Lamy advises Bangladesh to be part of global supply chain

WTO chief says Thailand provides a good example

STAR BUSINESS REPORT

TO be part of the global supply chain, Bangladesh should strive to excel in making special parts of merchandises instead of trying to build a full-fledged industry, said the head of World Trade Organisation yesterday.

"There is no doubt the extension of global supply chains creates new opportunities for poor countries and contributes to reductions in extreme poverty," said Pascal Lamy, director general of the WTO.

Lamy said Bangladesh can learn from the experience of Thailand in trying to be part of the global supply chain.

Lamy delivered a lecture on the Role of Trade in Development, organised by Bangladesh Economic Association (BEA), at the Institution of Engineers, Bangladesh.

The programme was also attended by BEA President Abul Barkat, Secretary General Toufic Ahmad Choudhury, lawmakers, ambassadors, academics and economists.

As countries integrate into the global economy, trade plays an important role in helping roll back extreme poverty and Bangladesh exemplifies it well, Lamy said.

"As we look to 2015 and evaluate progress on the millennium development goals, the record of Bangladesh in addressing extreme poverty will be one of the positives on the balance sheet."

Despite recent development, Bangladesh remains a 'least developed' country today with serious development concerns, Lamy said.

How to create sufficient jobs for the young people entering the labour market? How to improve infrastructure bottlenecks? How to attract more foreign direct investment? How to diversify exports? How to link Bangladesh industries to global value chains?

These are a few of the many challenges facing the country's policymakers, Lamy said.

"Nowhere is this dramatic turnaround illustrated better than in Thailand," he said.

In 1981, 22 percent of the Thais lived in extreme poverty. By 2009, it was 0.4 percent. In July 2011, the World Bank upgraded Thailand from a lower-middle income economy to an upper-middle income economy.

"The reason is to be found in global supply chains."

Increasing geographic fragmentation of value chains has led to a surge of trade flows in intermediate goods, especially in the manufacturing sector, the WTO chief said.

In 2009, trade in intermediate goods was the most dynamic sector of international trade, representing more than 50 percent of non-fuel world merchandise trade. "Twenty years ago, the import content of exports was 20 percent. Today it is around 40 percent."

"This trade in parts, components and accessories encourages the specialisation of different economies, leading to a "trade in tasks" that adds value along the production chain."

"Specialisation is no longer based on the overall balance of comparative advantage of countries in producing final goods, but on comparative advantage in "tasks" that countries complete at steps along the global value chain."

"And for developing countries, specialising in one part of the supply chain, offers new opportunities. It lowers the cost of entry for new entrants who need only focus on one part of the chain, not all the linkages in that chain."

"This process has transformed the Thai economy and helped all but eradicate extreme poverty in the country."

From an historic base of silk and cotton production, Thailand's textile industry has diversified into a combination of petrochemical and agricultural companies that supply the synthetic and natural fibres and filaments to manufacture textiles. Initially driven by low-cost labour, garment manufacture has now moved up the value chain.

"One can imagine a similar growth trajectory for Bangladesh and one which inspires Bangladesh's entrepreneurs to branch out of textiles and into the thrust sectors which the government believes hold promises for the Bangladeshi economy."

He said spreading out of the global economy is opening opportunities for Bangladesh.

He said the challenge of any government, regardless of its level of development, is to turn policy documents into development deliverables.

He said one fundamental trade-off for the LDCs is the level of tariffs needed for public investment to address infrastructure bottlenecks versus a level of tariffs which favours export led growth and diversification.

"This trade-off is particularly acute in the LDCs which lack significant resource endowments. Striking the right balance is a critical factor in entering the value chains."

He said energy is a fundamental constraint for many LDCs which puts a brake on their economic development, and Bangladesh is no exception.

"I am convinced that in the next 20 years, infrastructure will matter the most in respect of trade. Like bottlenecks in transport infrastructure, addressing energy constraints requires national investment by the public and private sector, Aid for Trade and foreign direct investment."

"Addressing infrastructure bottlenecks will yield comparative advantages."

He said South Asia has a low level of trade and economic integration. Bangladesh would be a major beneficiary of a regional integration among India, Pakistan, Nepal, Bhutan and Sri Lanka.

PMO

Director General of the World Trade Organisation Pascal Lamy calls on Prime Minister Sheikh Hasina at her office in Dhaka yesterday.

Farmers demand fair prices

Channel i organises pre-budget discussion in Jessore

STAR BUSINESS REPORT

PEOPLE from several upazilas in Jessore yesterday demanded that the government lower the prices of diesel and urea and ensure fair prices for all agricultural products.

The demands came from a pre-budget discussion, Agriculture Budget, Budget for Farmers, organised by Channel i at Bhandarkhola High School in Keshobpur upazila, Jessore.

About 10,000 men and women dependent on agriculture from Keshobpur, Satkhira, Tala and some other adjoining upazilas joined the discussion, the private TV station said in a statement.

