Star BUSINESS

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Govt to offload shares in 9 firms next year

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The government has decided to offload shares in nine energy and power companies on the stock exchanges next year, a move market operators believe could help boost the capital market.

The nine state-run enterprises, which have been asked to offload their shares, are Liquid Petroleum Gas, Titas Gas, Bakhrabad Gas, Gas Transmission Company, Pashchimanchal (western) Gas Company Limited, Sylhet Gas Company, Bangladesh Gas Fields Company, Rupantarita Prakritik (compressed natural) Gas Company Limited, and Rural Power Company.

A review meeting, chaired by Finance Adviser Mirza Azizul Islam, on Wednesday also asked state-run Eastern Lubricants, Power Grid Company of Bangladesh (PGCB) and Dhaka Electric Supply Company (Desco), which are already listed, to offload more shares.

Eastern Lubricants has been asked to offload 10 percent shares, while PGCB and DESCO have been told to release 15 percent stakes each by March next year.

Now, 12 percent shares in Eastern Lubricants and 25 percent shares each in Desco and PGCB is traded on bourses.

Market experts and operators have long been demanding offloading of shares in state-run companies, which they believe will definitely make the market sound and robust.

The government's latest move will tremendously support the market, which faces dearth of quality shares, said Dhaka Stock Exchange Chief Executive Officer Salahuddin Ahmed Khan.

"The investors will be encouraged to invest in stock exchanges," he said.

Asian Development Bank (ADB) Country Director Hua Du on Wednesday at a workshop on capital market pleaded for immediate increase in supply of quality shares to prevent any possible overheating or price shocks in stock market.

"The rise in capitalisation and index values in Bangladesh is mostly demand-driven, which is somewhat risky, it must be backed by quality shares with strong economic fundamentals," she told the workshop, organised by ADB and Citigroup Global Markets Bangladesh Private Limited.

The meeting asked Titas Gas to offload its 25 percent shares by the end of next March on the stock market. The state-run gas transmission and distribution company on November 23 received a nod from the Advisory Committee on Economic Affairs to offload its stakes.

The review meeting also asked Pashchimanchal (western) Gas Company Limited and Sylhet Gas Company to offload portions of their shares within June next year.

As per the meeting, Bakhrabad Gas, Bangladesh Gas Fields and Rupantarita Prakritik (compressed natural) Gas Company Limited will have to offload portions of their shares within the next September, while Rural Power Company within December next year.

The meeting also asked the authorities of Jamuna and Meghna oil companies to offload their shares on the bourses within next month. The state-run oil marketing companies were supposed to offload 30 percent of their shares worth Tk 13.5 crore and Tk 12 crore by this November, but the process has been delayed, as the companies are yet to submit the required documents to the stock exchanges.

The meeting also asked the authorities concerned to offload 120,000 shares in International Finance and Investment Corporation (IFIC) Bank within this December. The government owns 35 percent stakes in IFIC Bank.

