

Stocks	
DGEN	▲ 0.43% 4,428.06
CSCX	▲ 0.53% 8,335.56

Asian Markets	
MUMBAI	▲ 3.23% 17,231.11
TOKYO	Closed
SINGAPORE	▲ 0.63% 2,841.56
SHANGHAI	▲ 0.76% 3,073.78

Currencies	
Buy Tk	Sell Tk
USD	68.60 69.60
EUR	96.47 100.70
GBP	108.12 112.51
JPY	0.73 0.78

SOURCE: STANDARD CHARTERED BANK

Commodities	
Gold	▼ \$1,084.15 (per ounce)
Oil	▲ \$74.66 (per barrel) (Midday Trade)

SOURCE: AFP

Contact Us

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

Exporters brace for tough time

Jitters set in as India moves to sign free trade agreement with EU



REFAYET ULLAH MIRDHA

Bangladesh exporters fear tougher days ahead as India has signed free trade agreements (FTAs) with Southeast Asian nations and is expected to strike similar deals with European countries.

Duty benefits from Asean (Association of Southeast Asian Nations) and the European Union enabled Bangladesh to fetch more than \$12 billion from RMG exports last fiscal year, despite global recession.

Export Promotion Bureau data shows over half of last fiscal year's total \$15 billion exports had been destined to the EU, Bangladesh's largest trade partner.

In its latest move, India signed a free trade deal with Asean on August 13 in Bangkok, after six years of negotiations.

This pact for the regional free trade will come into effect from January. Under India's FTA with Asean, tariffs will be eliminated for about 4,000 products (which include electronics, chemicals, machinery and textiles) out of which,

duties for 3,200 products will be reduced by December 2013. Duties on the remaining 800 products will be brought down to zero or near zero levels by December 2016, say media reports.

Asean is India's fourth-largest trading partner after the EU, United States and China. Two-way trade between India and Asean stood at \$47 billion in 2008. Both parties to the FTA are expecting a \$10 billion increase in trade in the first year alone.

The EU has expressed interest in concluding the process of negotiations with India by 2010.

India is also expected to begin a new round of FTA talks with Japan, South American trade bloc Mercosur, Southern Africa Customs Union and Australia.

Anisul Huq, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said: "If the FTA between India and the EU finally gets through, Bangladesh will face stiff competition in exports to Europe."

The generalised system of preferences

offered to Bangladesh in exports to the EU has been eroding fast, Huq added.

"Signing an FTA with economically powerful countries and groupings by India is a matter of that country and we cannot stop them. But we should not sit idle."

"We must negotiate with the potential countries to protect our share of overseas trade. We must be competitive as there is no second option in this case," said Huq, also the president-elect of Saarc Chamber of Commerce and Industry.

"To stay in business, Bangladesh must conduct a thorough research on the RMG sector with participation of all stakeholders," said Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). He also suggested that Bangladesh continue talks with other countries to remain in the race.

The problem is, Bangladesh lacks adequate preparation in international trade negotiations, he said.

He suggested Bangladesh Foreign Trade Institution (BFTI) should come up

with research findings to help negotiate in realising a share of international trade.

"The EU's FTAs with India, Asean and South Korea are definitely a concern for Bangladesh," said Zillul Hye Razi, trade adviser to the EC Delegation in Dhaka.

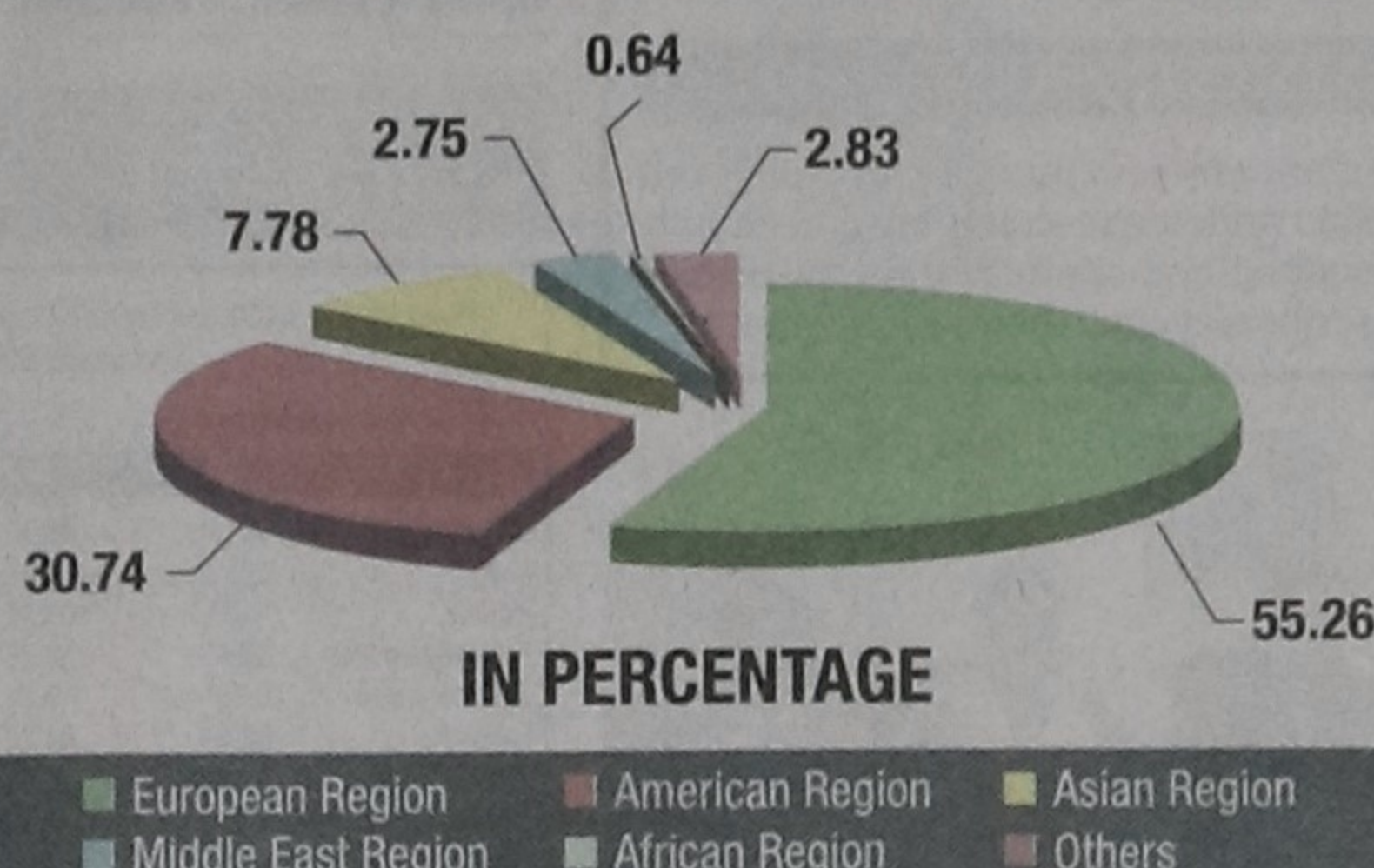
He said Bangladesh should be more competitive to retain business with the EU. Bangladesh may get a preference in the EU if the Rules of Origin are relaxed next year under the Lisbon Treaty.

