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# BUSINESS

## Govt seeks cotton deal with India

Bangladesh plans to buy 1.5m bales of fibre a year from neighbour

REFAYET ULLAH MIRDHA

Bangladesh seeks an agreement with India to import 1.5 million bales of cotton a year to ensure a smooth supply to spinners, a senior official of the commerce ministry said yesterday.

If India agrees, a cooperation agreement will be signed between the two governments, but the private sector, not the government, will import the cotton, said Bangladesh Tariff Commission (BTC) Chairman Mozibur Rahman.

Rahman joined a meeting at the commerce ministry with Commerce Secretary Ghulam Hussain.

Bangladesh launched intense talks with the Indian government to ensure cotton supply despite a ban on the exports of the fibre. The spinning sub-sector in Bangladesh is heavily dependent on Indian cotton.

The government will open talks with Indian Textile Minister Anand Sharma, who is scheduled to visit Bangladesh on May 5.

India, the second largest cotton producer, banned exports on March 5 to build stocks for its domestic market.

BTC will prepare a paper for talks urging India to either lift the ban or sign an agreement to allow 1.5 million bales (1 bale=170kg) of cotton a year.

"BTC has convened a meeting for April 16 to take opinions from different stakeholders on the issue of cotton imports from India," Rahman said.

In a normal situation, cotton traders can import as much as they want, but when the ban is in force, they cannot import the item, the BTC chairman said.

In recent years, Bangladesh's dependence on Indian cotton marked a rise as spinners



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A man works in a textile factory in Narsingdi. The cotton sector depends heavily on Indian cotton.

prefer the next-door neighbour to other countries, as it cuts lead-time and carrying costs significantly.

The consumption of raw cotton in Bangladesh was estimated at 3.5 million bales in 2011-12, down around 5.5 percent from 2010-11, due to a decline in imports and weaker demand from the spinners, the United States Department of Agriculture said in a report.

Cotton consumption in 2012-13 is forecasted to reach 3.6 million bales, according to the report.

India yesterday allowed the export of 1 million bales of cotton that was registered

with the trade ministry before the ban on shipments and will revalidate another 900,000 bales by April 17, according to a Bloomberg report.

India barred all cotton exports on March 5 to secure domestic supplies after shipments surged before the ban to about 9.5 million bales, more than the 8.4 million bale surplus the government estimated.

If Bangladesh requires cotton this year, it has to buy from the 1.9 million bales to be allowed by April 17.

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## Regulator hands over 72 telecom gateway licences

STAR BUSINESS REPORT

The telecom regulator yesterday handed over 72 new gateway licences to different firms in three categories.

The government has decided to give 82 such licences, while 78 companies have so far deposited licence fees.

Zia Ahmed, chairman of Bangladesh Telecommunication Regulatory Commission, said he handed over 22 international gateway (IGW) licences, 21 interconnection exchange (ICX) licences and 29 international internet gateway (IIG) licences.

IGWs transfer international calls, while ICXs connect operators. IIGs provide internet bandwidth to internet service providers and telecom operators.

The telecom regulator has received a total of Tk 424 crore from the 78 companies as licence fees, said the chairman.

The IGW companies deposited Tk 15 crore each, while ICX Tk 5 crore and IIG Tk 5 lakh each as licence fees.

Earlier, the regulator requested the telecom ministry to reconsider issuing too many licences, saying an over-crowded sector will encourage companies to earn money through illegal ways, and damage competitiveness.

But the ministry did not curtail the number of licences.

However, Ahmed said: "We have already identified some of the problems after studying the situation."

As a solution to the problems, he said the IGW and ICX companies will share a common platform, while the telecom operators and the ICX firms will have another such platform.

"If we can ensure a balance among the international calls and allocate the calls among the gateways in a proper way then there will be no problems."

If all the calls come through legal ways, enough calls will transfer through the gateways, Ahmed said, adding that it will help the companies survive.