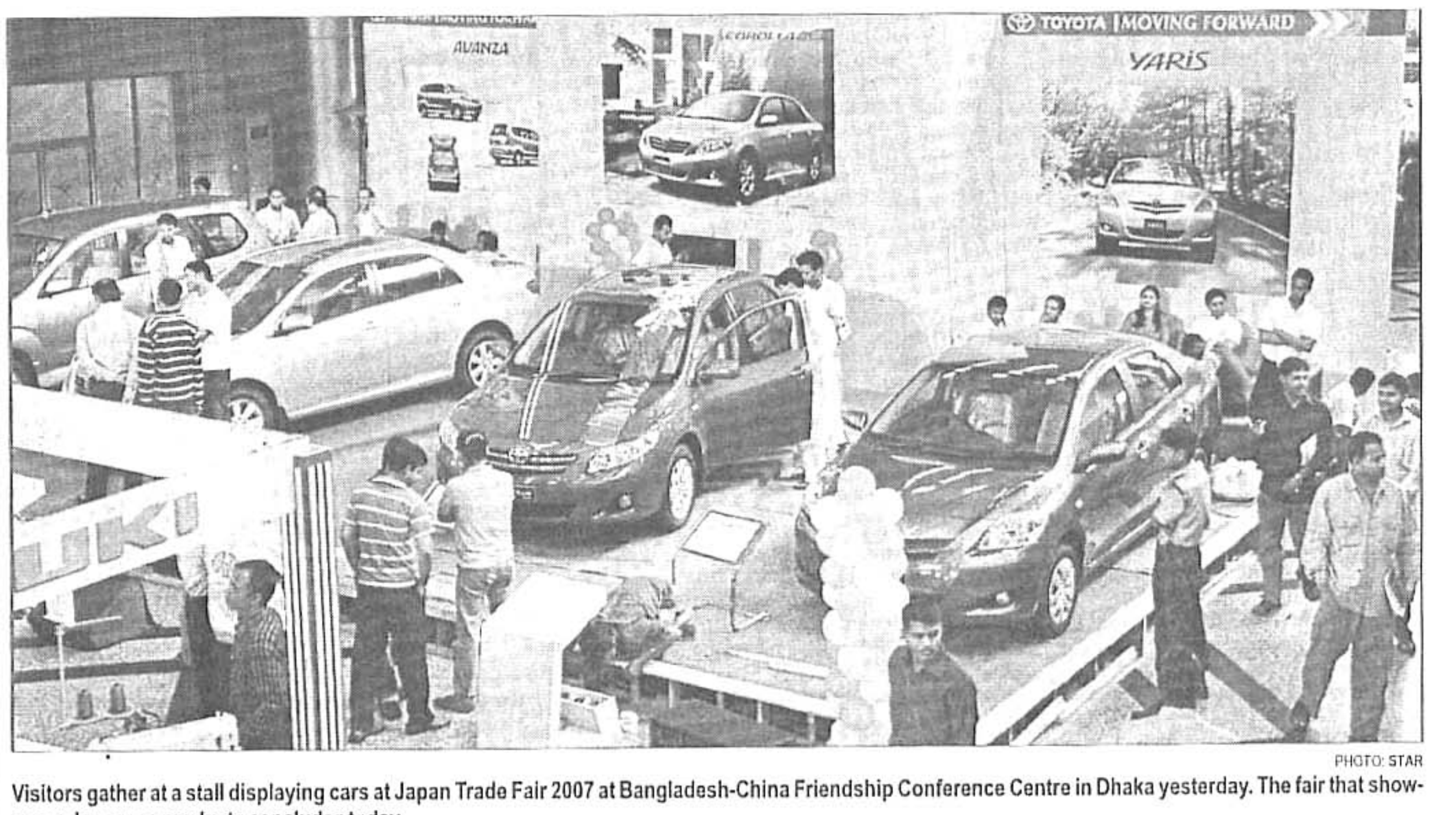

PHOTO: STAR

Visitors gather at a stall displaying cars at Japan Trade Fair 2007 at Bangladesh-China Friendship Conference Centre in Dhaka yesterday. The fair that showcases Japanese products concludes today.

Japan trade fair draws huge crowd

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With special interests in Japanese brands, quality conscious consumers yesterday thronged Japan Trade Fair 2007 at Bangladesh-China Friendship Conference Centre.

From curious customers to entrepreneurs who were looking for possibilities of business partnerships with Japanese companies, everyone was found busy at the fair that ends today.

Amran Hossain, a university graduate, came to the fair to buy a quality cellphone set for himself.

"Stuffs are quite impressive here," said Hossain, adding, "The fair is an assembly of many products."

Businessman Mobashwer Ali was visiting the fair hoping to find some good companies for his planned venture of importing quality products from Japan for the local market.

"I am here to find out companies trying to get distributors in Bangladesh for their products," said Ali.