MA Taslim, chief executive officer of BFTI, said Bangladesh exports to the EU may be affected slightly if the FTA is finalised, but it is not a matter of alarm, as other competitors to India may also demand FTAs with the EU.

He said BFTI plans to conduct research in this connection, but it requires funds and human resources. "Now, we are emphasising a strong BFTI by recruiting adequate skilled human resources."

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BANGLADESH'S EXPORT MARKET SHARE WORLDWIDE



Govt may ease IPO restrictions

STAR BUSINESS REPORT

The government is likely to reconsider its decision that new companies -- willing to float IPOs -- will have to offer shares equivalent to 40 percent of their paid-up capital.

After a meeting with a Chittagong Stock Exchange delegation at his office yesterday, Finance Minister AMA Muhith told reporters that the finance ministry would consider the proposals of bourses in the interest of the market, BSS reports.

The finance ministry at a meeting on November 5 took a series of decisions tightening capital market rules.

CSE delegates told the minister that the ministry's decisions, if implemented, would hinder the market growth.

The decisions include allowing IPO floatation by new companies that will offer shares equivalent to 40 percent of paid-up capital. Another move was to ban the direct listing of private companies.

The CSE delegation, led by its President Fakhur Uddin Ali Ahmad, told the minister that the restrictions on IPO would discourage many companies with high paid-up capital to come to market.

According to a CSE proposal, the minimum requirement for IPO floatation can be fixed at 25 percent -- instead of 40 percent -- for the companies with Tk 500 crore in paid-up capital.

For those with more than Tk 500 crore in paid-up capital, the IPO size can be 15 percent of paid-up capital, the CSE proposed.

CPD suggests fixing of boro paddy prices

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday suggested the government fix the procurement price of boro paddy at Tk 15 a kilogram and rice at Tk 25 a kilogram to encourage farmers to allot more lands to rice cultivation.

The private research organisation also said the government should announce the price immediately to influence farmers' decision on boro plantation.

CPD made the recommendations citing various global rice outlooks for 2010, which show bleak prospects.

Apprehensions on drops in output, declaration by countries such as the Philippines to buy rice from the global market and restrictions on exports by India now influence global rice prices, observed CPD.

It fears Bangladesh will have to import rice at high costs in case of production shortfalls next boro season.

"Farmers in Bangladesh are responsive to prices, policies and technologies," said Uttam Deb, head of research division of CPD, at a discussion at CIRDAP on the challenges and actions to achieving the 2010 boro production target.

"A declaration of procurement prices will bring positive outcomes, taking the global scenario into account."

Agriculture Minister Matia Chowdhury and Former State Minister for Agriculture and Senior Joint Secretary of Bangladesh Nationalist Party Mirza Fakhur Islam Alamgir spoke at the dialogue, where parliamentarians, agriculturists, economists, representatives of farmers' organisations and bureaucrats were present.

CPD Chairman Prof Rehman Sobhan chaired the programme.

CPD's suggestion for the declaration of government procurement price comes as farmers prepare their lands for the current boro season.

Despite helping the country achieve record boro rice production at 1.78 crore tonnes in the immediate past boro season, farmers -- mainly small and marginal -- failed to reap the benefits of their labour and investment due to a decline in prices on the domestic market.

For the current boro season, the government has set a target to produce 1.9 crore tonnes of rice on 48 lakh hectares of land.

CPD, referring to farmers' wounds, said farmers may be reluctant to cultivate boro this season.

"Farmers will not cultivate unless they get margins," said Alamgir.

"Already many farmers are shifting from rice to other cash crops to make profits. If we want our farmers to remain in agriculture, we will have to give them adequate incentives," he said.

Mahabub Hossain, executive director of BRAC, said the government should not only think about feeding consumers at low prices, but also about ensuring fair prices for growers.

"If farmers do not receive fair prices for paddy and are reluctant to cultivate, we may have to buy rice as high as Tk 50 a kilogram due to high prices on the international market," he said.



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