Bangladesh's case for tariff break in US

Indeed, extending duty-free access to Bangladesh would have more impact on poverty reduction and economic growth in Bangladesh than all the aid and development projects from the US combined.

SANCHITA SAXENA

POVERTY wages in Bangladesh's $15 billion garment industry have long led to worker protests and factory shutdowns. So it was no different in July when the South Asian country's labour ministry announced that the minimum wage would increase from Tk.1,662 ($25) to Tk.3,000 ($43) a month. As welcome as was the first wage hike in four years, the amount fell well short of the Tk.5,000 monthly minimum called for by labour unions. Meanwhile, factory owners resisted a dramatic wage surge, fearing they would lose ground to such low-cost clothing manufacturers as China and Vietnam.

Still, to many of us who have tracked Bangladesh's economic trajectory, the government-backed minimum wage increase signals that various stakeholder in the country's garment sector -- including trade unions, NGOs and international buyers --are finally coming together to improve salaries and working conditions. Bangladesh supplies cheap readymade clothing to such ubiquitous retail chains as Wal-Mart, JC Penney and H & M. The garment industry accounts for more than 80% of its annual export earnings.

But Bangladesh's competitive edge as an exporter of textiles cannot be fueled solely by domestic policy changes. The United States, which imports at least $3 billion worth of Bangladeshi textiles annually, has an opportunity to bolster the country's garment industry and reduce sweatshop conditions for the sector's 3 million, who are mostly women.

The New Partnership for Trade Development Act, a bill introduced by Congressman James McDermott (D-WA) in November, 2009, would do just that by including Bangladesh and Cambodia among the countries that receive duty-free access to the US market. Unlike Mexico and other countries engaged in regional trade agreements with the United States, Bangladesh and other developing Asian countries are paying high tariffs on their exports. And it's taking a toll on both the garment industry and its workers.

In 2008, Bangladesh exported $3.7 billion in goods to the United States, of which only 0.5% were duty free. Furthermore, Bangladesh had to pay more than 15% in tariffs for the remaining $3.7 billion worth of goods, ranking it the highest among all tariff-paying trade partners to the US.

The tariffs the United States collected that same year on Bangladeshi imports were equivalent to imposing a $3.98 tax on every person in Bangladesh, a country with a per-capita annual income of $621. In 2007, while Bangladesh paid $522 million in tariff charges to the United States, it received only $49 million in development assistance.

Of course, no free trade legislation is controversy-free. The battles over NAFTA are a case in point. Some fear that reducing quotas on Bangladeshi imports will hurt many of the African countries that enjoy duty-free access through the African Growth and Opportunity Act (AGOA). However, numerous studies have shown that the negative impact on African exports will be minimal.

In promoting his legislation, Congressman McDermott has pointed out that less developed economies need to find ways to increase trade and "one set of poor people is not more or less worthy of help than another." I wholeheartedly agree.

Garment factory owners who now feel compelled to raise the price of Bangladeshi-made garments for American consumers due to the high tariffs would be far more likely to support improving factory conditions and increasing wages of their factory workers if a free trade agreement were in place.

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Indeed, extending duty-free access to Bangladesh would have more impact on poverty reduction and economic growth in Bangladesh than all the aid and development projects from the US combined.

Let's do away with these stiff tariffs and give Bangladesh's garment workers the break they deserve.

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National Press Club turns 57: My reminiscences

The National Press Club has gained in stature and emerged to be an important institution at national level. Now it is the apex club for the Press Clubs that have come up in most parts of the country. It has practically become a second home for club members, whose number now stands at around eight hundred.

SYED BADRUL HAQUE

THE fifty-sixth founding anniversary celebration of the National Press Club has just been rounded off with a fortnight-long programme amidst jubilation. Over the period, the club embraced changes in its perspective and personality and remained responsible to its social obligations. As a witness to its evolution, here are some of my nostalgic snapshots of the earlier days of the Press Club.

In 1962, it brought out a historic procession, led by legendary editor Moulana Mohammad Akram Khan, protesting the repressive Press and Publications Act promulgated by the martial law regime of Ayub Khan. The martial law regime was forced to abrogate the law promptly. In the annals of press freedom it serves as an inspiration against any repressive law to curb press freedom.

