lafarge moved to India's Supreme Court challenging an alleged unilateral action of Indian forest and environment ministry to stop operations in the limestone quarry area in Meghalaya, according to a news report published in the Times of India on Saturday.

It was reported that the Indian ministry suspended the mining as the quarry falls in forest areas of Meghalaya and the mining operations were started without prior sanction.

The Indian Supreme Court has sought the responses of forest and environment ministry, central empowered committee (CEC) and the state government of Meghalaya and posted Lafarge's petition for further hearing on November 2, according to the newspaper.

In 2001, the then Bangladesh high commissioner in New Delhi and the then Indian foreign secretary signed an agreement for uninterrupted supply of raw material to the plant from mines in Meghalaya, the Indian paper said.

Jointly built by world leader in building materials Lafarge of France and Spanish cement maker Cementos Molins, Lafarge Surma Cement is the first fully integrated dry process cement manufacturing plant in Bangladesh.

Negotiators face 'last chance' to salvage WTO talks: Lamy

AFP, *Washington*

WTO head Pascal Lamy on Saturday warned that international negotiators now faced their last chance to reach a global trade deal and said they had just "a few weeks" to agree on the outlines of an accord.

"The hour of truth is very rapidly approaching the Doha trade round," Lamy told International Monetary Fund policymakers, referring to currently deadlocked talks to tear down trade barriers launched in the Qatari capital six years ago.

The negotiations, held under the auspices of the World Trade Organization, have foundered largely on demands by developing countries that their farm products be given greater access to markets in the industrialized world.

Rich countries are in turn pressing developing nations to accept more of their industrial goods and services.

Lamy said that "within the next few weeks" WTO members had to "come to closure on the political deal to liberalize trade in agricultural and industrial products and trade in services."

"It is probably our last chance to move this round to a successful conclusion," Lamy told the 24-member IMF steering committee, appealing to members to "help political leaders rise above the many doubts and difficulties over details" that have so far held up progress.

Despite what he described as a daily flow of negative headlines about the Doha Round, Lamy said he had detected positive movement since his appearance before the committee in April.

Tourism threatened in Maldives

AFP, *Male*

A rise in Islamic militancy poses an unprecedented threat to the Maldives' status as South Asia's most upmarket holiday destination, but the government is determined to beat the extremists.

The first concrete sign of trouble in the archipelago traditionally seen as the holiday-maker's paradise came last month, when 12 foreign tourists including a honeymooning British couple were wounded in a bomb attack.

President Maumoon Abdul Gayoom, an Islamic scholar, responded quickly, ordering a major crackdown in the moderate Sunni Muslim nation of 330,000.

While well-heeled tourists are welcome, Gayoom has made it clear Muslim clerics eager to bring Taliban-style extremism to the turquoise blue lagoons and secluded tiny coral islands are not.

Gayoom decreed foreign clerics should not be allowed entry without special permission, barred women from covering themselves from head to toe, and ordered that educational qualifications from foreign madrassas, or Islamic seminaries, will not be recognised.

US seeks codes of conduct for state investment funds

AFP, *Washington*

US Treasury Secretary Henry Paulson said Saturday the IMF and governments should draft codes of conduct for cash-rich state investment funds that have raised national interest concerns in the United States and Europe.

"The increase in size and number of sovereign wealth funds (SWFs) ... has received increasing attention due to their potential implications for financial markets and investment," Paulson told International Monetary Fund policymakers on the opening day of the annual IMF meeting here.

Sovereign wealth funds are public and semi-public investment vehicles that manage the enormous money reserves of countries exporting raw materials and manufactured goods, notably China, Singapore and oil producers such as Norway, Abu Dhabi, Dubai and Qatar.

A surge in commodity prices in recent years has enriched government coffers in such countries, prompting then to search for foreign investment outlets.

But countries on the receiving end fear that such investment flows could be used to gain political control of some of their economic sectors.

