

International Business News

East Asia heading for economic slowdown, warns ADB

AFP, Hong Kong  
East Asia will post slower growth next year due to a wobbly US recovery, the Asian Development Bank (ADB) warned Tuesday, adding that greater exchange rate cooperation could help safeguard the region.

The fragile US economy and phasing out of economic stimulus has weakened the outlook for East Asia, with growth expected to shrink to 7.3 percent in 2011, down from 8.8 percent this year, the Manila-based bank said in its twice-annual Asia Economic Monitor.

Despite bouncing back from the global financial crisis, East Asia's economic picture remains "highly uncertain", the ADB said, warning that "severe economic damage caused by the Great Recession will take a long time to heal."

"High unemployment could become entrenched and last for many years."

Emerging East Asia may need to erect "temporary" capital controls to battle a surge of hot money flowing into the region that risks increasing "economic distortions and lowering long-term growth prospects," the report said.

With the exception of Vietnam, East Asia's currencies have been surging in 2010, a situation that "will not help" efforts to focus on intra-regional trade in response to sagging demand in the West, said Iwan Azis, head of the ADB's office of regional economic integration.

Bank of England to sit tight on rates until 2011

AFP, London  
The Bank of England is tipped to keep British interest rates at a record low 0.50 percent on Thursday at its final monetary policy meeting of 2010 and before an expected slowdown in economic growth.

As Britons spend heavily ahead of Christmas, and before planned tax hikes and cuts to government spending in 2011, analysts said the BoE was also unlikely to pump up the economy with fresh stimulus under Quantitative Easing.

"The Bank of England is poised to end 2010 without giving any presents to the economy in the form of more quantitative easing (QE) but also not acting like Scrooge by putting interest rates up," said IHS Global Insight analyst Howard Archer.

"While the December Monetary Policy Committee (MPC) meeting... is likely to see lively discussion among the committee members over the state of the economy and the outlook, it seems inconceivable that it will result in anything other than unchanged monetary policy," he added.

The BoE launched a QE programme in March 2009 in an attempt to drag Britain out of a deep recession sparked by the global financial crisis.



AFP  
An oyster fisherman unloads his catch December 6 in Pass Christian, Mississippi. The industry has been crippled by the BP oil spill. Dock workers said they used to receive about 2,500 sacks of oysters a day, but now take in around 300. The workers believe oil and dispersants have killed off much of the oyster population.

Trainee attendant on Qantas blast flight takes legal action

AFP, Sydney  
A flight attendant who was on her second training trip when a Qantas engine exploded last month said Tuesday she would take legal action, claiming she was fired for complaining about counselling.

Jessie Holgersson, 25, said her contract was terminated after she objected to waiting more than 24 hours for psychological debriefing following the November 5 engine blow-out on a Boeing 747 near Singapore.

The incident came just one day after an A380 turbine explosion over Indonesia that forced Qantas to ground its entire superjumbo fleet.

It was a terrifying and stressful experience, she said. "Basically I was looking out my window and I saw flame coming out from the engine," the trainee crew member told ABC radio.

"Afterwards we were told that it was a fairly normal occurrence and these things can happen and, you know, not to worry about it too much."

US exits Citigroup stake and earns \$12 billion profit

REUTERS, Washington  
The US government sold off its remaining shares in Citigroup Inc on Monday for \$4.35 each, marking an exit from ownership in the bailed-out banking giant with a \$12 billion gross profit for taxpayers.

The US Treasury said it will take in \$10.5 billion in sale proceeds from a public offering of 2.4 billion Citigroup shares, announced just hours earlier. The price is 10 cents below the \$4.45 closing price on the New York Stock Exchange.

"By selling all the remaining Citigroup shares today, we had an opportunity to lock in substantial profits for the taxpayer and avoid future risk," said Tim Massad, Treasury acting assistant secretary for financial stability.

"With this transaction, we have advanced our goals of recovering TARP funds, protecting the taxpayer, and getting the government out of the business of owning stakes in private companies," Massad added in a statement.

INNOVATION

Smokers' cabin filters out menace

SOHEL PARVEZ

A Danish-Bangladesh joint venture plans to introduce smoke-filtering cabins to the domestic market in a bid to widen its reach, which already includes exports to Europe.

The company, Global Factory Ltd, claims its cabins help to protect passive smokers from toxic substances, such as nicotine, by purifying cigarette smoke through various filters. The cabin releases fresh air.

"Our product prevents passive smoking," said Md Maharuzzaman, head of operations of the joint venture. "It eliminates all the toxic gases and unpleasant odours discharged from cigarette smoke, and releases clean air for breathing."

The Danish firm Smoke Solution and local furniture-maker Hatil Complex Ltd are 65:35 partners of the joint venture factory at Zirani Bazar, Gazipur.