Dominated by electronics products, including multi-media, computer accessories and other home appliances, the three-day show is expected to boost trade ties between the two friendly nations.

Japan-Bangladesh Chamber of Commerce and Industry (JBCCI) organised the fair in association with the Japanese Embassy and Japan External Trade Organization (Jetro). The Daily Star and Bangla language daily Shamokal are the media partners of the event.

"Response is very good. People are interested. Some new companies from Japan also came here to gain better knowledge about the market of Bangladesh," said JBCCI Vice President Abdul Haque.

Statistics shows despite huge trade imbalance, Bangladesh is doing little to boost exports to the lucrative Japanese market. On the other hand, Japan is making vigorous efforts to market their products here.

In 2006-07, Bangladesh imported Japanese goods worth US\$690.36 million against exports of US\$147.47 million.

However, Jetro says it is working relentlessly to promote bilateral trade between the two nations.

"To reduce trade imbalance, Bangladeshi side has to make critical analysis of Japanese market, understand requirements of Japanese people," said Jetro Manager for Administration and Research Liton C Sarker, adding, public sector must play the role of facilitator.

He said Jetro also supports arrangement of Bangladesh fair in Japan the same way it supports in arranging Japanese fair in Bangladesh.

Bangladesh has prospects of exporting home textiles, leather goods, handicrafts, readymade garments, ceramics and jute goods to Japan.

"In order to attract more investments in Bangladesh, the government should give clear ideas of the country's situation to Japanese investors," said Abdul Hamid Sharif, secretary general of Bangladesh Reconditioned Vehicles Importers & Dealers Association.

Such fairs are good opportunities where businesses of both the countries can meet and understand the qualities of products and markets of both the countries, he added.

India's economy likely to slow in Q2

AFP, *New Delhi*

India's blistering economic growth is expected to show a slowdown when second-quarter GDP data is released Friday, with tighter monetary policy dampening consumer spending, analysts say.

But India will still be the fastest expanding major economy after China with gross domestic product (GDP) growth underpinned by strong spending to improve the country's creaky infrastructure, they say.

Growth for the three months ended September 30 is seen at around 8.7 percent, down from the previous quarter's 9.3 percent, according to a survey of seven leading economists, whose forecasts ranged from 8.3 to 9.0 percent.

"The cumulative impact of monetary tightening in the last few quarters, along with the likely impact of rupee appreciation on exports, is expected to moderate the pace of economic growth over the rest of this fiscal year," said Rajeev Malik of JP Morgan Chase Bank in Singapore.

"The slowdown will be pronounced for consumer spending," said Malik, who expects second-quarter growth of 8.7 percent.

But he said investment "should continue to be powered by higher spending on both private capital expenditure and infrastructure spending."

India's economy expanded by 9.4 percent in the financial year to March 31, 2007. The economy has grown at an average annual rate of 8.6 percent in the last four years.

But industrial production grew at its slowest pace in almost a year in September, expanding by an annual 6.4 percent, dragged down by tighter monetary policy and a rising rupee.

"A softening in GDP growth is expected to have occurred primarily due to a decline in industry GDP growth," said Manika Premsingh, an economist at Mumbai's Edelweiss Capital, who estimates second-quarter growth at 8.3 percent.

The central bank began tightening monetary policy in 2004 and has raised interest rates five times between mid-2006 and March to tame prices.

EU, Traidcraft team up to help small farm producers

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European Union and Traidcraft have teamed up to provide small and mid-level farm producers at village level with business and price information to help them grow businesses.

The European Union and Traidcraft is going to launch a project to improve livelihood for poor producers. This was announced at a workshop in Dhaka on Wednesday.

The workshop also observed small and medium scale producers are being deprived of fair prices due to lack of information. It also observed consumers are forced to pay high prices for agricultural products, although farmers do not get fair prices for their produces at field levels.

