Star BUSINESS

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Hopes brighten for 61 products' duty waiver

Gowher Rizvi

STAR BUSINESS REPORT

Bangladesh expects to get duty-free access for its proposed 61 products to India as it will help narrow the trade gap between the two countries, Prime Minister's International Affairs Adviser Gowher Rizvi said yesterday.

"We have raised our concern with India about the negative products' list," said Rizvi. "We hope the outcome will be positive."

"We have sought zero percent duty on the proposed products from India. And we have made a significant progress on it."

Rizvi spoke at a seminar on "Bangladesh-India trade expansion: problems and prospects", organised by online news portal News First BD.com at Dhaka Reporters Unity.

According to Rizvi, Indian Prime Minister Manmohan Singh will announce today to what extent India will exempt these products from duty.

"The duty rate might range between zero and 20 percent. But our target is zero percent," he said, adding that if the Indian prime minister does not announce a full duty-waiver now, it will surely come into effect in a year or so.

Bangladesh has been negotiating with India over the last two years to gain duty-free access for 61 products, mostly readymade garments, to reduce the galloping trade gap that favours India.

The adviser said the Indian prime minister is likely to announce that Tin Bigha corridor will remain open for 24 hours to ensure unfettered communication to the inhabitants of Dahagram-Angorpota enclave.

He said the inhabitants of the enclaves will not be forced to leave their houses as there will be an option to choose nationality between the two countries.

Rizvi said the two countries have already finished a joint survey and headcount in this regard.

He said there will be no change in the maps of the enclaves because the two neighbouring countries will exchange the enclaves between them.

On connectivity, the advisor said it is a two-way system and will offer a win-win situation to both countries.

Indian interest keen, real investment low

SOHEL PARVEZ

Actual investments by Indian companies remain low in Bangladesh but they showed growing interest to invest here, according to data from Board of Investment (BoI) and Bangladesh Bank.

Analysts blame the poor investment on a "feeling of insecurity" among the Indian investors and inefficiency of the local service providers.

Since 2001, registration for investment by Indian firms has maintained a steady rise. But most of the proposed investment registered with the BoI remained unimplemented, according to an FDI survey by the central bank.

Data shows that BoI registered Indian investment worth $8.25 million in 2001. Of the amount, only $2.1 million was actually invested.

And the amount of actual investment touched the double digit mark at $11 million for the first time in 2008 when proposals were placed for investing $61 million.

"Bangladesh is yet to become a major global investment destination for Indian companies as they make their investment in the areas where our competitive advantage is low," said Dr Khondaker Golam Moazzem, senior research fellow of Centre for Policy Dialogue, a private research organisation.

FOREIGN DIRECT INVESTMENT FROM INDIA *IN MILLIONS OF DOLLARS*

Year	Registration	Inflows
2001	8.2	2.1
2002	16.1	4.3
2003	30.2	3.6
2004	11.7	6.8
2005	31.5	2.7
2006	14.7	6
2007	43.1	1.7
2008	61.2	11.3
2009	7.8	7.9
2010	64.1	43.2

According to Moazzem, Indian firms, which invested $14 billion globally in 2010, usually opt for those countries where they will be able to get raw materials, extract new technology or can become a leader.

He said the amount of total foreign direct investment that Bangladesh has brought in so far is about $6 billion. Of the amount, the share of Indian investment is meagre -- less than 1 percent.

"India is our major trading partner but not a major investment partner," he said.

The BoI data shows that Bangladesh has received investment proposals worth $589 million from 230 Indian firms since 1971.

Of these companies, 70 have gone into production investing $149 million, while investment of $41 million by 28 firms is at the implementation stage now, according to the BoI.

Majority of the investment proposals were for joint ventures.

The CPD researcher linked the low investment to a "feeling of insecurity" among the Indian investors and a lack of efficiency of service providing agencies in Bangladesh, he said.

"It appears that a sense of insecurity or political tension might have worked among the investors," he said.

But the prospect of sub-regional connectivity due to transit to India, Nepal and Bhutan offers more opportunity for the Indian firms.

The possibility that India may provide duty-free access to Bangladesh's apparel will also increase the competitive advantage of Bangladesh as an investment destination, Moazzem said.

The Indian firms can target the areas having a huge investment potential, he said, citing cheap labour-based clothing industry and the power and coal sectors.

"A rise in investment by the Indian companies will be good for both the domestic market and export," he said.

Investment in Bangladesh will provide the Indian firms with the location advantage to market products not only in Bangladesh but also in India and export to other destinations as well, Moazzem added.

Development of connectivity with the northeast Indian states will also offer the Indian firms an additional advantage to market products in that region, he said.

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NOTICE

We bring out today four pages instead of our regular eight, as business activities are yet to pick up after Eid-ul-Fitr holidays.

BB raises key policy rates

STAR BUSINESS REPORT

Bangladesh Bank has increased the policy rates for the fifth time in the last 13 months as non-food inflation jumped in the last few months.

