TICFA to boost economic relations with US

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STRENGTHENING the Bangladesh-US trade and economic relations is extremely important for maintaining the pace of sustainable economic development of Bangladesh. The proposed Trade and Investment Cooperation Framework Agreement (TICFA) will open up opportunities for both Bangladesh and the US to further deepen and broaden trade and economic relations for mutual benefit.

TICFA will also protect and promote our interests in areas of transfer of technology, compulsory licensing (including in sectors like pharmaceutical ingredients, biotechnology, energy related technology transfer, etc) and technical assistance for capacity building under the terms of the TRIPS Agreement.

The US, like other developed countries, is required to comply with these terms as an obligation under the rules of the World Trade Organisation.

Bangladesh's proposal for inclusion in TICFA the words like "to protect the fundamental labour rights, adherence to ILO conventions and internationally recognised practices on labour issues", is most comprehensive and generalised commitment on the whole spectrum of the labour related issues beyond our commitments under ILO or our domestic laws.

Whereas the US has proposed only four specific areas already covered by our domestic laws and within the scope of our ILO commitments. With or without Trade and Economic Cooperation Forum (TECF) agreement, we are obliged to comply with them. To tag duty-free and quota-free market access with TICFA is only a frivolous effort to say the least.

The misguided negotiations between 2003 and 2012 on TIFA/TICFA have caused Bangladesh immense losses, depriving the country more beneficial and deeper access to the US market for a decade till to date.

TICFA, like similar agreements with most of the US trading partners, is an essential first step, under US law, to chart the future of Bangladesh-US trade relations giving both the parties a framework under which the trade relations will develop. The next step from there could be negotiating, under the TICFA joint forum, deeper bilateral free trade including the duty-free market access to the US.

TICFA provisions on labour issues shall entitle Bangladesh to comply only with its domestic laws on the respective labour issues and its ILO (International Labour Organisation) obligations. Without TECF, the US will be free to impose its own domestic labour laws on imports from Bangladesh.

Moreover Bangladesh is very much committed to its ILO commitments enforced under our domestic laws and regulations. Bangladesh accords freedom of association of employed workers, effective recognition of workers' rights to engage in collective bargaining, elimination of child labour and elimination of discrimination in respect of employment and occupation in accordance with its own labour laws and its specific commitments under the ILO.

Our garment sector, free from child labour, has already taken an action programme and has set up a taskforce to monitor and ensure due compliance with laws and regulations of the country, particularly on labour welfare and safety issues.

The trade bodies in the garment and textile sector are providing awareness buildup among member factories. This awareness is not only through visual presentations but through posters, leaflets, one day training and regular fire drills. The taskforce with the technical cooperation of Bangladesh University of Engineering and Technology, and Fire Service Department have started visiting factories to improve their safety standards.

STAR

Containers are being trucked out of Chittagong Port. The proposed TICFA will open up opportunities for Bangladesh and the US to further broaden bilateral trade relations.

The trade bodies have also urged their members to ensure monthly equipment maintenance and maintain a water reservoir in each building. Also, they have urged the factories to ensure a proper storage system, chemical safety, electrical safety and well maintained fire exits which can be properly utilised.

There are three types of training being currently given:

1.Factory-based workers training
2.Mid-level management training
3.Training for trainers

The US, apart from being our foremost export destination, is the second largest investor in Bangladesh after the UK. The US participation in our economy has been possible because unlike US, Bangladesh pursues unilaterally a very liberal and open trade in goods, services and investment policies.