In the first phase, the project aims is offer business services and information to small and medium scale producers and traders at Netrakona and Mymensingh districts for five years.

Indian exporters receive more incentives

OUR CORRESPONDENT, *New Delhi*

India has announced a third package of sops in less than a year for exporters in textiles, leather, handicraft and marine products sectors hit hard by sharp appreciation of the national currency Rupee.

Finance Minister Palaniappan Chidambaram said in Parliament on Thursday that customs duty on polyester staple fibre and polyester filament yarn has been reduced from 7.5 percent to five percent and on other manmade fibres from ten to five percent.

He also announced tax exemption on three more services besides enhancing interest subsidy for exporters in identified sectors.

The government will provide an additional two per cent interest subsidy to exporters of all categories of textiles excluding manmade fibre, leather, handicrafts and marine products for pre-shipment and post-shipment credit, Chidambaram said.

The government also added four more sectors; jute and carpets, cashew, tea and coffee, solvent extraction and de-oiled cake and plastics and linolen to the list of export sectors which are eligible for interest subvention under pre-shipment and post-shipment credit.

The coverage under a scheme aimed at promoting export of farm and village industry products has been expanded and the budget allocation doubled to Rs 600 crore.

The Indian Rupee has appreciated by 15.1 per cent against US Dollar since October 2006, seriously hitting exporters' earnings, especially those in labour-intensive sectors like textile and handicraft.

Chidambaram said leather, handicraft, marine products and textile sectors are particularly hard hit by the appreciating Rupee.

"Exporters and industry associations met the Prime Minister on the issue and I also had extensive meetings with them together with banks. Based on the meetings, we are now offering support to exporters".

He said the government was sensitive to the pressures on these sectors and was conscious of the need to offer support to prevent job losses and to give time to these sectors to adjust to the changing economic scenario.

The Finance Minister, however, said appreciating Rupee has its upside also in terms of lower production costs in sectors involving imported raw material and intermediaries, lower oil import bill and lower cost of external debt servicing.

But the appreciating Rupee has put pressure particularly on those export sectors with low import intensity like textile, leather, handicraft and marine products, he pointed out.

The government has already announced two relief packages to exporters in July and in October this year. The first package had included reimbursement of excise duty, sales tax, interest subvention of two per cent, service tax refund in respect of port services, transport of goods, transport by railways and other port services.

The second package included service tax refund or exemption for three services general insurance, technical testing and analysis and technical inspection and certification, interest payment on Exchange Earners' Foreign Currency accounts of exporters on outstanding balances subject to a maximum of one million dollars.

Lamy sets new target for Doha deal

AFP, *Geneva*

The head of the World Trade Organisation said on Friday he hoped to finally secure a deal in the Doha round of international trade talks by the end of 2008, some four years later than initially scheduled.

"If we agree on modalities early next year, I believe we could be able to conclude the round before the end of 2008," WTO director general Pascal Lamy said.

Negotiators had been working on the assumption that a deal would need to be finalised by early 2008 at the latest, but extended talks on agriculture in Geneva have made this impossible.

Oil prices drop below \$90

AP, *Undated*

Oil prices fell Friday on expectations that Opec will increase output next week and on fading concerns of a supply disruption from a U.S. pipeline fire.

Light, sweet crude for January delivery fell \$1.55 to \$89.46 a barrel in electronic trading on the New York Mercantile Exchange by midday in Europe. On Thursday, the crude contract gained 39 cents to settle at \$91.01 a barrel in choppy trade.

In London, January Brent crude dropped \$1.78 to \$88.44 a barrel on the ICE Futures exchange.

Oil prices have tumbled this week amid speculation that supplies are rising and a slowdown in U.S. growth will undercut energy demand.

The fire along the oil conduit from Canada to the Midwest caused a spike above \$95 a barrel Thursday and renewed speculation that oil was as back on its way to \$100. But by the end of New York floor trading it was clear most of the network was quickly returned to service and that the fire-damaged section was expected to be back up in days.