"The United States believes a multilateral approach to SWFs that maintains open investment policies is in the best interest of countries that have these funds, and countries in which they invest," Paulson said.

"The growing importance of SWFs merits cautious, well-considered public policy responses," Paulson told the 24-member IMF steering committee. He said the IMF was "uniquely positioned" to identify best practices for SWFs, based on current global financial guidelines.

Laos keen to import medicines, cement from Bangladesh

STAR BUSINESS REPORT

Visiting Laotian First Vice Foreign Minister Phongsavath Boupha yesterday said his country is interested to import medicines, cement, ceramic, light engineering products, leather, steel and agro-products from Bangladesh.

He also invited Bangladeshi businesspeople to go for joint ventures in hydropower, tourism and services sectors with Laotians.

Boupha, who is leading the first high-profile delegation from Laos after diplomatic relations were established with Bangladesh in 1988, was speaking at discussion with Bangladesh business community in Dhaka. Dhaka Chamber of Commerce and Industry (DCCI) organised the discussion.

Absence of adequate transport links between Bangladesh and Laos is an obstacle to boosting trade between the countries, observed local business leaders.

The visiting delegates also agreed with the fact and said road links like Asian highway may solve the problem.

The both sides also stressed the need for expanding business between them.

"Laos is a land locked country and connectivity is important for it to boost trade," said Shahjahan Khan, acting president of DCCI.

Boupha also said, "Bilateral trade between the countries is far below the potential."

During 2005-06, Bangladesh exported goods worth $0.62 million to Laos, while it imported goods valued at $0.70million from Laos, according to available data.

PHOTO: DCCI

First Vice Foreign Minister of Laos Phongsavath Boupha (3-L), Laos Ambassador to Bangladesh Ly Bounkham (2-R) and Acting President of Dhaka Chamber of Commerce & Industry (DCCI) M Shahjahan Khan (3-R), among others, are seen at a discussion on 'Bangladesh-Laos Bilateral Trade' in the capital yesterday.

EU team inspects shrimp farms in Bagerhat

STAR BUSINESS REPORT

A two-member team of European Union yesterday visited two shrimp farms in Bagerhat to look into the quality of shrimp production and processing.

Earlier the team visited the Fish Inspection and Quality Control (FIQC) laboratory at Boyra in Khulna.

According to our staff correspondent in Khulna, after inspecting the FIQC lab in Khulna the team went to Bagerhat and visited a shrimp farm at Radhaballar village under Bagerhat Sadar upzila.

The team members later went to Kathaltala under Fakirhat upzila and looked over different sections of the export-oriented Rupsha Fish and Allied Processing Factories.

Two officials of the Fisheries Department accompanying the EU team since Saturday told our Khulna correspondent that the team members expressed satisfaction over the farms for proper implementation of HACCP (Hazard Analysis and Critical Control Points) policies at both cultivation and processing levels.

Vice President of Bangladesh Frozen Food Exporters' Association (BFFEA) Sheikh Abdul Baki said the country's shrimp export would get a boost this time as the export-oriented shrimp processing factories are strictly following the EU guidelines.

The EU team comprising inspectors Raj Patal and Dr Mc Evoy from the EU Food and Veterinary Office in Brussels is in Bangladesh on a 10-day visit to get an idea of what measures the country has taken with regard to exporting quality shrimp to the EU in accordance with the Union's guidelines.

The delegation also wants to see if shrimp cultivators and processors are complying with HACCP policies properly.

According to BFFEA sources, the EU team is expected to arrive in Chittagong today to inspect the shrimp producing and processing factories there.

After visiting Chittagong region, the team will return to the capital tomorrow and will attend a meeting hosted by fisheries ministry.

The BFFEA sources said at the meeting the EU delegation will give some suggestions to the government as well as shrimp cultivators and exporters.

The team will submit its final report to EU authorities after returning to Brussels.