- Total US investment is around $1 billion. Over $2 billion in new US investment is under negotiation for power plants, coal mines and fertiliser plants.
- Nearly 500 American companies are active in Bangladesh. US banks and insurance companies, like Citibank and AIG are operating in Bangladesh. Investment in the energy and power sectors is sizable, led by Chevron/Unocal.
- US companies export wheat, cotton and other agricultural products duty free. A lot of US products and services -- machinery, generators and gas turbines, personal care products, and even stained glass window treatments -- have entered Bangladesh's growing consumer market.
- The US is the largest export destination for Bangladesh. The volume of our trade with the US was $5.88 billion in 2011-2012 of which our export was $5.10 billion at 15.3 percent duty and import from the US was $708 million mostly at less than 5 percent duty.
- Garment, as 95 percent of our exports go to the US, is subject to 15.3 percent most-favoured-nation tariff and as such faces very stiff competition from duty free suppliers and exports from giants like China, India, Pakistan and others severely diminishing the welfare gains of Bangladesh's garment workers, more than 80 percent of whom are women.
- Although Bangladesh is included in the GSP (generalised system of preferences) facility of the US renewed until July 31 of 2013, the product coverage of Bangladesh's exports is less than 1 percent as most of Bangladesh's exports to the US, including garment, is outside the GSP list.
- Items eligible to enter the US duty free under the GSP scheme: tobacco, plastic bags and articles, golf equipment, ceramic products, cereal-based prepared food, shrimp, jute and jute goods, hand-woven cotton carpets, textile floor coverings, tent, spectacles and goggles and headgears other than rubber and plastics.

To strengthen sustainable mutual trade relations, Bangladesh and the US must conclude TICFA, and in the meantime should open up and extend to Bangladesh an early harvest market access facilitation package as follows:

- Include all products exported from Bangladesh in the US GSP list
- Provide on reciprocal basis services sector market access in modes 1, 3 and 4
- Allow on reciprocal basis access to US public procurements.
- Expedite transfer of US registered technology, including green technology to Bangladesh as an obligation under the WTO. The transfer of technology and compulsory licensing should include, among others, pharmaceutical ingredients, biotechnology, green technology, coal gasification and energy related technology, etc.
- Provide all assistance to strengthen our compliance requirements.

The writer is a former director of the Federation of Bangladesh Chambers of Commerce and Industry, and Dhaka Chamber of Commerce and Industry.

Galaxy phones power Samsung to record $8.3b profit

REUTERS, *Seoul*

SAMSUNG Electronics, the world leader in mobiles and memory chips, said it likely earned a quarterly profit of $8.3 billion, as it sold close to 500 handsets a minute and as demand picked up for the flat screens it makes for mobile devices, including those for rival Apple Inc products.

That run of five straight record quarters may end in January-March on weaker seasonal demand, though a strong pipeline of smartphones -- the South Korean group's biggest earner -- and improving chip prices have eased concerns that earnings growth could slow this year, powering Samsung shares to record levels last week.

The stock closed down 1.3 percent on Tuesday, in a Seoul market that fell 0.7 percent.

"Investors are a bit concerned that Samsung's momentum may slow in the first half. The smartphone market is unlikely to sustain its strong growth as advanced markets are nearing saturation despite growth in emerging countries," said Kim Sung-soo, a fund manager at LS Asset Management.

Samsung has outpaced Apple - its biggest rival and biggest customer - despite the U.S. firm's launch of the latest iPhone 5, with sales momentum boosted by its Galaxy Note II phone-cum-tablet, or 'phablet', in the fourth quarter. IPhone 5 sales were a little below expectations, analysts said.

While Apple rolled out just a single new smartphone last year globally, Samsung bombarded the market with 37 variants tweaked for regional and consumer tastes, from high-end smartphones to cheaper low-end models. By comparison, Taiwan's HTC Corp released 18 models, Nokia 9 and LG Electronics 24.

HTC on Monday said its fourth-quarter profit slumped more than 90 percent as its sales continue to trail those of the Galaxy range and the iPhone.

Samsung, valued at close to $230 billion, gave its October-December earnings guidance on Tuesday, ahead of the full earnings release expected by January 25.

Shipments of Samsung's flagship Galaxy S III, which overtook the iPhone 4S in the third quarter to become the world's best-selling smartphone, are likely to have slipped to around 15 million in the last quarter from 18 million in July-September, analysts estimate, but sales of around 8 million Galaxy Note II 'phablets' should more than make up for that - pushing overall smartphone shipments to around 63 million.

AFP

Samsung Electronics President Boo-Keun Yoon speaks during a press event at the Mandalay Bay Convention Centre for the 2013 International CES in Las Vegas on Monday. CES, the world's largest annual consumer technology trade show, runs from January 8-11 and is expected to feature 3,100 exhibitors showing off their latest products and services to about 150,000 attendees.

"The Note was selling well, boosting fourth-quarter profit, while iPhone 5 sales were less than expected," said Song Myung-sub, an analyst at HI Investment & Securities.