Cabins that filter and purify the smoke coming from cigarettes are a relatively new phenomenon.

Maharuzzaman said Global Factory plans to launch its product in Bangladesh after exporting 96 smoke cabins to various countries since it began commercial operations in July.

"We have 20 different export markets," he said, adding the company exported the cabins to countries such as Denmark, Sweden, Switzerland, Netherlands and Belgium.

Global Factory is now eyeing the Bangladesh market, as smoking is prevalent in urban and rural areas; despite an anti-tobacco law, 20.9 million people smoke bidis and cigarettes.

"We believe there is a market here because people are becoming more conscious about their health and the environment day by day," said the official of Global Factory, which makes 75 cabin units a month.

"Our product enables smokers and non-smokers to mix without the discomfort of smoke."

He said the company primarily aims to market the product to corporate clients. We hope there will be a demand for the smoke cabins in plush hotels, restaurants, shopping malls, clubs and corporate offices.

The cabins are easy to install at any location and can be relocated easily as well, added Zaman.



AMRAN HOSSAIN  
A smoke-filtering cabin on display at the National Furniture Fair at Bangabandhu International Conference Centre.

COLUMN

The bilateral trade illusion

ASJADUL KIBRIA

Over the last seven years, Bangladesh has tried to engage in bilateral free trade deals with several countries. A series of initiatives were undertaken, but very little progress was made. Yet the recent disclosures of the commerce minister regarding bilateral Free Trade agreements (FTAs) with India and Malaysia again brought the issue to the fore.

The minister said that a deal with India and Malaysia is now at the final stage; however, he didn't elaborate.

The bilateral trade deficit with India recently crossed the \$3-billion level, while the trade gap with Malaysia is above \$1 billion. In the last fiscal year, Bangladesh's imports from India and Malaysia stood at \$3.07 billion and \$1.22 billion, respectively.

In contrast, exports to both the countries stood at just \$32.1 million and \$6.8 million respectively. So it appears that FTAs could be instrumental in reducing such yawning trade gaps.

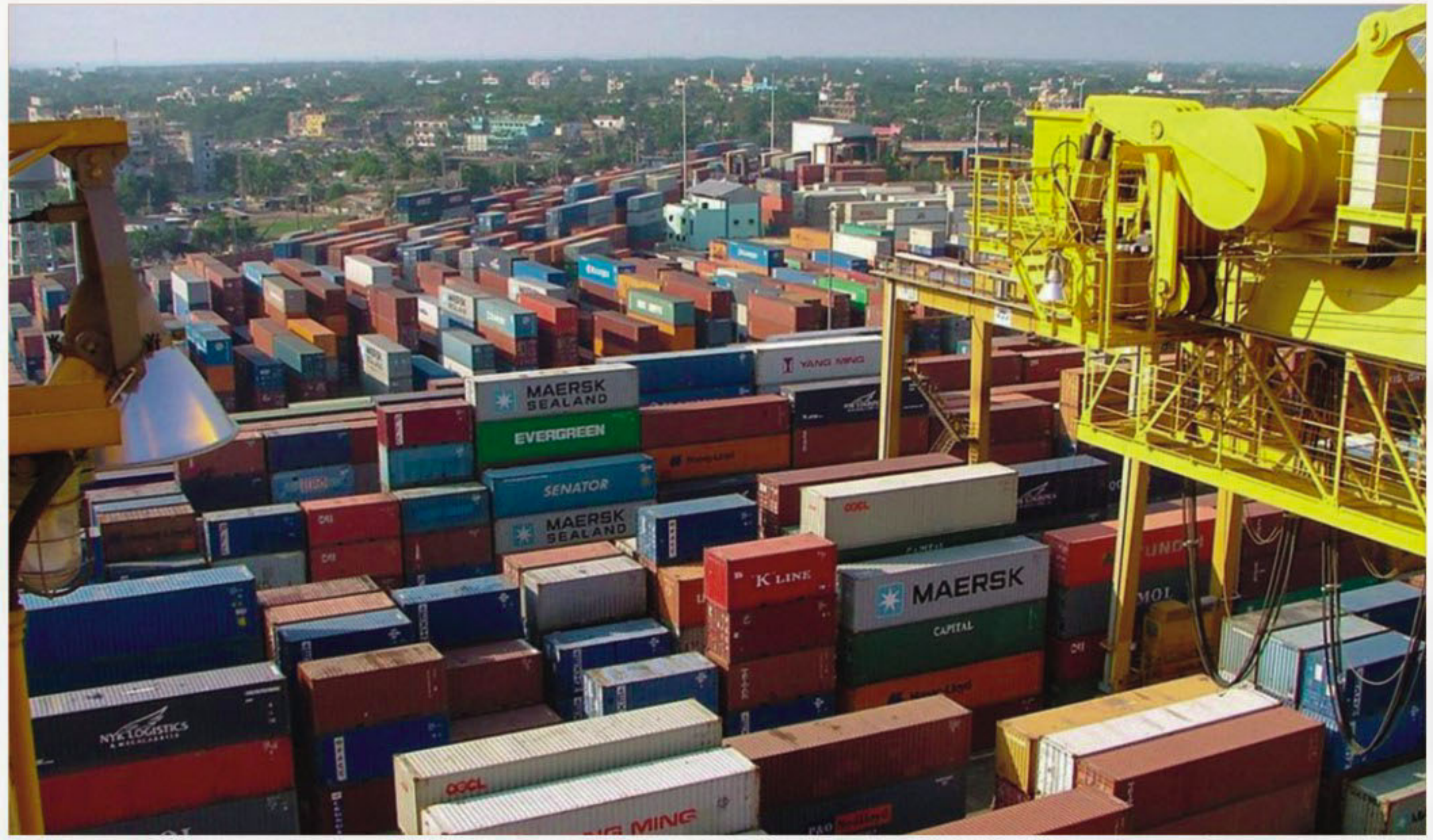
Now, it is unclear how such important trade deals reached the final stage, apparently escaping several procedural stages. Is it because the government is working very secretly and preparing drafts for agreements?

