

## ECONOMIC OBSERVER REPORTS

### Hasina backs free trade

Bangladesh Prime Minister Sheikh Hasina urged the Developing-8 member states to evolve their own mechanism for establishing a D-8 Free Trade Area to increase trade and businesses.

“Trade among us, however, has been disappointing despite having a combined market of nearly one billion people,” she said while addressing the seventh summit of D-8 countries at the State House of Nigeria recently.

“We truly need a mechanism within our capacity for a D-8 Free Trade Area,” Hasina said.

The theme of the D-8 summit this year is “Enhancing Investment Cooperation among D-8 Countries.”

The Istanbul-based D-8 groups Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. The group of eight Muslim countries was established in 1997 to promote economic ties and solidarity among the member states.

The premier said with proper recipe for trade and investment, the D-8 can achieve 10-15 percent of intra-D-8 trade by 2018, a target set two years ago in the Sixth Summit.

She noted that the obstacles to attaining development have been due to lack of harmonisation in standards and uniform sets of criteria in testing of quality.

“These have been responsible for increasing tariff and para-tariff barriers and thus hindering trade expansion,” Hasina said. The obstacles must be removed for active trade and economic cooperation among the D-8, she added.

She said some of the D-8 countries have vast energy resources and it needs cooperation in the energy sector for rapid economic growth.

The PM said the energy resources could be made available to others at affordable prices and observed that the private sectors here could play a significant role in closing the demand-resource gap.

About “Multilateral Agreement” among D-8 members

on Administrative Assistance in Customs Matters, she said Bangladesh is now examining it to reduce obstacles to trade, and to increase capacity.

She said last year Bangladesh signed the “Protocol on the Preferential Tariff Scheme for TPS-OIC”, which is already in force. This year, the “Protocol on the Rules of Origin of Trade Preferential System of the OIC” will be signed.

“These measures would help boost economic activity within the D-8, and the OIC,” Hasina said, adding that success of these agreements depends on interaction of businessmen of the member states.

The PM stressed the need for political commitment and meaningful cooperation of private sectors within the D-8 member countries.

“Let us all be serious and sincere in our commitment, and thus provide the impetus for harnessing our combined potentials, and realising our shared goal of a prosperous future,” she told the summit.

Hasina stressed that the D-8 Secretariat could provide information of potentials within the group, and scope for “Trade and Investment Cooperation Agreements” with possible benefits accruing from them.

She requested the D-8 countries for assisting each other on climate change issues and in all international forums for real development within the group.

About the global economic recession, Hasina said the economic turmoil has revealed how globalised the world is. However, some economies were able to weather the storm, and Bangladesh was one of them.

“Despite the crisis, our annual GDP growth was around 6 percent. I believe our D-8 countries, through sharing of our experiences, potentials, and enhancing trade and investment, could better overcome such crises in future,” she said.

Explaining her government's policies and successes, Hasina said the success in overriding the crisis is largely due to the country's investment in food security and agriculture.

“Establishment of democracy is also an important factor in overcoming the crisis,” the PM said, adding that women's equal involvement has also been an important factor of the country's economic stability.

Hasina said women are being encouraged to

participate in politics and administration and they are being recruited in all professions, including bureaucracy and armed services. Bangladeshi women are also serving in UN peacekeeping missions.

“Indeed, our goal is to make Bangladesh a middle income country by 2021, the Golden Jubilee Year of our Independence, and also to achieve 'Digital Bangladesh,' Hasina said.

Hasina said like other countries, Bangladesh has been attracting investment because of its liberal policies and rules and regulations, removal of impediments, and arrangement of linkages between foreign and local businesses.

“This has also been because of our pursuance of trade and investment opportunities within the D-8, and with non-members.”

The PM expressed her gratefulness to Nigerian Prime Minister Abubakar Tafawa Balewa for hosting the Seventh Summit of D-8 countries.

Iranian President Mahmoud Ahmadinejad, Turkish President Abdullah Gul, Egyptian Prime Minister Ahmed Nazif, Malaysian Deputy Prime Minister Tan Sri Muhyiddin Md Yassin, Indonesian Minister for Coordination M Hatta Rajasa and Pakistani Commerce Minister Makhdoom Mohammad Amin Fahim also spoke at the concluding session of the summit.

### **New monetary policy : Bangladesh Bank to discourage investment in unproductive sector**

The Bangladesh Bank recently announced the monetary policy for July-December, assuring of speeding up investment in productive sectors and discouraging unproductive speculative investment to help the country tackle inflationary challenges.

