Star BUSINESS

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Bangladesh trade fair starts in Tokyo

A CORRESPONDENT, *Tokyo*

A single-country trade show of Bangladesh made products started in Tokyo yesterday.

As many as 35 companies, 29 from Bangladesh and the rest Japanese, are taking part in the 4-day fair, jointly organised by Export Promotion Bureau of Bangladesh and Japan External Trade Organization (Jetro).

The fair is being held in connection with the observance of 35th anniversary of the establishment of diplomatic relationship between Japan and Bangladesh.

Addressing the inaugural function, Bangladesh Ambassador to Japan Ashraf-ud-Doula hoped that the fair would pave the way for forging a strategic economic partnership between Japan and Bangladesh and the two countries would be able to locate potential sectors where a greater cooperation would benefit both the sides.

The products that are being displayed in six different categories include ceramic items, leather goods, jute products, readymade garments, home textile and handicraft.

EU team visits shrimp hatchery in Bagerhat

STAR BUSINESS REPORT

Prior to leaving Khulna for Chittagong the two-member team of European Union yesterday visited a shrimp hatchery run by BRAC at Barakpur union under Bagerhat district.

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.

S'pore Airlines gets world's first A380

Singapore Airlines has entered a new era in long-haul air travel, with the formal handover of the world's first A380 at Airbus headquarters in southern France, says a press release.

The handover took place at the Henri Ziegler Delivery Centre, Toulouse, at a ceremony attended by over 500 people, and officiated by chief executive officers Tom Enders (Airbus), Sir John Rose (Rolls-Royce) and Chew Choon Seng (Singapore Airlines).

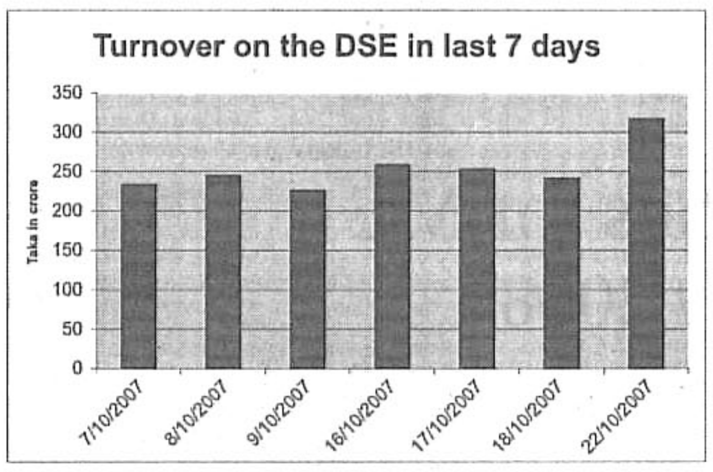
The first delivery marks the culmination of an engineering project unrivalled in the aerospace industry. The A380 is the largest passenger plane ever built and the first completely new design of a passenger aircraft in decades.

Singapore Airlines first announced its intention to become an A380 customer in September 2000.

DSE turnover crosses Tk 300cr; gen index hits 2901.69 points

Regulator calls for cautious investment

SARWAR A CHOWDHURY



Turnover on the Dhaka Stock Exchange (DSE) yesterday crossed Tk 300 crore mark for the first time with the stock market regulator terming the recent upward trend 'unusual'.

The total turnover on the DSE recorded an all time high at Tk 316.83 crore, surpassing the previous record of Tk 275 crore set on July 22 this year.

The benchmark general index of the premier bourse also crossed 2900 mark for the first time.

The Securities and Exchange Commission (SEC) urged investors to invest in stocks cautiously.

"Prices of some stocks do not match the fundamentals of the securities," said Farhad Ahmed, executive director of SEC, talking to reporters at his office.

He said the ongoing upward trend is risky for the small investors and that is why the SEC is worried about the retail investors.

The small investors may face losses when the market witnesses a big price correction, Ahmed added.

Replying to a query, he said it is not the responsibility of the SEC to cool down the market. However, the SEC does this to protect the interest of the small investors, he added.