The same year, Press Club members, nay the journalist community, brought out a peace march in the city streets in a bid to stop communal riot in Wari, a part of Old Dhaka, in response to the call of humanity. Furthermore, Pres Club allows non-members to hold programmes in the club precincts without any discrimination. On important issues it organises meetings, seminars and press conferences as well.

In the fifties, Dhaka's newspaper world was much smaller, but it was more cohesive and well-knit as an entity. It adds to the credit of our elder editors like Abdus Salam, Tofazzal Hossain Manik Mia, Zahur Hossain Chowdhury, Mujibur Rahman Khan (first president of the Press Club), Khairul Kabir and A.M.A. Azim that they were able to get two acres of land for Press Club on Topkhana Road in Ramna area from the government of East Pakistan in 1954.

The two-storied red building, nestling amongst old trees with a sprawling garden in the front, lent an old world charm to its environs. Built in 1905, the building was originally earmarked to accommodate the ministers of Assam-Bengal province, and was transferred to Dhaka University after Partition. Notably, Satyen Bose, the illustrious professor of Dhaka University, once occupied the building. The government, however, took over the building after Partition and used it as residence of ministers.

Mentionably, although the Press Club started functioning in its old building from 1954, its legal documents were signed as late as in 1979. On February 17, 1979, President Ziaur Rahman laid the foundation stone of the new building of the National Press Club.

In the initial years, the number of Press Club members was not large enough to support such an establishment. The overall situation of the Press Club, however, started improving when Abdul Matin, a senior journalist who was a strict disciplinarian, took over as general secretary of the Press Club, a post which he had held for four consecutive terms.

Old timers would recall Abdul Matin used to approach the club members individually to realise the club dues in those defining moments of the Press Club. That was indeed a gesture of high note especially in those days. The Press Club honoured him with life membership. Ironically, since he had left his home country for England in the sixties, he never visited the Press Club, which he had nurtured virtually from its inception.

Over the period, the National Press Club gained in stature and emerged to be an important institution at national level. Now it is the apex club for the Press Clubs that have come up in most parts of the country. It has practically become a second home for club members, whose number now stands at around eight hundred.Of the notable dignitaries who graced the Press Club were Annada Sankar Roy, Lady Baden Powell, Begum Viqarunnisa Noon and Prince Karim Aga Khan.

The Press Club soon became a common meeting place for writers, intellectuals, cultural and political activists and elites. On one occasion, I noticed that Bangabandhu Sheikh Mujibur Rahman was engrossed in reading newspaper in the guest room of the club. Wadud bhai of Barisal, a close associate of Bangabandhu, happened to be with him.

Among the editors who used to visit the Press Club quite often were Abdus Salam, Tofazal Hossain Manik Mia, Zahur Hossain Chowdhury, A.M.A. Azim, Khairul Kabir and Balan (PTI). Stalwarts in the profession like Syed Nuruddin, S.M. Ali, Shahidullah Kaiser, Sirajuddin Hossain amongst others were members of the Press Club. A.L. Khatib of *Morning News*, an expatriate journalist, was a permanent resident of the Press Club Journalists S.M. Ali and A.B.M. Abdul Matin also stayed for some months in the club.

On weekdays, the card-room on the first floor used to buzz with card players. The usual faces in the card-room were Shamur Rahman Khan, M.R. Akhtar Mukul, Daud Khan Majlis, Nurul Islam, Ehtesham Haider Chowdhury, Enayetullah Khan, Hasanuzzaman Khan, Samar Das, Brojen Das, Monju, Mitter and Siaful Bari. The star attraction in the card-room was, of course, Shamsur Rahman Khan, a member of the elite Civil Service of Pakistan (CSP), because of his witty and humorous remarks which everyone in the room greatly relished.