"Samsung's profit will drop in the current quarter because of decreased phone profits. It will launch the Galaxy S IV only in March or April so, without new models, phone sales prices will fall this quarter. For the whole year, Samsung will launch new models faster than Apple and have the upper hand in the smartphone market."

The new Galaxy, widely expected to be released within months, may have an unbreakable screen and full high-definition quality resolution boasting 440 pixels per inch, as well as a better camera and a more powerful processor.

"Samsung's smartphone shipments are likely to grow even in a seasonally weak first quarter. The early launch of the Galaxy S IV would drive second-quarter growth momentum," said BNP Paribas Securities analyst Peter Yu, who predicts Samsung's 2013 operating profit will grow 25 percent to almost $35 billion.

Basel's golden ticket for bankers

JAMES SAFT

BANKERS may just have gotten another golden ticket. The Basel Committee on Banking Supervision, a global group of central bankers and regulators, unveiled on Sunday newly diluted plans intended to make banks capable of withstanding the next crisis, giving banks more time to meet softer requirements and, critically, hugely loosening proposed rules over the kinds of assets banks will be encouraged to hold.

This will fuel demand for riskier debt, such as mortgage-backed securities and corporate bonds, and takes the financial world a substantial step backwards towards its pre-crisis set of incentives.

But what fuels a boom for banks, capital markets issuance and riskier assets may not translate into a boon for the actual economy, as the new regulations may prove a disincentive to making loans, especially to smaller companies.

Part of an accord originally announced in 2010, and since much weakened, Sunday's rules cover the amount and types of assets banks must carry as a backstop against a potential depositor run in the event of a crisis.

Assumptions about how quickly and how much depositors would pull from banks in a crisis have been shaved. Banks are also to be given an extra four years, until 2019, to come into compliance with the new regulations.

Even more significantly, a much wider, and riskier, array of assets will now be counted as liquid and assumed to be available to meet demands for withdrawals. Whereas originally only government bonds and cash on deposit with central banks were allowed, now some stock, mortgage bonds and corporate bonds rated all the way down to BBB- make the grade, though all are subject to discounts on face values.

That is a stunning loosening, especially given the role doubtful securities played in the last crisis. Lehman Brothers has quite a lot of stuff which met these criteria, but the market for mortgage debt, even highly rated mortgage debt, simply was not there during in the dark days of 2008.

The regulators, for their part, were responding in part to objections from the financial services industry that proposed tighter regulations would be too costly and would tend to hurt growth by forcing banks to take less risk.

"Nobody set out to make it stronger or weaker," Mervyn King, head of the group and outgoing governor of the Bank of England, told reporters about the package of rules, "but to make it more realistic."

Taking King's realism as our cue, it is best not to mourn the tighter regulation we did not get but to prepare for the world as it will be.

If you are a banker, especially one working in capital markets, and especially at a bank in Europe, this is great news. This is going to help drive demand for the kinds of securities - think corporate debt and mortgage bonds - which make the cut. Shares in banks with big exposure to those businesses rallied sharply, as did banks thought to face difficulties complying with the earlier proposals.

And remember -- as it was in 2005 -- demand for safer bonds helps to drive demand for riskier debt, driving down yields and forcing would-be risk takers further out on a limb.

This also will help to underpin the market for funds provided to banks, in part because it helps to entrench the correct view that, when push comes to shove, those banks now standing and now huge, will be officially supported through regulation and through direct intervention if need be.

Banks, in essence, are being encouraged to do what they did before the crisis, pull back from lending to the real economy and act instead as a mix between a hedge fund and an investment bank, earning fees by originating securities deals and holding some of those securities on their balance sheets.

A snap-back rally in bank shares makes sense, maybe even a sustained one, but the sector, from investors' point of view, is still haunted by a similar set of bad incentives and risks.

What is a lot less clear is what this will do for the broader economy, particularly small and medium-sized companies. Banks simply will have less capacity and desire to originate and service the kinds of direct and illiquid loans small firms need. This is especially important in the euro zone, which is in the midst of a loan drought and which tends to have smaller companies less able to issue bonds.

If you are a bank employee -- and those are the people deciding how to run banks, the play is still to keep capital at a minimum and try to make as much as possible during market upswings.

Let the wild misallocation of capital begin (again)!

James Saft is a Reuters columnist.