Asked whether the SEC failed to stabilise the market in the previous occasions through initiating some measures such as withdrawal of money netting facility or putting some shares on the spot trade, he said he does not think so.

Along with the turnover, the benchmark index of the premier bourse, DSE General Index hit all time high. The DSE General Index closed at 2901.69 points, up by 41.13 points, or 1.43 percent.

The DSE All Share Price Index also recorded an all time high at 2456.6 points, up by 31.47 points, or 1.29 percent.

A total of 18,712,804 shares changed hands on the DSE. Of the issues traded, 120 advanced, 83 declined and remained 12 unchanged.

Meanwhile, the SEC held a discussion with top officials of the merchant banking wings of financial institutions.

At the meeting, the SEC discussed the implementation of the margin loan rules, which was recently okayed by the SEC.

As per the rules, the merchant banks will have limitations to offer margin loans to investors, as the SEC will from time to time fix the ratio of providing loans for the investors. However, the SEC is yet to fix any ratio.

The new rules will also put a bar on a merchant bank providing loans to its officials and close relatives.

Meanwhile, price indices on the Chittagong Stock Exchange (CSE) also rose yesterday with the gainers outnumbering the losers.

IMF assures support to Dhaka's own growth strategy

Adviser seeks scaled up budget support from WB instead of project aid

UNB, *Dhaka*

IMF Deputy Managing Director Takatoshi Kato has assured Bangladesh of their active engagement in a fashion commensurate with the country strategy for economic growth.

"Government (of Bangladesh) will seriously keep in view the urgent need to contain the rising inflationary trend through appropriate policies as the government finds appropriate," he hoped in a meeting with Finance Adviser Dr Mirza Azizul Islam in Washington on Sunday.

The adviser had meetings with senior executives of the International Monetary Fund (IMF) and the World Bank on the sidelines of the IMF-WB annual meetings.

Kato expressed IMF's willingness to remain actively engaged with any suitable form that the government considers appropriate and offered strong support to the strategy for growth and poverty reduction.

Appreciating the government's commitment to ensure maintaining and sustaining macroeconomic growth, he gave the assurance in response to the Finance Adviser's call to support implementation of needed policy and institutional reforms.

Dr Aziz reaffirmed the government's commitment to maintain macro-economic stability and keep budget deficit within the level projected in this year's budget.

He said that through appropriate policies the government would address the emerging external shocks resulting mainly from escalation of prices of imported commodities especially those of petroleum products in the international market.

"The policy mix to be adopted by the government, especially in the aftermath of the recent floods, will target to achieve the twin objectives of economic growth as well as the imperative need to contain inflation keeping in view the needs of the poor."

He expressed the commitment of the government to pursue its own development strategy and policies to effectively address internal and external constraints in a way consistent with its goals of maintaining macro-economic stability, accelerating economic growth and poverty reduction.

The finance adviser also had a meeting with World Bank Vice President for South Asia Department Praful C Patel.

He told the World Bank executive that the assistance should be scaled up within the framework of CAS (Country Assistance Strategy) in the form of budget support rather than project related aid.

Dhaka lauds Congress bill seeking RMG's free access

BGMEA team to go to US

STAR BUSINESS REPORT

Foreign Adviser Iftekhar Ahmed Chowdhury yesterday welcomed a US Congress bill that would eliminate tariffs for apparel exports from poor countries, a move that Bangladesh feels would reduce the country's dependence on foreign aid.

If the bill is passed, the government expects its apparel exports to increase to the US market by 15 percent. But, the bill also includes a proposal for extensive monitoring of proper execution of labour and legal rights in the countries entitled to its facilities.

Bangladesh has already started intensive lobbying to push through the bill, called the New Partnership for Development Act (NPDA). The bill was introduced by US Congressman Jim McDermott and co-sponsored by nine other Congressmen, including Bangladesh Caucus co-chair Joseph Crowley.

Chowdhury hoped the bill would receive wide bipartisan support from both Republicans and Democrats in the US Congress.