Around 40 percent to 50 percent calls come to the country through illegal channels, according to insiders.

"We will sit with all the new and old companies to see what kinds of problems they would face," said Ahmed.

The companies will have to start operations by the next six months.

In October last year, the regulator published an advertisement inviting applications from interested organisations for the licences. A total of 153 applications were submitted.

However, the insiders said a number of companies are trying to sell their licences due to a lack of experience in the business and fearing losses.

## Govt promised fuel price hike to get IMF loans

REJAUL KARIM BYRON

The government has committed to the International Monetary Fund (IMF) to increase the prices of fuel and fertiliser further to reduce the costs of subsidy.

The government has also pledged to introduce an automatic pricing formula by December and to limit banks' exposure to the stockmarket to 25 percent of their capital by September.

The commitments were made to meet the conditions tagged with the \$1 billion credit, which the IMF board approved for Bangladesh on Wednesday.

The details of the reform plans of the government have been described in a letter sent by Finance Minister AMA Muhiith to IMF Managing Director Christine Lagarde and in a memorandum of economic and financial policies (MEFP).

The MEFP was also sent to the lending agency, which released it yesterday.

Muhiith in the letter said, "We have formulated a reform programme based on various policy announcements that we made in the last three years in support of high, sustainable and equitable growth."

"We believe our commitments, as outlined in the MEFP, are adequate to achieve programme objectives, but we are prepared to take further measures, as appropriate, for this purpose," the minister added.

The MEFP said effective steps are being taken to contain growth in fuel, electricity and fertiliser subsidies

and to bring these costs fully on the next budget, in order to protect priority social and development spending and reduce price distortions.

It said, "Notwithstanding significant fuel and electricity price adjustments over the past year, we recognise that further adjustments to energy prices are likely necessary in 2012, given projected import costs and available budgetary financing."

The MEFP also said, to contain fuel subsidies, the government will move to an automatic adjustment formula by December 2012.

The formula will ensure a full pass-through of changes in international prices, with a clear timeline being developed to make necessary preparations for this change.

The MEFP said the government is going to ensure timely implementation of the medium-term electricity tariff adjustment schedule, as set out by the independent Bangladesh Energy Regulatory Commission.

"Moreover, we will adjust fertiliser prices, as necessary, to more fully capture changes in local and imported inputs, in order to contain subsidy growth."

About the recent volatile situation in the stockmarket, the MEFP said the government would take a number of steps to stabilise the market.

It said, "As part of our efforts to strengthen self-governance over securities markets, we will seek approval by the SEC of a demutualisation model and plan for the Dhaka Stock Exchange and Chittagong Stock Exchange by

December."

"We are also committed to limiting banks' shareholding limits to 25 percent of their regulatory capital by September, subject to parliamentary approval of the amended banking companies act," the MEFP added.

It said the Bangladesh Bank and the Securities and Exchange Commission will jointly conduct consolidated supervision of merchant bank subsidiaries, completing examinations of the larger ones by June.

The regulators, in tandem, are further committed to ensuring that all banks comply with a reduced margin lending and collateral requirements.

The government will also bring all bank subsidiaries under the central bank's supervision by mid-2013.

The MEFP said, keeping with the government commitments to bring subsidy costs on budget, new subsidy-related loans from the state banks to these enterprises will be limited to zero on a net basis in fiscal 2012.

The state enterprises are Bangladesh Petroleum Corporation, Bangladesh Power Development Board, and Bangladesh Chemical Industries Corporation.

The MEFP also said agreements to settle existing legacy loans held by the state banks stemming from earlier subsidy-related losses will be fully reflected in the budget framework, with around Tk 2,700 crore in these loans already securitised in fiscal 2011-2012.

