Star Business

Dhaka Wednesday October 14, 2009

Stocks

DGEN	▲ 1.33%	3,280.32
CSCX	▲ 1.82%	7,153.69

Asian Markets

MUMBAI	Closed	
TOKYO	▲ 0.60%	10,076.56
SINGAPORE	▼ 0.45%	2,668.40
SHANGHAI	▲ 1.44%	2,936.19

Currencies

	Buy Tk	Sell Tk
USD	68.42	69.42
EUR	99.24	104.50
GBP	106.08	111.47
JPY	0.74	0.82

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲ $1,065.65 (per ounce)

Oil ▲ $73.62 (per barrel)

SOURCE: AFP

(Midday Trade)

Draft laws worry insurers

Regulator's overriding power to hurt industry, sector leaders say

Sajjadur Rahman

The insurance industry is concerned with the claim settlement provision recommended in the report of the standing committee on finance ministry that has proposed to empower the regulator greatly.

Section 71 of the Insurance Bill 2009 says the decision of the regulatory authorities on claim settlement would be final and there would be no scope to challenge the verdict in court.

"This goes against the constitution. Everyone has the right to go to court and it should not be stopped by enacting laws," AKM Rafiqul Islam, president of Bangladesh Insurance Association, told The Daily Star.

The association also conveyed its concern in a letter to AHM Mustafa Kamal, chairman of the standing committee, last week.

The letter requested Kamal to change the provision and allow all parties to go to the arbitration council and higher courts if they want.

Otherwise it will be a violation of internationally accepted insurance practices, the letter said.

There are 62 insurance companies in the country, of which only two are government-owned and the rest are private. Of those 44 are general and 18 life insurance companies and their total annual premium in 2008 was around Tk 4,500 crore, according to industry data.

Industry people said the issue has hurt them badly as they have done a lot to formulate new laws to replace the age-old 1938 Act that still exists.

The caretaker government in 2008 initiated a move to pass two ordinances regarding the insurance sector, but it did not happen finally. Later, the Awami League-led government moved to formulate and approve the new regulations.

The standing committee has examined the regulations drafted by the caretaker government and recommended changes where it felt necessary.

But the insurers said they are surprised to see the Section (71) on claim settlement in the proposed bill.

"The regulator is not supposed to settle the claims. It happens nowhere in the world," said Nasir A Chowdhury, managing director of Green Delta Insurance.

Chowdhury said the industry receives hundreds of claims every year and what will happen when all will rush to the regulatory authorities saying that they are unhappy with the insurance companies' offer.

He also cited an example of a claim.

Last year a businessman claimed Tk 1 crore, as a portion of his factory was burned. But the insurance company's survey team found a loss worth only Tk 95,000.

"What would happen if the man could settle his claim by offering bribes to corrupt officials at the regulatory office?" questioned Chowdhury who has over 50 years of experience in insurance sector.

Finally, the man settled the claim at only Tk 1 lakh, he said.