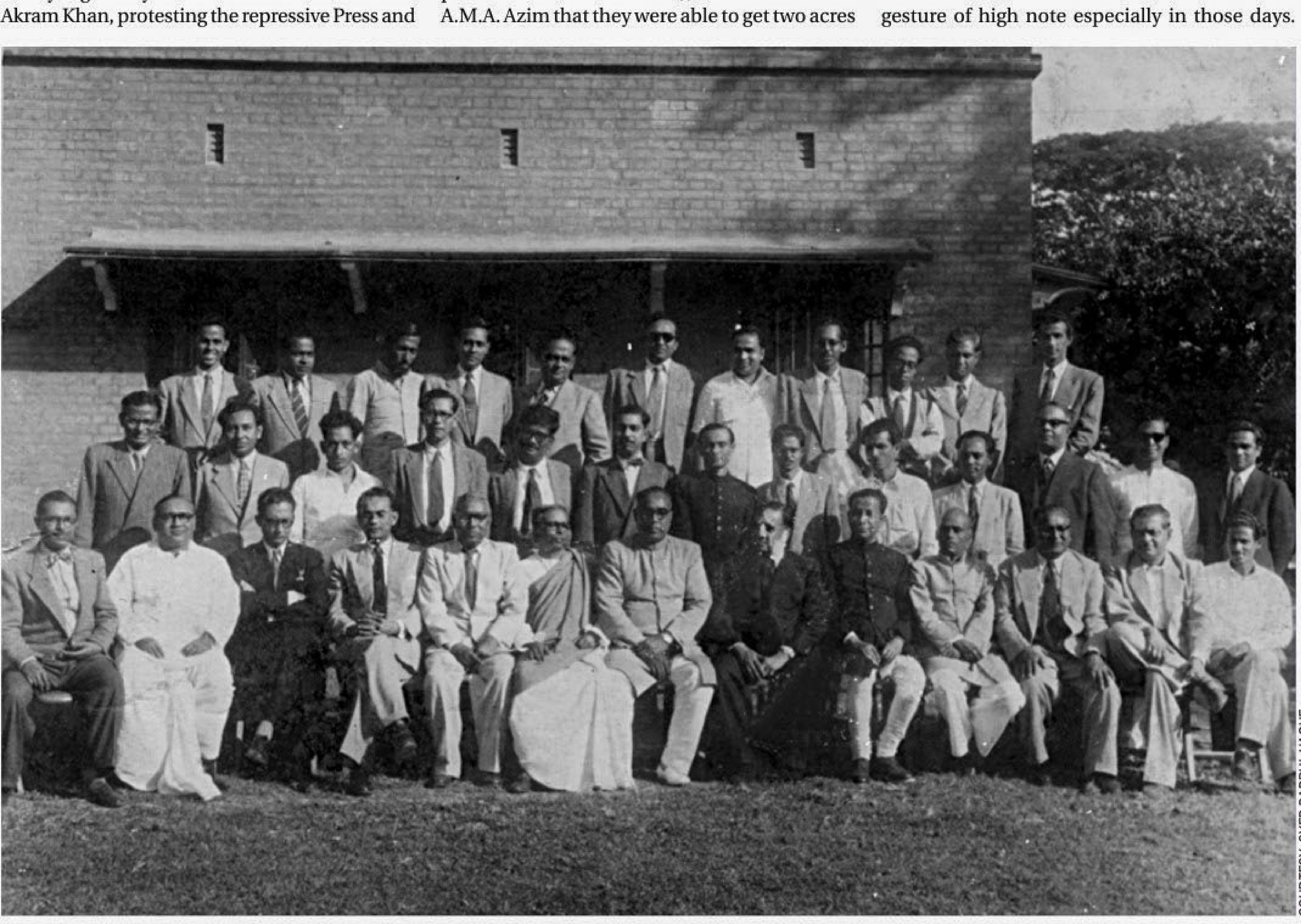
Samar Das, the musical maestro, drew everyone's notice to his "fatal" attraction for eggs, his stomach wouldn't agree to less than a twelve-egg-omlette. Press Club's coffer drew much of its resources from the card-room. Sports like cricket, badminton and table-tennis were quite popular amongst members of the club. Wahidul Huq, journalist and Tagore exponent, was judged to be the best table-tennis player.

The inseparable duo Faiz Ahmad and M.R. Akhtar Mukul were indeed good table-talkers. The club members were all ears when the two talked together in their inimitable style, injecting jokes and punches, and no matter what was the topic it flared with colour. The Club members sorely miss the presence of M.R. Aktar Mukul.