In reality, it is not possible to prepare to sign an FTA with a trading partner secretly and bureaucratically. Without the active involvement of the country's businesspeople, nothing can be done.

The very first stage of a bilateral FTA is to make a decision to strike the deal with a trading partner. The incumbent government has, in principle, agreed to sign such a deal with a few countries. The country's business community is also ready to accept such a deal.

Back in 2003, Bangladesh first officially decided to sign an FTA with three South Asian countries -- India, Pakistan and Sri Lanka. A proposal was floated at that time to sign an experimental FTA with Nepal and Bhutan. The idea was, however, dropped.

The move to sign FTA with the three South Asian countries also slowed, as the South Asian Free Trade Agreement started to gain momentum. The government preferred this Regional Trade Agreement (RTA). It also preferred regional groupings under the Bengal Initiative for Multisectoral Technical and Economic Cooperation and the Asia-Pacific Trade Agreement, the renamed Bangkok Agreement.



STAR  
Shipments pile up at Chittagong Port. The reason for signing a free trade agreement with any country is to get a wider market access for Bangladeshi products.

slowly due to regional political turmoil as well as mistrust between India and Pakistan. Moreover, Bangladesh failed to secure any better deal on market access in India under all three RTAs to which India is a signatory.

The scenario has, however, changed significantly in the last three years. During the army-backed caretaker regime, the bilateral FTA again started to gain prominence. Based on several studies, a decision was taken to start negotiations with three South Asian trading partners. The negotiations, however, did not move swiftly; policymakers eventually forwarded the decision to the elected government.

Assuming power, the Awami League government decided to strike FTAs with several regional trade partners, and even discussed the possibility of an FTA with China. But an FTA can't be one-sided deal. The partner country also needs to respond positively -- only then Bangladesh can start negotiations. And before negotiating, comprehensive research must determine what the country is expecting from the FTA and how to realise the gain.

The basic reason for signing an FTA with India or any other country is to get wider market access for Bangladeshi products. Another possible benefit is to attract investment from those countries to manufacture products here, and to export these to Europe and other developed markets where Bangladesh enjoys duty-free access.

Let us check the validity of the arguments in the present context. In fact, India proposed an FTA in 2002, when Bangladesh was seeking tariff-free access for selected products. Over the years, Bangladesh mostly concentrated on goods, while India shifted towards the service sector.

India has provided duty-free access for many products under SAFTA. LDCs enjoy 480 tariff-free items on the Indian list. India also allows market access to the least developed countries under its duty-free tariff preference scheme.

Bangladesh is suffering from various non-tariff barriers in the Indian market. Removing these barriers is more important than reducing the tariff barriers.

It is very unlikely that Indian companies will be interested in investing here. India signed a FTA with the Association of South-east Asian Nations this year. Duty on some 4,000 items will be eliminated gradually by 2016, as this large market opens to it. India is also negotiating with the European Union to sign an FTA as early as next year.

Again, Malaysia put the proposal for an FTA with Bangladesh. Now, Bangladesh has to decide how to negotiate and for what.

The new scenario shows that greater market access for our goods through FTAs remains elusive. Bangladesh needs to refocus on the role of FTAs. We should consider them a larger framework for negotiating non-tariff barriers with India, or for negotiating restrictions on manpower imports by Malaysia.

In this regard, a well-planned FTA policy would be very helpful. One can expect the government to seriously engage in formulating an FTA policy; if done in a comprehensive manner, it could rid us of the illusions.

Asjadul Kibria is a journalist and can be reached at asjadulk@gmail.com.