The central bank yesterday raised the repurchase rate, at which it lends to commercial banks, to 7.25 percent from 6.75 percent.

The reverse repurchase rate was increased to 5.25 percent from 4.75 percent. The changes came into effect yesterday.

"Inflation may increase further in September," BB governor Atiur Rahman told The Daily Star yesterday. "We are using our policy tools to make credit costly and control inflation."

The inflation decreased 0.03 percentage points in June compared to that in May but in July it again rose 0.79 percentage points to 10.96 percent.

The most alarming thing is that non-food inflation rate has been increasing extremely over the last few months.

It increased about 1 percentage point in June and 0.75 percentage point in July.

Non-food inflation will go up in August and September also, said a BB official. People spent more on the eve of Eid that raises the probability of further increase in such inflation.

The central bank took several measures in the last one and a half years to cut credit growth. The growth is still high although it came down to some extent.

Private sector credit growth at the end of June was 25.84 percent. A few months back it was over 29 percent. The Monetary Policy Statement announced by the BB in July fixed a target of bringing down private sector credit growth to 18 percent by next June.

The central bank, which has raised interest rates by 275 basis points since August last year, said on July 27 that it plans to persist with a policy of restraining credit growth in current fiscal year although curbing inflation to the government's targeted level may be challenging.

Trade gap with India doubles in five years

SAJJADUR RAHMAN

The trade deficit between India and Bangladesh more than doubled in just five years, reflecting a galloping economic imbalance between the two close neighbours.

The gap, which was $1,998.58 million in fiscal 2006-07, reached $4,057 million in 2010-11, according to Bangladesh Bank and Export Promotion Bureau data.

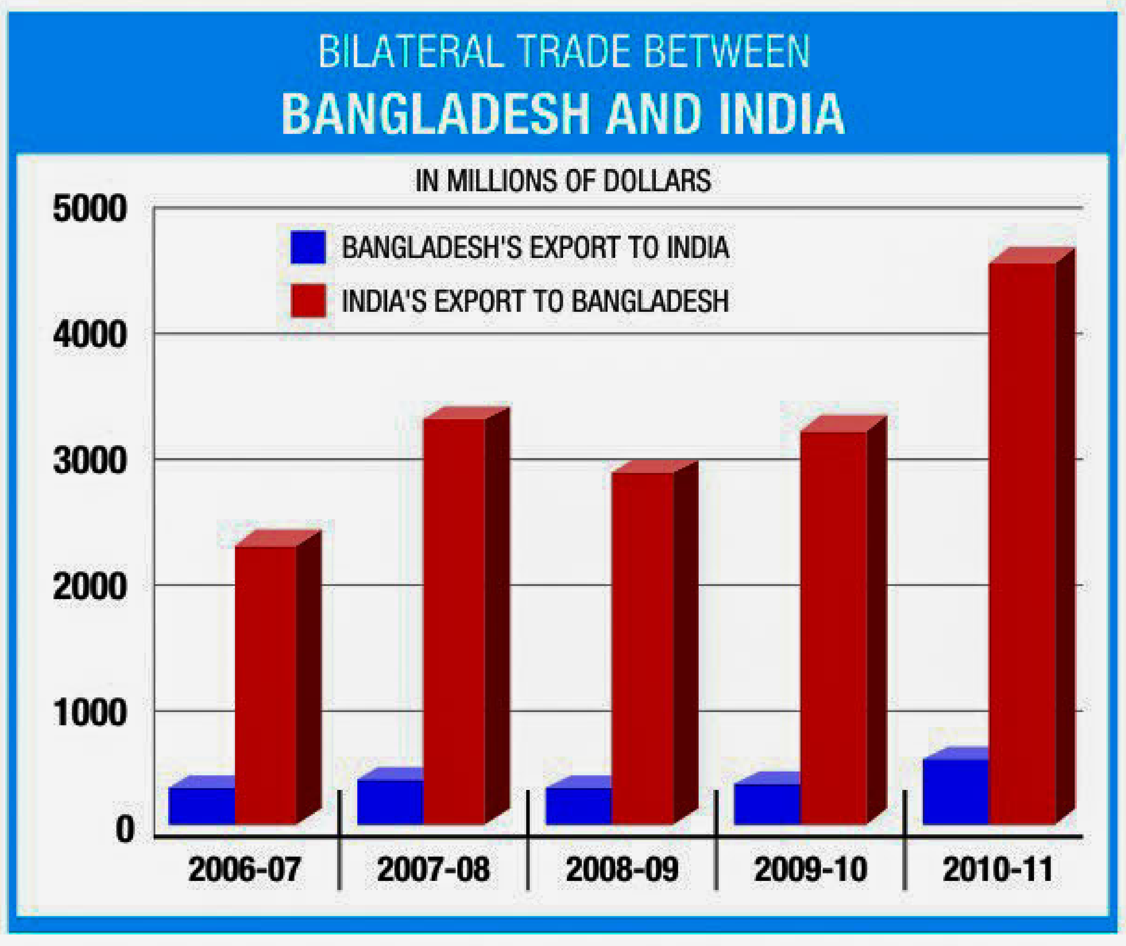
Analysts and businessmen blame the trade imbalance, which is heavily tilted to India, on Bangladesh's narrow export basket and India's non-tariff barriers (NTBs).