Bangladesh's shrimp industry, the second largest foreign exchange earner, employs more than 7.5 lakh people. Using 2.5 lakh hectares of land in southeastern and southwestern coastal areas of Cox's Bazar, Bagerhat, Khulna and Satkhira, around 1.4 lakh farmers are producing more than 50,000 tonnes of shrimps annually, mostly by using traditional methods.

In 2006-07 fiscal, Bangladesh fetched around US$ 500 million by exporting shrimps, mainly to the US and EU countries.

However, in the first month of the current fiscal, frozen food exports witnessed a downtrend with a decline of 11.55 percent.

The government has fixed a target of earning $ 600 million from frozen food sector in the current fiscal year.

RMG sector in post-MFA period: Policies for strengthening competitiveness-II

MUSTAFIZUR RAHMAN, DEBAPRIYA BHATTACHARYA *and* KHONDAKER GOLAM MOAZZEM

The Centre for Policy Dialogue (CPD) in association with the SouthAsia Enterprise Development Facility (SEDF) has recently completed a study titled "Bangladesh Apparel Sector in Post MFA Period: A Benchmarking Study on Ongoing Restructuring Process". The Daily Star is publishing the recommendations of the study in three parts. The first part relating to policy recommendations for strengthening technological base of the RMG sector was published yesterday. The second part highlighting policies for strengthening human resource base of the RMG sector is being published today.

Policies for strengthening human resource base of the RMG sector

● **Promoting labour absorption through technology upgradation:** According to sample entrepreneurs, expansion of operation in RMG units through use of new machineries have, through direct and indirect multiplier effects, created new jobs for skilled workers since new machines required more skilled workers for their operation. In view of the increasing demand for professional and skilled workforce, especially in such areas as merchandising, marketing, commercial and engineering, there is a need for revamping both higher and technical education in the country. *In this context, partnership between RMG enterprises and public/private institutes could be an effective way to go forward. These programmes should focus on both new entrants and professionals who are already engaged in the sector. In this connection, entrepreneurs mentioned about two types of courses: 'elementary' and 'advanced' courses in various RMG related areas. In order to ensure supply of skilled labour force, vocational and diploma institutes should expand their existing capacities and go for enhanced enrolment of prospective employees of the RMG sector. The BGMEA, BTMA and BKMEA should be brought into the picture in a more effective way. Regrettably, it is not known how in FY2006-07, the Tk.200 millions allocated by the government for skill development of the RMG sector was actually used. Comparable amount of resources have been allocated in the national budget 2008 for training and enhancing efficiency of the garment workers. It is important to ensure appropriate utilisation of that resource. A national comprehensive plan for effective utilisation of various technical, vocational and diploma training institutes for the benefit of the export-oriented RMG sector should be put high on the policy agenda of the government.*

● **Support for enhancement of labour productivity:** Labour productivity in Bangladesh is very low (US$1563) compared to other competing countries such as China, Cambodia, India, Indonesia, and Sri Lanka. Labour productivity in the EPZ enterprises is found to be 9% higher, on average, compared to that of non-EPZ enterprises, while it was 27% higher in FDI-led enterprises compared to non-FDI enterprises. However, no significant spill over effect could be found between EPZ/non-EPZ and FDI/non-FDI firms in terms of technology acquisition and adoption and other modern business practices. The study reveals that labour productivity is highly correlated to wage; one unit rise in wage was expected to increase labour productivity by 1.3 units. This signifies the implementation of the new wage structure. The study revealed that for increasing labour productivity at the enterprise level, appropriate training, improvement of compliance situation, diversification of product mix, provision of entertainment facility, performance incentives, and good behaviour towards workers are crucial. *Although there is fund allocation for skill development of the RMG workers (Tk.20 crore has been allocated in FY2008) but the current scenario to a greater extent does not reflect usage of those funds appropriately and hence an initiative under a public-private partnership is essential. Business support organisations in support of development partners should also come forward to enhance workers' productivity and efficiency.*