The central bank governor Atiur Rahman announced the new monetary policy at a press conference at the Bangladesh Bank headquarters in the city.

‘Monetary policies in the current financial year will be maintained on a growth supportive stance to promote faster inclusive economic growth, with due vigil against inflationary pressure,’ Atiur said.

With the implementation of the half-yearly policy guideline for banking sector, people will get less credit for buying land, houses, apartments and other consumer products when fund flow to

investments and productive sectors will increase.

‘The central bank will certainly support more lending to agriculture, SMEs, renewable energy and other productive sector, but it will discourage credit growth in the non-productive sectors,’ said Atiur.

Like the previous one, the new policy statement will continue pursuing the dual objectives of containing inflation and accelerating financial inclusion for poverty reduction and faster economic growth, the governor said.

He said discouraging spending for non-productive purposes would be a major tool to attain this objective of non-inflationary growth.

Atiur sought for active role from the civil society leaders to support the initiatives of the central bank.

Replying to a question the governor said the growth in export and import was ‘deep-negative’ in the last financial year due to global downturn.

‘We’ve turned around since April last as we’re recovering from global recession and the export growth returned to a positive trend,’ he said, hoping that both export and import growth will reach the double digit.

In response to another question he said the GDP growth rate would improve further if energy crisis is mitigated.

The governor said average CPI (consumer price index) inflation rate would remain within 6.5 per cent at the end of the current fiscal.

Despite easing in domestic annual point to point CPI (consumer price index) inflation trend from March last year, average domestic inflation crept to 6.51 per cent in April this year marginally crossing the target of 6.50 per cent.

The governor also said they would remain proactive in liquidity management operations.

The government set the GDP growth target for the current fiscal at 6.7 per cent and inflation at 6.5 percent.

‘To achieve the target we need favourable weather for agriculture, rapid recovery in export growth with market diversification and substantial increase in power and gas supply,’ the governor said.

In the new monetary policy, the BB has discouraged the commercial banks to excessive investment in the

capital market to avoid risk. Circular has been issued to the banks directing them to keep investment in capital market with the prescribed limit.

### **BIFFL to incorporate seaport, nuclear power, coal projects**

The government of Bangladesh has decided to entrust implementation of some of the nuclear power and coal exploration projects, a deep seaport and port terminal to the proposed Bangladesh Infrastructure Finance Fund Limited, officials said.

The projects, they said, would be incorporated into the state owned BIFFL.

The decision to incorporate the projects was taken at an inter-ministerial meeting held at the finance ministry recently.

The meeting also decided to provide the BIFFL an authorised capital of Tk 10,000 crore, they said.

It gave the finance ministry the responsibility to finalise the draft memorandum of association and articles of association for the BIFFL, they said.

According to a decision, initially the government would own 100 per cent of the BIFFL stakes, but later its shares would be offloaded in phases to invite private partnership, they said.

They said the private public partnership did not work as the government could not yet make its guidelines.

The government created the 'Bangladesh Infrastructure Finance Fund' to strengthen PPP activities and to encourage the potential investors,' the finance minister AMA Muhith said while presenting the budget for the coming fiscal.

The government diverted Tk 1,600 crore from the Tk 2,500 crore private public partnership fund to the proposed BIFFL, as it could not utilise PPP fund during the outgoing fiscal year, officials said.

The initiative did not make any headway, finance ministry sources said.

The finance secretary Mohammad Tareq told the meeting that the company will be created with all possible instruments to attract local and foreign investment for building all sorts of financially viable infrastructure projects.

The energy and mineral resources acting Secretary Mohammad Mejbahuddin, Securities and Exchange Commission member Mansur Alam and Infrastructure Development Company Limited director SM Farmanul Islam attended the inter-ministerial meeting..

The proposed BIFFL will have an advisory board which will not be a large one and only give policy guidelines.

Infrastructure Investment Facilitation Center executive director and CEO Nazrul Islam said that as there was no dearth of credit for small infrastructure projects, the government decided to create the opportunities for financing big infrastructure projects.

The BIFFL, he hoped, would create the opportunities.

But, he said that would depend on how the BIFFL guidelines were formulated.

He said that the PPP fund did not work due the government's failure to make its guidelines.

### **Bangladesh to be self-sufficient soon in paddy: scientists**

Agricultural scientists recently claimed that Bangladesh was going to achieve self-sufficiency in paddy very soon.