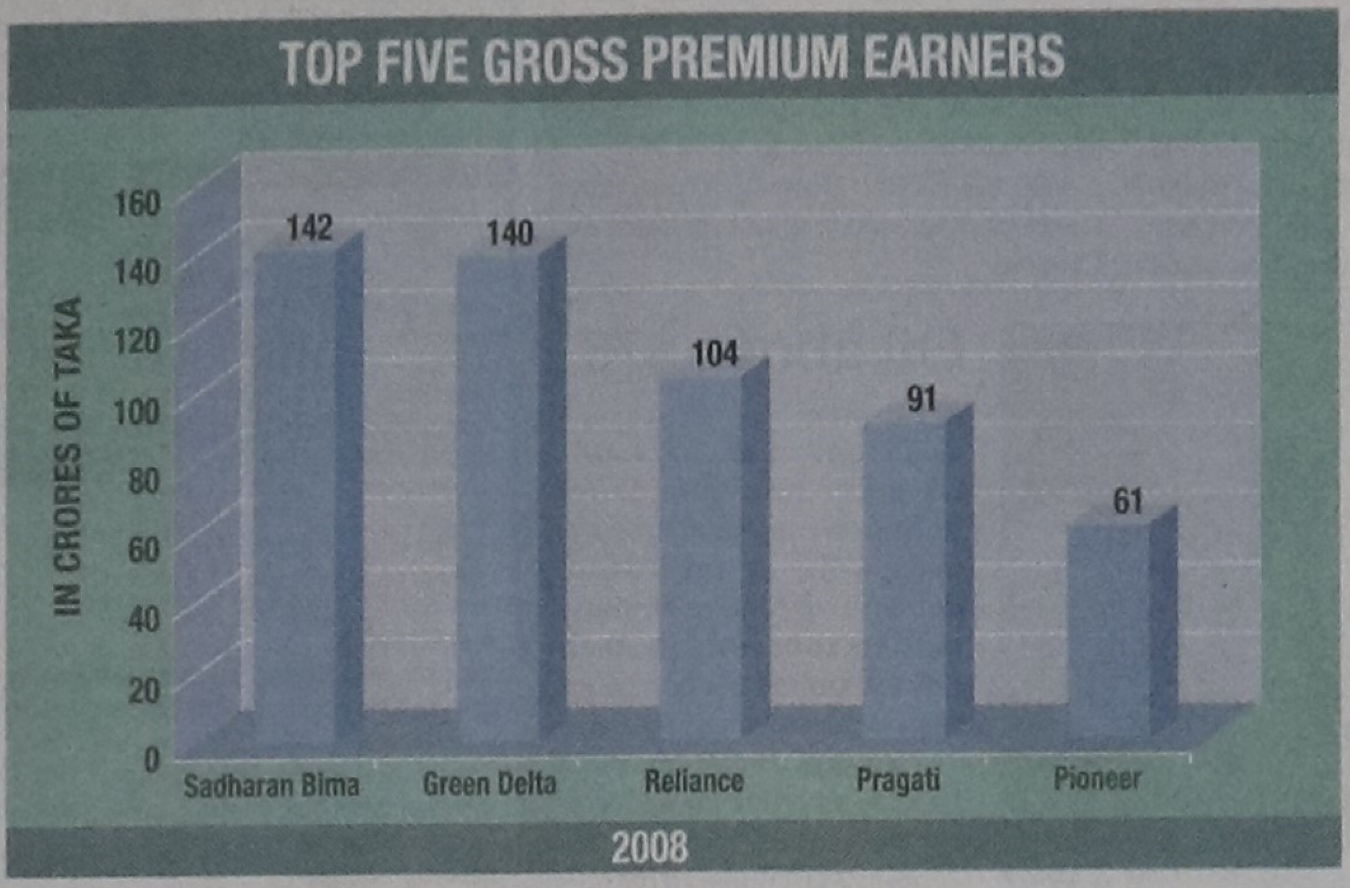
Under the proposed laws, companies will be bound to pay the amount settled by the regulator, as there will be no chance of challenging the verdict in the court, Chowdhury said.

Mustafa Kamal said quasi-judicial power proposed for the regulatory authorities would help settle the claims quickly.

When asked on the right to go to the court against the verdict of the regulator in the proposed bill placed by the standing committee led by him, he said he has to go through it.

The lawmaker said everyone has the constitutional right to go to the court.

sajjad@thedailystar.net



RMG exports edge down in July-August

Kawsar Khan and Refayet Ullah Mirdha

Knitwear and woven garment exports, which account for over 80 percent of total shipments, slipped in the July-August period, dimming prospects for Bangladesh's overseas sales.

In the first two months of the current fiscal year, woven garment export declined 2.06 percent to $1,011.9 million from $1,033.2 million in the same period a year ago, according to Export Promotion Bureau statistics. Knitwear exports marked a 0.48 percent fall from $1,210.14 million in July-August 2008.

Both sectors failed to post growth or meet exports targets for the first two months of fiscal 2009-10.

The August 2009 earnings show 0.71 percent growth, but total export earnings for July-August 2009 show a 3.29 percent decline.

Bangladesh logged $1.4 billion in earnings from overseas shipments in August 2009. Total income from exports in the first two months of the current fiscal year was $2.81 billion, down from $2.9 billion in total exports in the year-earlier period.

EPB Vice Chairman Shahab Ullah said: "This is the first time that knitwear and woven garments both failed to post growth figures and meet targets."

He however said whopping export growth in July and August last year explains why this year's figures do not portray a rise. "But exports will grow in the coming months as signs of economic recovery appeared in global markets."

However, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) President Fazlul Hoque said a downward curve might continue for the next five to six months, due to slumping global demand.

He also criticised the government's procrastination in disbursing the bailout package, which was earlier announced to shield the export sector from the global financial crisis.

He said disbursement of the package is still far away as the government is yet to form a committee in this regard.

According to BKMEA statistics, knitwear earned $552.46 million in August, posting a 3.02 percent fall, while the woven sector earned $ 489.22 million at the same time, posting 0.68 percent growth.

President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Abdus Salam Murshedy said the country's export earnings were bound to drop, as it did not receive proper government support to thwart global recession, unlike many other countries in the world.

Besides the RMG sector, home textiles, textile fabrics, raw jute, tea, leather, frozen food, ceramic products and handicrafts also recorded negative growth than last year's performance.

At the same time, vegetables, tobacco, footwear and petroleum by-products recorded growth over last year's records, but failed to achieve targets.