"Bangladesh wants to move away from dependence on aid for development to development through trade," he told reporters at the foreign ministry yesterday.

He said passage of this bill would create jobs and encourage business in Bangladesh, rather than dependence on 'charity' or aid.

The adviser said Bangladesh, like other least developed countries (LDCs), would be able to achieve significant economic growth if "Impediments to our trade are removed and we are given the preferential treatment we deserve."

"While this is a good beginning, this legislation is not enough and we'll be expecting much more from our developed friends," said Chowdhury. Bangladesh currently heads the group of LDCs in the UN.

The bill needs to be passed by the House of Representatives, the Senate and then approved by the President.

As part of its lobbying efforts, the Bangladesh Embassy in Washington will sit with the co-chairs of the Bangladesh Caucus, Crowley and Gregory Mix.

Meanwhile, the apex trade body in the apparel sector, BGMEA (Bangladesh Garments Manufacturers and Exporters Association), welcomed the introduction of the NPDA in the House of Representatives.

In a press statement yesterday it hoped that the US Congress would pass the bill, a very important one for Bangladesh's political and economic future, as soon as possible.

A BGMEA delegation led by its president Anwar-ul Alam Chowdhury Parvez will leave Dhaka for Washington next Saturday to gain American support for passage of the proposed bill in the US Congress.

The delegation is expected to meet Congressmen, senators, members of the US Trade Association and different non-governmental organisations on October 29-31.

NBR's new chief eyes more revenue

STAR BUSINESS REPORT

The foremost task of the country's tax authority will be to generate more revenue so that the government does not need to take huge loans from the banking sector, Mohammad Abdul Mazid, the newly appointed chairman of the National Board of Revenue (NBR), said yesterday.

"We will do everything to generate revenue at a growing rate. I want to maintain the existing revenue growth and, if possible, to improve the rate further," Mazid told reporters after taking over his new assignment.

He said his another priority is to make the country an economically sovereign one in near future to avert complex conditionality from donors.

"The overall aid flow has decreased across the world. Bangladesh has to spend around 14 percent of its budgetary allocation on paying interest on external resources. Besides, it pays around Tk 3500 crore annually as repayment of the Tk 50 billion accumulated loans," he said.

He expressed his desire to enhance image of the revenue board as well as its officials and employees in order to earn more revenue. He however expressed his intentions to curtail the existing system loss of the revenue board.

He said the NBR would ascertain the reasons why sales of savings certificates came down significantly.

When asked about any new initiatives, Mazid said a crosscheck system will be introduced to evaluate the actual revenue.

"If we find 25 cars on roads, we will enquire the customs department about duties we should get from imports of the vehicles," he said elaborating the crosscheck method.

Opposing amnesty to the tax dodgers, he said any flexibility about tax evasion would frustrate the people who pay taxes regularly

PHOTO: MCCI

Latifur Rahman, president of Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI), addresses the members of the Confederation of Indian Industry (CII) Investment Promotion Mission to Bangladesh in Dhaka yesterday. Indian High Commissioner to Bangladesh Pinak Ranjan Chakrabarty, leader of the CII mission Shreekant Somany and other officials were also present. (Story on Page 16)

India's businesses want to invest in Bangladesh

CII team meets foreign adviser

UNB, *Dhaka*

A delegation of Confederation of Indian Industries (CII) headed by Shreekant Somany yesterday expressed interest to invest in power transmission, consulting engineering, glass manufacturing and health and beauty care in Bangladesh.

The CII delegation expressed its intention during a meeting with Foreign Adviser Iftekhar Ahmed Chowdhury at his office.

Welcoming Indian investment, the adviser said, "Bangladesh wants investment from all, including its friendly neighbour, India. The situation now is absolutely appropriate for such investments."

He said the reforms the caretaker government is pushing for will be sustained over a long period of time which will render this country to one that will provide adequate returns to any foreign direct investments.

The adviser said the success in social and education sectors has been helping alleviate poverty and empower women.

Iftekhar also suggested that the Indian authorities should provide greater market access to Bangladeshi products, which would help reduce the existing trade imbalance.