The scientists, speaking at a press conference in the National Press Club, said that paddy production had increased due to the use of high-yielding varieties of rice, evolved by the Bangladesh Rice Research Institute, in 75 per cent of country's arable land.

They also pointed out that the country's paddy production in the recent past had increased to thrice the amount produced in 1970.

The press conference was organised by the Bangladesh Rice Research Institute to celebrate the 50th anniversary of the International Rice Research Institute, its closest partner in research.

The director-general of the Seed Wing in the Ministry of Agriculture, Anwar Faruque, said The BIRRI has developed 51 high-yielding varieties of rice and four hybrid varieties since its inception.

Faruque claimed that Bangladesh was also prepared to combat the effects of climate change as the scientists of the Bangladesh Institute of Nuclear

Agriculture, with the assistance of the IRRI, had developed two varieties of salt-resistant rice as well as one variety of drought-resistant rice.

IRRI's Bangladesh representative, Mohammad Zainul Abedin, announced that the Ministry of Agriculture and IRRI would jointly launch a two-day workshop on the methods used in modern cultivation and hold a Paddy Fair at the Bangabandhu International Conference Centre on July 13-14.

The two-day fair, scheduled to be inaugurated by Prime Minister Sheikh Hasina, will be open to everyone in the working hours, he added.

The director-general of IRRI in Philippines, Robert Zeigler, and BINA's executive chairman, Wais Kabir, also attended the press briefing.

Zeigler stressed the need for modernizing the country's agriculture in order to increase food production and ensure food security for its large population.

### **World Bank to double assistance : 6 billion dollar in 4 years including 1.2 billion dollar for Padma bridge project**

The World Bank will double its lending to Bangladesh to 6.1 billion dollar over the next four years to help it tackle poverty and adapt to climate change.

The bank will ramp up investments in infrastructure, including power and gas, it said in a statement recently.

The assistance includes 1.2 billion dollar for the construction of the Padma Multipurpose Bridge, a top priority of the government to tap the economic potential of the country's southwest region.

The new country assistance strategy builds on World Bank's current portfolio of 25 active projects, with a net commitment of 3.2 billion dollar.

"This new country assistance strategy proposes a doubling of financial support for Bangladesh relative to the (fiscal 2006-09) strategy," said Ellen Goldstein, World Bank country director for Bangladesh.

"To deliver this higher volume of support most effectively, we will work with government to shift to larger, more strategic interventions that enhance selectivity and leverage priority reforms and

investments," Goldstein said.

The financial institution in its statement said the strategy will support Bangladesh's ambitions by contributing to accelerated, sustainable and inclusive growth, underpinned by stronger governance at central and local levels.

Bangladesh has made large strides toward achieving millennium development goals for infant and child mortality, and has already met the goals for gender parity in education and primary school enrolment, it said.

The WB country director for Bangladesh said, "To deliver this higher volume of support most effectively, we will work with government to shift to larger, more strategic interventions that enhance selectivity and leverage priority reforms and investments. We will seek to scale up projects and programs that have demonstrated measurable results and a high degree of country ownership."

She said they would also increase support for reforms to attract higher levels of private investment, working closely with the International Finance Corporation (IFC), the private sector arm of the World Bank.

WB executive directors commended Bangladesh for a strong track record of over six percent economic growth in recent years, as well as sustained poverty reduction and human development over the past two decades.

They said Bangladesh would need to sustain growth of at least eight percent per annum to reduce the population share living in poverty from 40 percent to 15 percent and reach middle-income country status by 2021.

Shamsher G Singh, acting regional director for South Asia at IFC, said, "Jointly with the Bank, the IFC will continue to provide advisory support for reforms that would lead to a better business environment while exploring opportunities to expand its investment portfolio, including in infrastructure, energy, and agribusiness."

"IFC will also provide assistance to establish special economic zones, improve access to finance (especially for micro-, small- and medium-enterprises) help private entrepreneurs address the effects of climate change, and support Government's efforts to strengthen the public-private partnership (PPP) framework."

The WB said the assistance strategy aligns its support to address the country's vulnerability to climate change to ensure sustainable growth. It includes interventions in water resource management, agricultural adaptation, environmental protection and disaster preparedness to reduce environmental degradation and vulnerability to climate change and natural calamities.

The strategy will focus on improving delivery of social services to promote more inclusive growth.

The bank will support government's commitment to decentralised service delivery and strengthening of domestic accountability at central and local levels to foster greater accountability.

With respect to the first priority of accelerating economic growth, Bangladesh will need a major increase in infrastructure investment and a more encouraging business environment.