● **Better labour management in view of changing labour composition in RMG units:** Bangladesh's export performance is being driven mainly by volume. Consequently there is high degree of pressure on workers to achieve the high target volumes. Under a pressured working situation to fulfill a high target everyday for long period may threaten the relation between workers and mid-level management. The gender comparison of workers is also changing. In knit and sweater sections the proportion of male workers is on the rise. This is likely to have important implications for labour relations in the RMG sector. Some early signals of this are being already seen. In this context, *enterprises at first should not take orders from buyers to that amount which could not be managed in usual working hours; at the same time buyers should place orders, which is commensurate to the production capacity of factories and their related subcontracting factories. Secondly, enterprises under such conditions would need to improve labour management practices. There is a need for a continuing dialogue between workers and management, particularly in view of changing employment composition and their new types of demands. Bangladesh may take lesson from Sri Lankan experience where the government had allocated a special fund (Sri Lankan Rs 80 million) in the budget for 2006-07 to establish an "Academy of Labour Relations" to promote harmonious labour relations in work places.*

● **Ensure implementation of the new wage structure:** Evidently, implementation of the proposed wage structure would increase overall cost of production in the RMG units which are expected to incur an additional annual expense of Tk 9.41 lakh (equivalent to US$14.000). This will lead to some reduction in profit in the short term. *However, this should not be a reason for not implementing the new scale immediately and speedily.* Our estimates indicate that the incremental burden will be manageable from the perspective of the overwhelming majority of the RMG units. *In case of small, informal, sub-contracting based units where enforcement of the new scale could make the enterprise unviable, trade bodies and the government could think together of a package of support following proper identification.* Government is monitoring implementation of new wage structure in the RMG units and requested firms to implement it by the end-September, 2007. However, *government may set up a committee, in collaboration with entrepreneurs and workers, to oversee faithful and appropriate implementation of the new wage structure on a sustained basis.*

● **Need to improve workers' livelihood:** Workers' livelihood can be improved firstly by providing them with higher level of wages since their wages are found to be only 43 per cent of their productivity level. *With effective support from entrepreneurs and garment associations, NGOs can improve workers' living places by way of providing various services. Government may create a 'Workers' Livelihood Improvement Fund' to support NGOs who are engaged in providing various kinds of health, nutrition, medical and child care support to garment workers. Development partners should come forward to provide more financial support to the NGOs working for livelihood improvement of RMG workers.*

● **Need to develop 'compliance' brand for the RMG sector:** Compliance standard of RMG units varied widely in respect of size of operation and type of compliance. Compliance standard is poor in a number of areas including timely payment of wages, canteen facility, childcare facility, availability of doctors, appointment letter etc. In most RMG units workers are not allowed to form organisations at factory level. WWC is present only on a limited scale. In the course of the survey, about 57% sample enterprises were found to be 'less compliant', while another 31% were 'moderately compliant' and only 11% enterprises were found to be 'highly compliant'. Survey revealed that maintaining good compliance record with respect to the required standards have positive impact on productivity, indicating that enforcement of compliance at enterprise is likely to yield positive dividends for the RMG sector. Since a number of large and medium enterprises are approaching to enter high-end segment of apparel market, maintenance of a high level of compliance standard at the factory level (such as labour-management, labour-relation, and environmental safety measures in case of disposal of industrial wastes and effluents) is being considered as the basic requirement to get those orders. *A common compliance standard need to be established which would take care of domestic legislation as well as buyers' requirement (code of conduct) which would be enforced through the monitoring agency. The government of Bangladesh could set up a 'Compliance Upgradation Fund' in support of developing compliance standard where buyers also could contribute. Enforcement of standards of their own by individual (major) retailers creates a problem in absence of any 'clearing house'. In view of this, RMG associations could work with major buyers to ensure a common set of standards agreed upon by all buyers. This could place Bangladesh in the global market as a 'compliant source'.*

Authors are respectively research director, executive director and research fellow at the Centre for Policy Dialogue (CPD).