An offer by the U.S. government to release oil from the Strategic Petroleum Reserve, if needed, also helped calm markets.

Traders are likely to return their focus to an Opec meeting on Wednesday in Abu Dhabi, where the 12-member cartel is expected to decide whether to increase production. Several ministers of the Organization of Petroleum Exporting Countries have said in recent days that the group is ready to boost output to bring prices down.

IMF urges Sri Lanka to cut fuel subsidies

AFP, *Colombo*

The International Monetary Fund urged Sri Lanka on Friday to adopt tough measures to cut subsidies, especially on fuel, in order to salvage the economy.

In a report on the island's 27-billion dollar economy, the IMF said a decision to move out of a monthly fuel adjustment formula could put government finances under further pressure, should global oil prices remain high.

The state-run Ceylon Electricity Board is likely to incur financial losses of about 20 billion rupees (220 million dollars) in 2007, as the power monopoly is unable to adjust its charges, the global financial lender said.

"Electricity tariffs have fallen well below cost recovery levels. A large part of these losses was financed by loans from public banks, posing risks to the financial sector," the statement said.

Colombo has resisted raising domestic fuel prices for fear of putting upward pressure on consumer prices.

The rate of inflation exceeded 21 percent in August, as authorities partially lifted fuel subsidies, which in turn raised food prices, the IMF said.

The lender forecast average inflation of 17.7 this year -- up from 9.5 percent last year -- and expects it to ease to 11.5 percent in 2008.

The country's economic growth was projected at 6.0 percent, down from 7.4 percent in 2006 and 6.0 percent in 2005.

"There are several downside risks," the IMF said.

Despite high oil prices and security uncertainty caused by the protracted 35-year-old ethnic conflict with the country's Tamil minority the IMF said the economy remained resilient, lifting per capita income to about 1,300 dollars.

Bangladesh's export-import policies and the way forward

MAMUN RASHID

The present caretaker government has announced a three-year export and import policy 2006-09. The government also gave a nod to the Export Development Strategy Paper (EDSP) for the same term. The Finance adviser is quite optimistic that the new policy will facilitate rapid import of essential commodities and thus help keep the price level stable. However, maintaining a single digit inflation level will likely be a major challenge for the government in the coming days. On the other hand, further liberalisation of import policy, along with a few other measures suggested here, may be needed to boost export growth.

Reportedly, the main target of the three-year import policy is to mobilise and strengthen the economy for distribution of goods to consumers at fair prices and also to facilitate expansion of export-oriented industries and attract foreign direct investment. The other peripheral objectives are simplification of the import policy under the shadow of WTO, globalisation and free market economy, paving the way for wide technology-based import and better synchronisation among the import, industrial, export and other development policies.

Narrowing down the list of restricted items gradually to facilitate import of raw materials for industries and ensuring supply of quality and hygienic products were also on the agenda.

On the other hand, the new export policy outlines schemes to encourage export by declaring an annual "Product of the Year" award. Moreover, notable women exporters would be awarded with a 'National Export Trophy' or be identified as commercially important persons (CIP). To augment non-tax revenues, raising the import-related license and registration fees would also be considered under the proposed policy changes. The new export policy also states that the number of 'thrust sectors' will be raised from five to six, while the special development sectors will be reduced from ten to nine. Furthermore, several measures will be taken to improve Bangladeshi exporters' global competitiveness by reducing the cost of doing business, which includes simplification of procedures to release export goods and comprehensive improvement of the export infrastructure. The EDSP proposes diversification of exports by providing special facilities for export of certain products such as readymade garments, leather and leather goods, frozen food, ICT related products, light industry output, pharmaceuticals, tea and jute.