Such improvements will also be critical to sustaining and accelerating growth and maintaining the pace of poverty reduction, it added.

### **International group keen to invest 2-3 billion dollar in power sector**

International Technical Consultant Consortium (ITC Consortium), a multi-country joint venture (JV), has proposed to invest 2.0-3.0 billion dollar in the power sector of Bangladesh to build plants having the total generation capacity of 2,000 megawatts (mw).

The ITC Consortium, consisting funds from the US, China, Germany, Denmark and Czech Republic, has intended to build two 500-mw capacity coal-based power plants in Chittagong and Meghnaghat, 400-mw windmills and 600-mw solar power generation systems on turnkey basis.

The windmills totalling 200 units, having the generation capacity of 2.0-mw each, would be built at Patenga in Chittagong, ITC stated in its investment proposal.

In a letter to the Board of Investment (BoI), the consortium has recently shown keen interest to execute the projects jointly with the Bangladesh Power Development Board (BPDB).

It has offered 15 per cent stakes to the BPDB and expressed readiness to implement the projects within 3-4 years of signing the necessary agreements. The consumers would get electricity at

affordable rates from the projects, ITC stated in its proposal.

The consortium also proposed to modernise the existing infrastructure and the age-old BPDB power plants.

Against their investment in the country the consortium sought similar facilities and incentive packages the independent power producers (IPP) are now enjoying. It also sought permission to buy or import construction materials and equipment irrespective of any source or country.

The BPDB should coordinate effectively with all the relevant agencies of Bangladesh, the consortium demanded.

"We have already sent the consortium's proposal to the energy ministry and the BPDB," said a senior BoI official. Neither the ministry nor the BPDB is yet to come up with the ITC's investment proposal, he added.

Bangladesh is now reeling under acute electricity crisis with the generation hovering around 3,800-mw against the demand for over 5,500-mw.

BPDB has estimated the country would require around 13 billion dollar to generate around 10,000-mw of electricity by public and private sector within 2015.

### **Foreign investors funnel 196.46 million dollar into EPZs : Amount second-largest since 1983-'84**

In the past 11 months ending May, investors have funnelled around 196.46 million dollar, a record sum in recent years, into the country's export processing zones, officials said.

In the past 11 months Bangladesh's EPZs have become attractive destinations for foreign investors," a senior official of BEPZA said.

He added this amount is the second-largest since the inception of the EPZ (Export Processing Zone) in the country in 1983-84. The net investment inflow into EPZs in 2008-09 fiscal was recorded at 148.03 million dollar.

Investors, especially from China, Taiwan, South Korea, Hong Kong and Japan, mainly invested during the 11 months and they invested mainly in leather goods and textiles.

Shoe manufacturers, especially from China and Taiwan, want to invest in the EPZs as the EU has imposed a barrier to their footwear and leather products, said an official.

The eight EPZs in the country are now producing various goods and sports materials for more than 50 famous global brands.

Besides, they also manufacture common export products meant for major global markets like the EU, the USA and some other countries offering zero tariff access.

The EPZs have employed 257536 people, and their cumulative investment stood at 1.78 billion dollar until May this year.

Investors have pumped 51.67 million dollar into Chittagong EPZ, 56.63 million dollar into Dhaka EPZ, 0.22 million dollar into Mongla EPZ, 18.94 million dollar into Comilla EPZ, 1.60 million dollar into Uttara EPZ, 11.81 million dollar into Ishwardi EPZ, 24.21 million dollar into Adamjee EPZ, and 31.82 million dollar into Karnaphuli EPZ.

An official with the investment promotions said that investors are now putting pressure on the BEPZA for more lands in the EPZs.

BEPZA now offers two kinds of allotment – lands and complete building – for the investors.

Rent for lands in major EPZs has been fixed at 2.20 dollar for each square metre a year. Rent for complete infrastructures is 2.75 dollar a square metre a month.

### **Bangladesh to host Colombo Process in October**

Labour ministers of 11 Asian manpower exporting countries will meet in Dhaka in October this year under Colombo Process to discuss various obstacles on overseas labour employment and share the best practices in improving the condition of migrant workers.

The Colombo process was conceived as a response to calls from 11 Asian migrant labour sending countries to discuss ways to protect migrant workers from exploitation and ensure their rights.

The member states of the Colombo process are Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Viet Nam.

Bangladesh took over the chairmanship of the Colombo Process from Indonesia in December 2004. The first consultation meeting was held in Sri Lanka capital Colombo in 2003, which was followed by second in Philippines capital Manila and third in Indonesian Bali.