"Bangladesh needs to explore and exploit the opportunities in the growing import market of India. There is no option but to diversify the export basket of Bangladesh," said Prof Mustafizur Rahman, executive director of Centre for Policy Dialogue (CPD).

The good thing is, along with traditional exports such as raw jute, fish and fertiliser, some non-traditional items have made their place in the export basket of Bangladesh, indicating growing scale and scope of exports, said Rahman.

"Exports of apparels, leather products, cement, plastic and melamine articles, prepared foodstuffs and beverages are on the rise," Rahman said.

Though India has addressed anti-dumping duty previously imposed on Bangladesh's exports, Rahman still sees a lot of NTBs including testing and certification and weak border infrastructure that ruin export potential.



Bangladesh imported Indian goods worth $4,570 million in fiscal 2010-11, while exported goods worth $512 million. In 2009-10, the figures were $3,202 million and $304 million respectively. Bangladesh's import from India was $2,268 million in 2006-07.

Bangladesh's export to India is also gradually improving and reached half a billion dollars in 2010-11 from $358 million in 2007-08 and $289 million in 2006-07.

Amjad Khan Chowdhury, president of Metropolitan Chamber of Commerce and Industry, said poor trade facilitation efforts and NTBs are the major causes for Bangladesh's poor export volume to the Indian market.

"The trade deficit is widening fast. We have to initiate a move to increase our exports to India to reduce the gap," said Chowdhury, also managing director and CEO of PRAN-RFL Group that exports non-traditional items to India.

He said NTBs had deprived him of getting Tk 200 crore from India last fiscal year. Bangladeshi exporters often face problems as India refuses to accept certification of Bangladesh Standards and Testing Institute (BSTI).

Chowdhury also said Bangladeshi entrepreneurs are highly competitive and capable of competing with any country.

Local business community hopes some of their problems would be addressed during the visit of Indian Prime Minister Manmohan Singh. At a press conference on Sunday they demanded duty-free access of Bangladesh-made goods, including readymade garments.

Bangladesh imports cotton, yarn, fabrics, raw materials, and food grains from India, while exports goods such as raw jute, fish and fertiliser, apparels, leather products, cement, plastic and melamine articles, prepared foodstuffs and beverages.

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Bangladesh will push removal of non-tariff barriers

REFAYET ULAH MIRDHA

Bangladesh will prioritise the removal of non-tariff barriers and duty-waiver on the proposed 61 products during the visit of Indian Prime Minister Manmohan Singh, said a senior official of the commerce ministry yesterday.

Exporters feel discouraged by some major non-tariff barriers that impact trade with India, said the official, asking not to be named.

"We have identified the major non-tariff barriers to discuss with the Indian prime minister," the official said.

The major non-tariff barriers are non-acceptance of the testing certificates from Bangladesh Standards and Testing Institution and the requirement of double testing in exports of cement from Bangladesh to India.

Other problems include those related to import licence and letter of credit, Rules of Origin certificates, lack of different facilities at land ports in bordering areas and lack of banking facilities in land customs stations.

Bangladesh will also demand duty waiver on export of 61 products to India during the visit of the Indian prime minister, he said.

Muhith asks bourses to prepare detailed demutualisation plan

STAR BUSINESS REPORT

Finance Minister AMA Muhith yesterday asked the bourses to come up with a detailed plan on demutualisation of stock exchanges by December.

Muhith made the call at a meeting on demutualisation where officials of Dhaka and Chittagong stock exchanges gave two separate presentations on the system.

Demutualisation of a stock exchange transforms it from a mutually owned entity into a for-profit company owned by shareholders through switching its existing legal structure into a business corporation. It ensures a sound corporate governance, alternative business models and operational efficiency.

The minister asked for a 'detailed concept paper', said an official who was present at the meeting. If necessary, the exchanges can appoint consultants for the job, he said.

Apart from the officials of the bourses, commissioners of the Securities and Securities Commission, governor and other senior officials of the central bank, two former SEC chairmen and president of the Bangladesh Insurance Association were present at the meeting.

The premier bourse in its presentation said it can complete the demutualisation process by 2012, while the port city bourse said it can finish the job in 40 weeks.

Bangladesh's stock exchanges are now non-profit cooperative organisations, owned by the exchange members who are usually stockbrokers. The Dhaka Stock Exchange was incorporated in 1954 and trading on the bourse started in 1956, while the Chittagong Stock Exchange was established in 1995.

The bourses' responsibilities include listing of companies, providing screen-based automated trading of listed securities and trade settlement.