There is no reasonable ground to maintain a stringent import policy for an economy that is still in growing phase on the excuse of protecting the domestic industry. Understandably, the number of items under the restricted list has been gradually reduced from 752 in the 1985-86 to only 25 items in the latest policy. The argument for adopting a stricter import policy is losing its ground with the passage of time. In fact, it has often been found that some corrupt quarters within the government and their cronies in the business take undue advantage of restrictive import policy to sustain their uncompetitive enterprises, producing low quality goods and services, and thereby, deprive the consumers of better quality imported goods at a competitive price.

Going forward one of the major challenges for the country will be meeting the growing demand for open account transactions, which is still missing in the current import policy order. In Bangladesh, open account transactions are still restricted to Type-A industry in EPZ. However, this should be selectively liberalized for RMG factories in the face of growing demands from international buyers. Surprisingly, one statistics shows that only 13percent of the world trades are now consummated by using Letters of Credit, which at one point of time was 50 percent. Nowadays, documentary collection and open account procedures are dominating cross border trade settlements. Although documentary collection is allowed in Bangladesh but it is still restricted to importing capital machineries, industrial raw materials and perishable food items. This list also requires to be expanded in near future but immediately it should cover at least the spare parts and accessories of the capital machinery to support the growing industrialization of the country.

In India, a number of duty remission and exemption schemes are in place to facilitate exports. While a number of these schemes are open to all exporters who use imported inputs, several schemes are targeted at sectors such as electronics (hardware and software), agricultural products and services. Export processing zones and export-oriented units (which are now special economic zones (SEZs)) also offer tax holidays to investors. India also provides export assistance through export insurance and financing schemes by the Export-Import Bank of India.

Pakistan has already realized that countries that are leading exporters also tend to have liberal import policies, because they are directly linked. Pakistan's import strategy is determined by several considerations. Firstly, the emphasis is on import liberalization with a view to ensuring an economical supply of machinery and raw material to the domestic industry, so that the exportable surpluses produced are internationally competitive both in terms of price and quality. Secondly, import of goods required for enhancing public welfare at affordable costs is being facilitated. Thirdly, essential items especially food are imported in order to assure availability to the public at reasonable prices.

There is a theory that restrictions on imports act as a tax on export production. They increase the cost of inputs to all industries thereby reducing relative profitability of exporting compared to production for the domestic market. As many other developing countries such as India, Pakistan and Vietnam, which attempt to promote exports in the context of a restrictive trade regime, have resorted to a number of measures to redress such anti-export bias. When a country attempts to promote exports side by side a protected trade regime in the domestic market, it is important to assure uninterrupted duty-free access to the imported intermediate inputs needed for export production. There are two tools widely used for this purpose: export processing zone and import duty rebate.

Over a long time now, most exports of Bangladesh have been routed to two markets (USA and Europe) and consisted of five to six products. Product and market diversification have already become overdue issues. Similar to developing countries, product development institute and export bank should be developed immediately under the government auspices. At present, there are only three business promotion councils that exist for leather, IT & light engineering products.

Another important point worth mentioning is that of export maximization under the rules of origin. As per WTO Agreement (Article 33), the rule of origin is "After the transition period the rules provide that the origin of goods shall always be the country where the last substantial transformation has been carried out". Under this guidance, many countries in the world have developed their own rules of origin. Bangladesh is yet to develop its own rules of origin and country specific export strategy, specially targeting South Africa and Russia. Reorganization of export promotion bureau and establishment of trade facilitation centre are still in the planning stage.

Lead time has always been a critical issue for Bangladesh. The sole dependency on Chittagong port should be balanced on priority basis by making the Mongla port functional. There have been discussions for long on central bonded warehouse and now its time to draw a conclusion. To boost up exports, preferential electricity rate during pick hours can also be considered. BMRE of jute and leather sectors with an eye on the export market can significantly contribute to achieve the export aspiration for the nation. In conclusion, it is time to revisit our trade policies with a view to bringing balance between price stability in the domestic market and expansion of the export market in the days to come.

The writer is a columnist and chairman of ICC Bangladesh standing committee on banking techniques and practices.