'We are giving prime importance to the meeting as for the first time such a high level regional consultative process meeting on labour migration is being held in Bangladesh,' expatriate welfare and overseas employment minister Khandakar Mosharraf Hossain told at a briefing after holding an inter-ministerial preparatory meeting at the secretariat in Dhaka.

Apart from the member states, representatives from labour recipient countries Bahrain, Italy, Kuwait, Malaysia, Qatar, South Korea, Saudi Arabia, United Arab Emirates and Libya will also attend the ministerial meeting as observers, he said.

The minister said the main focus of this year's meeting would be on ensuring social rights of migrant workers in line with the theme 'Migration with dignity'.

During the ministerial meeting, Mosharraf said, the member countries will try to identify the major problems in sending manpower as well as ensuring their rights in the foreign land.

'We will also try to reach a consensus for taking a unified move to the labour exporting market with mutual understanding so that everyone's interests would be secured and our labours could live with dignity abroad,' he said.

'Side by side, we will also share our opinions with the observer countries to understand what kind of compliances they expect in receiving labours from outsiders', he said.

The minister also said Bangladesh would consult with other countries how it can maintain the minimum migration cost in the country.

At the end of the ministerial meeting a Dhaka Declaration would be adopted by the member states, expatriate welfare secretary Zafar Ahmed Khan said. The ministerial meeting will be held from 20 to 21 October while a meeting of senior officials of the members countries will be held on October 19 as per the final preparation for the ministerial meeting.

Bangladesh Prime minister Sheikh Hasina is expected to inaugurate the ministerial meeting, he

said.

International Organisation for Migration, which acts as a secretariat for the Colombo Process will provide support to the government for holding the meeting.

### **Sustainable policy framework needed to make cities at par with international level**

Experts from both home and abroad and civil society members recently underscored the need for a sustainable policy framework to make the cities of Bangladesh at par with the international level.

The experts were speaking in a day-long seminar titled 'the emerging urban future realities and trade-offs', arranged by Power and Participation Research Centre (PPRC) in the city.

Addressing the occasion, state minister for housing Abdul Mannan Khan said that people who think they are more powerful than the state are actually out of their minds.

Pointing a finger at the real estate developers the minister also added that public property grabbers would not be spared.

"The government will not turn look the other way in anyone's interest," the state minister said.

The government gazetted the Detailed Area Plan, for Dhaka metropolitan, on June 22.

The prime minister told the cabinet meeting recently that 'no one will be spared' in the move to protect water bodies and arable land surrounding the capital.

She also said implementation of the detailed area plan was imperative for the city's development.

Earlier on June 13 Bangladesh Land Developers Association president Sobhan, also known as Shah Alam, in a meeting on DAP, the capital's real estate blueprint of sorts, developed by the city development regulator Rajuk, said that they did not accept the plan.

He also reprimanded the state minister for housing, Abdul Mannan Khan, that day which hit the media.

Mannan later said that they would implement the DAP at any rate.

He said the DAP was introduced consulting with the city planners, technologists and architects.

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The junior minister alleged that a group of people were confusing others over DAP.

"Some interested quarters who want to profit from illegally occupying public property, are against the Detailed Area Plan."

He said these people grab marsh lands and fill them and allure people with attractive advertisements.

"They are now nervous because they will not be able to do that kind of business."

State minister for forest and environment Hasan Mahmud, who was also present in the programme, echoed his colleague.

### **Bangladesh becoming a more and more interesting economy: HSBC chairman**

Asian economies will "grow pretty fast" over the next two decades, with Indonesia and Vietnam emerging as the new stars behind powerhouses China and India, HSBC chairman Stephen Green said recently.

"Asia is not just a Chinese story, not even just a Chinese and Indian story," Green, chairman of the Asia-focused banking giant HSBC told a financial event held in London.

Look at "places like Indonesia, places like Vietnam – (South) Korea will continue to be a power-house too – Bangladesh is becoming a more and more interesting economy", said Green.

"The East is catching up" with its Western peers, he said, adding: "We've moved from a period in the world's history where a small number of rich countries representing a maximum 10 percent of the world's population was producing and consuming 40-50 percent of the world's output."

Asked how he saw Asia performing over the next 20 years, Green said: "I think they will continue to grow pretty fast. I think that the shift in the centre of gravity from the West to the East has only accelerated through the (financial) crisis and I think ... that shift will continue for the next generation at least."