## Stocks gain for third day, turnover crosses Tk 1,000cr

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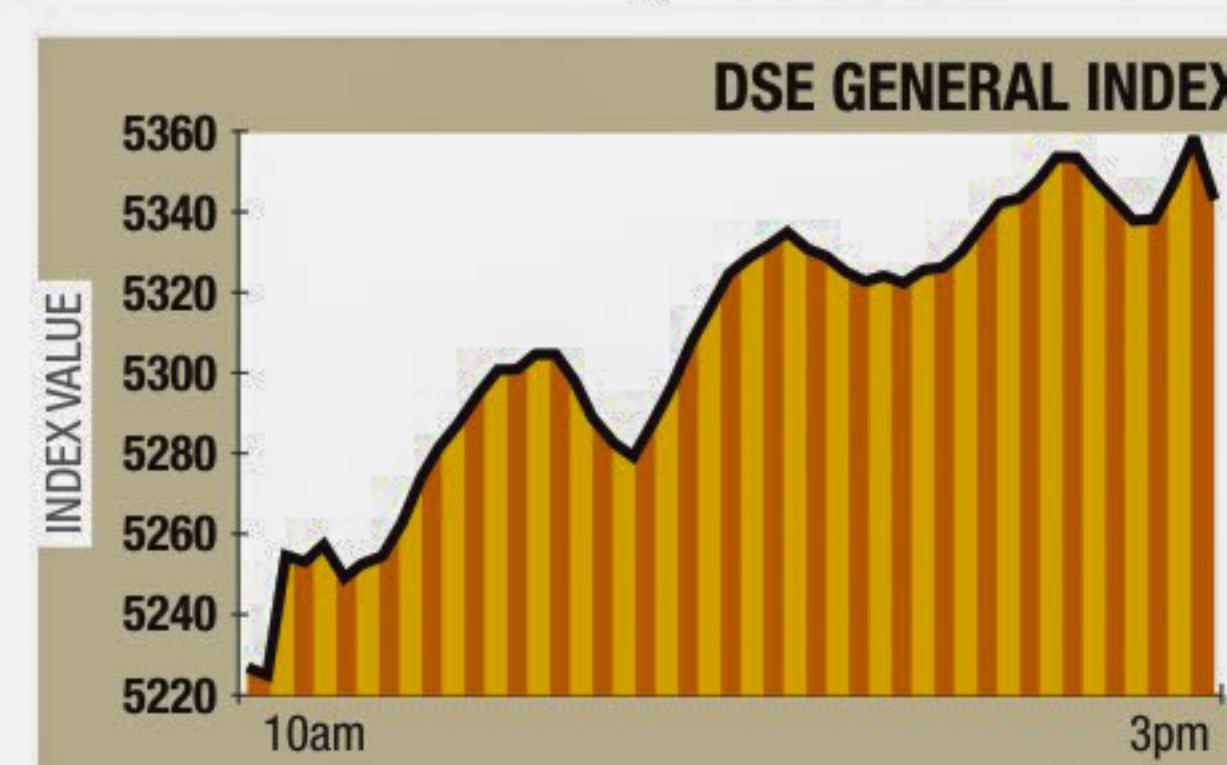
Stocks continued to gain for a third day, with the highest turnover since July 31 last year, as institutional and small investors are injecting fresh funds into the market amid optimism. Turnover rose 26.7 percent to Tk 1,079 crore from the previous day.

The benchmark General Index of Dhaka Stock Exchange crossed 5,300 points for the first time since January 8.

The gauge of the Dhaka bourse finished the week at 5,343.59 points, after gaining 116.98 points or 2.24 percent, according to DSE data.

"The day's surge in activity was largely a continuation of the last few days' upbeat market sentiment," IDLC Investments said in its daily market analysis.

Investors actively invested fresh funds in the fuel and power sector, non-bank financial institutions, banks and engineering demonstrated significant improvements in



daily turnover, the stockbroker said.

"Investors have high hopes centred around this market as their confidence grows," Green Delta Securities said in its daily market analysis.

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