Talking to reporters, Somany said the meeting with the adviser was positive and added that investment from Bangladesh will be looked into by the Indian government. He also said the Indian authorities are facilitating visa for business people.

Laos keen to import manpower from Bangladesh

STAR BUSINESS REPORT

Laos is keen to import skilled manpower from Bangladesh for its booming construction industry, visiting Laos deputy foreign minister told the foreign adviser during a meeting in Dhaka yesterday.

The Laos deputy foreign minister, Phongsavath Boupha, also said his country is ready to consider simplifying visa procedures to facilitate greater trade relations.

"Next year we will celebrate the twentieth anniversary of our diplomatic relations. Both sides have to celebrate it in a befitting manner," Boupha told reporters after the meeting, referring to the establishment of diplomatic relations in 1988.

Boupha also told Bangladesh Foreign Adviser Iftekhar A Chowdhury that Laos will appoint an honorary consul general to Bangladesh.

Regarding the expansion of bilateral trade, Boupha reiterated his wishes to import Bangladeshi pharmaceuticals, cement, leather, steel and light engineering equipment.

Iftekhar told Boupha that Bangladesh could train young Lao diplomats and military officers in Bangladeshi institutions.

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

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 third and final part of the study highlighting policies for strengthening infrastructural, legal and export market base of the RMG sector is being published today.

Policies for Strengthening Infrastructural, Legal and Export Market Base of the RMG Sector

● Support for relocation: The concentration of RMG industry in the cities of Dhaka and Chittagong is already revealing a number of disadvantages from the perspective of the need for future expansion of the enterprises and consolidation of the industry. In view of increasing demand in the area of compliance assurance many of these enterprises are looking for opportunities to shift to alternative locations, away from residential and commercial areas in Dhaka and Chittagong. The government of Bangladesh has recently announced establishment of a number of garment villages in Adamjee, Munshiganj and other places to facilitate this process. *Creation of a 'Fund for Relocation of Factories' to provide concessional loan to the enterprises is the most important initiative that need to be taken. In this context development partners along with international financing agencies and business support organisations should come forward to stimulate the process. Establishment of new RMG units within the limits of the major cities should also be restricted to the extent possible.*

● Support for improvement of existing laws and regulations: About one third of sample entrepreneurs are of the opinion that laws and regulations guiding the operation of RMG industry should be improved. *Bangladesh required more flexible working hours, with provisions for work during the night shift, recruitment of young workers as apprentices etc. Others mentioned about enforcement of more strict laws for improvement of worker's health and safety standards in the workplace, change in the building codes for improving working conditions, and for ensuring compliance with factory laws etc. The issues and concerns as regards various acts of the new Labour Law such as working hours, punishment for failing to provide maternity leave, retirement benefit of workers, timely payment of fired workers etc. need to be reviewed. Thus government may consider setting up a committee to review different new labour laws and also review other rules and regulations relevant to the garment and textile sector with a view to changing these to suit the emerging demands of the industry.*

● Need to focus on stock market for required capital: The trend of upscaling visible in recent years could in future demand that the RMG industry has access to larger amount of capital for the sort of restructuring taking place at present. The survey found that most of the locally-owned enterprises are private limited companies which are in most cases are operated by board of directors, constituted by family members. *In this context, policy support for creating a conducive and enabling environment for the RMG sector to raise funds from the capital market should be given due consideration. Along with this, the RMG enterprises, particularly the large scale ones, should improve their state of corporate governance including standards of auditing, reporting, accounting, management etc. So that they are adequately prepared to offload shares and raise capital in the country's stock market.*

● Support for reduced lead time: Lead-time is another crucial factor that puts Bangladesh at a disadvantageous position when compared to China or India. With the change in the consumer market in recent years, retailers tend to spend more time on research on fashion and design, and they are putting more responsibilities on manufacturers under 'lean retailing' arrangement. Strengthening both backward and forward linkage has become crucial, in this context. Ready access to raw materials and inputs and higher capacity at enterprise level to carry out order-specification related functions are proving to be important. *Bonded ware-house facilities for relatively longer period for items for which inputs are not available locally deserves careful consideration in this context (e.g. man-made synthetic grey fabrics). A consensus-based policy needs to be developed on an urgent basis in this respect. Recent initiative to extend the period of bonded warehouse facility is a welcome move.*