Jute goods, electronics, cut flower/foliage and agro-processed foods achieved targets and recorded growth.

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Quality control officers recheck finished readymade products at an RMG factory. Bangladesh exported garments products worth $43 million to South Africa in fiscal 2008-09.

BKMEA urges strong lobbying for South African market

Star Business Report

The knitwear sector trade body chief in a press briefing yesterday pointed his finger at the absence of strong trade negotiations on the government's part, a setback to raising Bangladesh's capability to tap the $1.2 billion South African apparel market.

"How only two officials can handle normal activities of the Dhaka mission in Johannesburg?" questioned Fazlul Hoque, the president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

He demanded that the government immediately move to deploy a commercial counsel in Bangladesh mission in the South African capital city so that he or she can work on harnessing business potentials there.

Hoque was sharing his South Africa and Botswana trip experiences as leader of a business delegation with some journalists at the BKMEA office.

Bangladesh apparels account for only 4.3 percent of the South African $1.2 billion annual imports, while it is 70 percent from China, 5.5 percent from Mauritius and 4.7 percent from India, BKMEA chief said.

The value of Bangladesh garments that were exported to South Africa in fiscal year 2008-09 is $43 million.

While lobbying for further trade negotiations, Hoque is upbeat on the 71 percent growth in readymade garment exports to that country last fiscal.

T-shirts, sweaters, cotton trousers, basic shirts and jeans are the most-favoured items in South Africa, he said, pointing to an ample scope for textile fabric exports.

The knit sector leader named some major buying agents such as Woolworth South Africa and Edgars and Truworth.

"The present export trends show prospects for around $500 million apparel exports in the next two years," Fazlul Hoque said.

South African buyers are now coming to Bangladesh in increased number to place more orders, he added.

Pointing to a 24 percent growth in apparel imports by South Africa on year-on-year basis, he expected at least 14 South African buyers to attend the 5th Knitexpo in Dhaka, due on November 2-4.

In this regard, Hoque identified the 51 percent tariff--40 percent duty and 14 percent value added tax (VAT)as a major problem in apparel exports to South Africa.

However, the director general of South Africa Textile Department, the BKMEA boss says, has assured them of a tariff cut on Bangladesh government's strong lobbying.

The South African key official also asked Bangladeshi businessmen during their stay in that country to prepare a list of apparel products, which the African manufacturers do not produce locally.

Bangladesh has also openings for migration of unskilled, semi-skilled and professional human resources to both South Africa and Botswana, as these countries are carrying out big economic activities, the BKMEA president said.

Task force on tourism investment

Star Business Report

The government formed a high-powered task force early this week to encourage and monitor investments in tourism sector from home and abroad, said the civil aviation and tourism minister yesterday.

"We are trying hard to encourage private sector investment from home and abroad for the tourism sector to develop its infrastructure. We formed a task force to encourage and monitor potential investments in the sector," said GM Quader.

"We formed the task force after the first meeting of National Tourism Council this week," he added.

He was speaking at the inauguration of the permanent campus of Institute of Tourism and Hotel Management at Dhanmondi in the capital.

He said the government will launch promotional campaign to attract investments to the sector.

"A poor country like Bangladesh cannot afford the expenses of developing all the infrastructure required to boost the tourism sector," said Quader.

The minister also said the government is trying to encourage environment friendly tourism in the country, and has included provisions in the Tourism Act to conserve biodiversity.

The Institute of Tourism and Hotel Management was established in November 2007. It started Bachelor's and Master's programmes from this year.

Abu Hena Mustafa Kamal, chairman, and Islam Mohammad Hasanat, CEO of the institute, also spoke at the function.

CSE opens Sylhet office

Staff Correspondent, Sylhet

The Chittagong Stock Exchange (CSE) opened its office in Sylhet on Monday.

CSE President Nasir Uddin Ahmed Chowdhury who inaugurated the office said it was previously unimaginable for investors in remote areas to invest in the stock market, but online trading on both bourses has paved the way for them now.

Chowdhury said a growing number of non-resident Bangladeshis are contributing to the national economy through remittance. There is investment scope in the stock market and expatriates can take advantage of the available option and help develop the stock market, he said.

Investor awareness programmes will positively benefit general investors to get to know the stock market, which is now spreading to several cities around the country, speakers said.

CSE Director Prof Abu Ahmed who addressed the event as chief speaker said the stock market is being positively viewed in recent days but investors should analyse the facts and figures of a company and invest in fundamentally good stocks.

Despite increased volatility, overall trends are healthy, said Ahmed, also the Dhaka University teacher.

Ahmed said the stock market is shaping up well and the regulatory bodies should take measures to make it more vibrant.

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net