Shykh Seraj, media personality and agricultural development activist, moderated the discussion.

In the open discussion, farmers said they cannot profit from the cultivation of paddy and other crops because of the high prices of urea. If the situation continues, they will have no alternative but to move away from agriculture.

The prices of urea and diesel are on the rise, on one hand, and the government has failed to provide adequate electricity, on the other, even though it pledged to ensure an uninterrupted supply of power.

The farmers demanded fixing the price of paddy at Tk 1,000 a maund and jute at Tk 2,000 a maund.

Speakers demanded dredging to restore navigability in the river Kapotakkho and eviction of grabbers.

Chief Information Commissioner Muhammad Zamir, who was one of the guests at the programme, said farmers are being cheated into buying substandard and adulterated seeds, fertilisers and pesticides due to a lack of information.

Zamir said the government offices have to be compelled to provide farmers with information to make them conscious about their legal rights.

Farmers' demands gleaned through the discussions and the proposals through the television programme, Hridoye Mati O Manush, will be incorporated into a series of recommendations and, like every year, submitted to the government.

CHANNEL i

Shykh Seraj, director and head of news of private television station Channel i, moderates a pre-budget discussion on agriculture in Jessore yesterday.

Japan Inc faces tectonic changes

AFP, *Tokyo*

SHARP'S announcement that it will team up with Taiwan's Hon Hai Precision on a liquid-crystal display deal is the latest example of the "tectonic changes" rippling through hard-hit Japan Inc.

Once the world's top makers of home appliances and electronics, Japanese producers have lost much of their lustre as they bleed red ink in the face of a fearsome attack from rising Asian rivals.

Top names including Sharp, Panasonic and Sony, which had little trouble staying ahead of US rivals in decades past, "are now exposed to great tectonic changes", Daiwa Institute of Research economist Satoshi Osanai told AFP.

"Japanese manufacturers are facing a structural challenge in making products by themselves," he added.

"No matter how sophisticated the technologies they have, Asian rivals with a great price advantage keep catching up."

Japanese firms have suffered deep losses, partly due to their unprofitable television units as the strong yen makes their products more expensive abroad and as tough competition from foreign rivals, including South Korea's Samsung, lowers prices.

They are also beset by Japan's relatively high cost of labour, electricity, imported fuels and raw materials.

Their own mis-steps have not helped. Sony, long the mightiest of Japan's post-war champions, is struggling to match the innovation of rivals such as Apple, which has also stolen a march by sewing up a huge range of content.

Japan's politicians are also blamed because of the paucity of free trade deals they have managed to sign, while regional powers such as South Korea have aggressively sought pacts that allow their exporters much greater reach.

"Asia is taking over the jobs that Japan had long claimed. It is a path that we walked," said Nobuo Kurahashi, analyst at Mizuho Investors Securities.

In a bid to stay alive, some firms are abandoning their traditional "vertical integration system", in which they commit themselves entirely to the development, manufacturing and sale of their products.

"We have tried to do everything by ourselves, but the environment is tough," said Sharp's incoming president Takashi Okuda as he announced the Hon Hai deal last week.

Sharp, struggling with massive losses, will sell 121 million new shares worth about 66.9 billion yen ($808 million) to Hon Hai, which will also take half of Sharp's 93.0 percent interest in a huge LCD plant in western Japan.

Hon Hai, parent of manufacturing giant Foxconn which makes products for major names including Apple, will own about 10.0 percent of Sharp stock after the sale, making it the Japanese firm's biggest shareholder.

The Taiwan firm agreed to take about half the LCD screens produced at the loss-making factory in Sakai in a partnership aimed at creating stable demand for the TV panels.

The deal, which saw Sharp shares jump over 15 percent the next day, was also unusual because Japan's big electronics makers have traditionally been reluctant to sell large chunks of their business to foreign companies.

"This deal indicates that the mindsets of Japanese enterprises are changing," said Mars Hsu, analyst at Grand Cathay Securities in Taipei.

"It will not be the last of its kind... as Taiwan needs advanced technologies from Japan while providing its Japanese partners with cheaper manufacturing (capabilities)."

The deal comes after Japan's struggling NEC Corp., which plans to cut about 10,000 jobs, merged its personal computer unit with China's Lenovo, which itself purchased IBM's PC business in 2005.

Chinese appliance maker Haier bought the washing machine and refrigerator business of Panasonic subsidiary Sanyo, which allowed the Japanese conglomerate to focus on specialty areas such as high-end batteries.

For Hon Hai, the Sharp deal is a cheap buy because it means gaining access to a sought-after technology called active-matrix organic light-emitting diode (AMOLED), which is used in mobile phone displays by rivals including Samsung.

"The amount of the deal is not too much as it may enable Foxconn to obtain some core technologies developed by Sharp and long sought by Foxconn," said Jerry Wu, analyst at Capital Securities in Taipei.

AFP

Japan's electronics giant Sony unveils a new line-up of LCD television sets in Tokyo.