● Overhaul port management: Sample entrepreneurs have pointed out a number of bottlenecks and weaknesses in the management and operation of the Chittagong port, such as bribe-taking by port officials, unnecessary delay caused by port officials in handling export and import consignments, container jam in the port, and loading and unloading, lack of vessels, and damage of imported and exported goods at the time of unloading or loading etc. In this backdrop, Caretaker Government's recent initiatives to address management, operation and labour relations issues are expected to contribute to improving efficiency of Chittagong port. *To speed up handling activities, government could allow loading of containers at factory premise instead of loading goods at the port premise. Further expansion of port facilities will be required in the future in order to handle large volume of imported and exported items.*

● Need to develop backward linkage textile sector: In view of the pressure on lead time, a competitive textile sector would play a critically important role. In national budget 2008, large allocation was made for the development of textile industries, with a view to promote integration with RMG sector- about Tk 8.48 crore has been allocated for 3 different projects. However, appropriate utilisation of these funds should be ensured. Moreover, *access to suitable land and capital needs to be facilitated to establish textile units. Foreign investment particularly for manufacturing woven textile needs to be encouraged. In addition, the proposed "Technology Upgradation Fund" could also provide support for modernisation and technology acquisition initiatives in the textile and RMG enterprises, as is evidenced by the Indian experience.*

● Ensuring uninterrupted electricity supply for RMG units: The study revealed that shortage of electricity was 15% higher compared to that of 2004, testifying to an increasingly aggravating situation. Problem of electricity outage was more acute for small and medium size enterprises (69 hours and 72 hours respectively) as these enterprises could not bridge the gap between demand and supply from their limited captive power generation facility. Besides, the study indicated a negative correlation between lost hours due to outage of electricity and enterprise's earning of profit (-0.20). In view of rapid expansion and upgradation taking place in the export-oriented RMG sector, use of machineries has increased substantially in recent years. Government has taken some measures to address the electricity supply problem. Some of the small scale power generation plants getting approval in recent times may not start operation in due time because of lack of supply of gas in the plant. *Government may consider exemption of VAT on electricity bill for operating garment factories. Government may provide subsidy especially to small and medium firms to set up small scale captive power plants. Power generation ought to be given highest priority.*

● Vigorously pursue various market access initiatives: The analysis carried out in the study bears testimony to falling profit margins and increasing competition. Implementation of the Hong Kong Ministerial decision of the WTO in a manner that would include (most of) apparels items was thus critical to Bangladesh's RMG industry's competitiveness in the global market. Bangladesh should also lobby for the passing of the TRADE Act by the US Senate. In view of this, with respect to the issue of market access Bangladesh should focus on several areas: (a) try to ensure that the 97 per cent list for the US market is designed in such a manner that it includes at least some items of apparels; (b) negotiate RoO in EU and USA that enables very high GSP utilisation rate (the Canadian GSP, 25% domestic value addition requirement for all LDC exports, should serve as the reference point); (c) enhance and strengthen backward and forward linkage capacities in the RMG sector to raise compliance with RoO and (d) vigorously pursue all market access negotiations in WTO, with EC, USA and in the context of RTAs such as SAFTA and BIMSTEC. In this context it is important to note here that duty free market access for apparels in India (8.0 million pieces per year) under the SAFTA, on a limited scale, is going to be operationalised soon. *Bangladesh's strategy should be gradual expansion of this tariff rate quota with the objective of taking RMG items out of India's negative list. Bangladesh should also carefully study the recently proposed NAMA draft of the WTO and ensure that items of Bangladesh's interest that enjoy preferential treatment are included in the lists of annexes of NAMA draft and those that do not enjoy such treatment are excluded from the lists.*

(Concluded)

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