A.B.M. Musa, doyen of journalists, is a name inseparable from the Press Club, nay of the journalist community. He held the post of president of the Press Club for four consecutive terms. No matter whether he held office or not, his was a voice to take note of.

Before I sign off, I may put it on record that Showkat Mahmood, President and Kamaluddin Sabuj, General Secretary of the National Press Club deserve credit for the perceptible changes they have brought to improve the club life, along with the face-lift of the National Press Club. Surely, the club is on the right track and destined to serve its members, nay the nation, more competently in the days ahead.

Good Luck.



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Caption of the photo: H S Suhrawardy, Prime Minister of Pakistan visited the Press Club in 1958. Provincial Chief Minister Ataur Rahman Kdhan along with his cabinet colleagues and Tofazzal Hussain Manik Mia, Editor of the Daity Ittefaq and members of the Press Club are also seen in the photo. The photograph was taken on the western side of the old Press Club building.

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The next big battle in the currency war

The Group of 20 had little to say on exchange rate coordination. The currency war is continuing to rage unabated. Most countries would like to keep their currencies weak to prop up their exports.

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THE financial markets are now focusing on the November 2-3 meeting of the US Federal Reserve over how it will manage its monetary policy. Already, the markets have anticipated another round of quantitative easy, or money printing on a large scale, to purchase US Treasuries and hold down interest rates.

The printing of money will have far-reaching global implications, representing an indirect manipulation of the exchange rate as criticised by Germany at the recent G-20 meeting. The way we are going is clear: the US will continue to flood the global financial system with liquidity and the dollar will have ample room to devalue further.

The Group of 20 had little to say on exchange rate coordination. The currency war is continuing to rage unabated. Most countries would like to keep their currencies weak to prop up their exports. However the G-20 did agree to "move towards more market determined exchange rate systems that reflect underlying economic fundamentals and refrain from competitive devaluation of currencies." This means that the G-20 is trying to defuse the tensions caused by competitive devaluations.

The broader goal is to achieve greater stability in global growth and reduce global imbalances.

There is no reason to believe that the US will not continue to hold the dollar down. US Treasury Secretary Timothy Geithner failed to persuade other members to agree on specific targets for current account surplus.

Strong exchange rate policy is one factor that could reduce surpluses, but there are other factors, including investment and consumption. China, Germany, Thailand and most other Asian countries enjoy current account surpluses, whereas the US and Turkey, for instance, report current account deficits. In the end, Geithner's call fell on deaf ears.

Against this backdrop, the Fed will go ahead with phase two of its quantitative easing.

In phase one, the Fed purchased about $1.5 trillion in US Treasuries and mortgage-backed securities. This measure provided relief to the financial markets, but has failed to cure the fundamental ills of the US economy, which are underpinned by a lack of demand in the aftermath of the burst financial bubbles.

Instead of restructuring assets and managing the downturn so that the economy is allowed to get regain its equilibrium, the Fed has sought to pump up the economy again with

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almost "free" money and liquidity. Since the banks are holding toxic assets, the Fed hopes that the fresh liquidity will help arrest the falling prices. The Fed can't tackle the toxic assets with liquidity. It has to tackle the insolvency with restructuring.

The second round of money printing is likely to start before the end of the year. This time, it will amount to somewhere between $1 trillion and $3 trillion. The financial markets will continue to focus on the implications of second-phase quantitative easing (QE2) for the US dollar and inflation. A weak dollar will bring about higher inflation and therefore steepen the Treasury curve.

The G-20 countries have come to accept the reality of the impending QE2 and are now contemplating how they can adjust to the new conditions it will bring.

Closer to home, the Bank of Thailand decided to keep its benchmark rate unchanged at 1.75% last week. For the time being, it is ignoring the indications of inflation in favour of focusing more on the capital inflow. A lower rate, or at least an unchanged rate, will deter capital inflow. But given the massive inflow, the central bank must be realising that it is fighting a losing battle. Further capital control measures are on the cards.

At the same time, the economy appears on track for a period of robust growth, probably exceeding the central bank's projections of 7%.