Green forecast that Indonesia and Vietnam would become members of BRIC – the world's top four emerging markets representing Brazil, Russia, India and China.

"I think they will be joined by a couple of other Asian

countries. Indonesia is a country which is beginning to reach a more stable growth path and has all the ingredients for strong performance, assuming strong political leadership and stability there. Vietnam is another one."

Green added that Brazil was "on a very strong growth track, very closely linked of course with what is going on in Asia" because of the latter's thirst for the South American country's raw materials.

### **Bangladesh faces challenge to stay competitive in labour market : Nearly half of migrant workers were low-skilled during 1976-09**

Bangladesh, which is eyeing increasing remittance flow through exploring new labour markets in the coming days, may face stiff challenges unless it ensures sending of skilled workers abroad, an expert says.

"One of the most important challenges that lie ahead for Bangladesh, as a labour sending country, is to enhance the skills of its labourers, to stay competitive in the market," said Kristina Mejo, Regional Programme Manager of International Organisation for Migration (IOM).

In a recent paper on Bangladeshi labour migration, Kristina shows that 49 per cent of the migrant labourers during the period of 1976-2009 were low-skilled (cleaners, sweepers, domestic workers, etc) while only 31 per cent were skilled and 17 per cent semi-skilled. Only the remaining 3.0 per cent were professionals that included doctors, nurses, engineers and architects.

Skilled workers include garment-makers, drivers, electricians and caregivers while the semi-skilled workers include construction workers, carpenters and guards.

The IOM official said low-skilled migrants often find them exploited and face difficulty to protect them. She thinks that despite the benefits that migrant labourers bring into the country by sending remittances, the sector is one which has not gained as much prominence as it should.

Remittances from Bangladeshi migrants have grown at an average rate of 17 per cent since 2001, which surged by 32.39 per cent and reached a record high of about 10.72 billion dollar in 2009.

The study shows that Bangladesh, India, Nepal and Sri Lanka are the major countries of origin of migrant workers. Experts think that Bangladesh

may lose its competitiveness in international labour market and other countries will take the advantage if it fails to produce skilled workers to send abroad.

Kristina in her paper titled "Opportunities and Need for Skills Development for Migrant Workers" cited that Bangladeshis working abroad sent home a record 950.92 million dollar in the first month of current year, showing 8.81 per cent growth over December 2009.

A total of 168,026 Bangladeshis secured jobs in different countries till May 2010 from the beginning of the year.

According to the Bureau of Manpower, Employment and Training (BMET), a total of 475,279 Bangladeshi migrants left the country in 2009, a 4.0 per cent drop from the previous year. Approximately 875,055 workers left Bangladesh in 2008.

Meanwhile, the number of migrants that left the country during 2001-2005 period averaged 250,000 per year. This figure rose to almost 400,000 in 2006 and then doubled to 832,600 in 2007, according to BMET.

Citing global migration trends, Kristina said approximately 2.5 million Asian migrant workers leave their countries every year to work abroad.

"The number of international migration in the world has more than doubled since the 1960s and is currently standing at an estimated 214 million."

Kristina in her paper said public and private sectors' coordinated efforts is needed to enhance the skills of workers.

"Before making investment in enhancing skills of workers, it is important to know which skills are in demand. The government, with its new Market Research Unit, can assist the private sector to provide details on the demand of skills for migrant workers."

Expatriates' Welfare and Overseas Employment Minister Engr Khandaker Mosharraf Hossain admitted that training is a must for enhancing skills of workers and said the government has taken all necessary steps to produce skilled workers for sending abroad.

He also said apart from the existing training institutes across the country, establishment of 31 new training centers is underway.

Earlier, Mosharraf told the press that during the

fourth ministerial meeting of the "Colombo Process," to be held in Dhaka October 20-21, they would give priority on reducing migration cost and making the entire process hassle-free apart from workers skill enhancement.

### **Remittance growth in Bangladesh slows**

Inward remittance growth in the outgoing fiscal year was the lowest in the last five years mainly due to a drastic fall in the migrant outflow.

In fiscal 2009-10, the remittance growth was only 13 percent, which was 4 percentage points lower than the government target. The growth was 22 percent in FY2008-09.

Last year the remittance inflow was 10.97 billion dollar, up from 9.69 billion dollar in FY2008-09.

In FY2003-04, the remittance growth was 10 percent. The average growth in the following two years was 24 percent. In FY2007-08, the growth shot up to 32 percent.

The finance ministry released the medium term budgetary framework along with the national budget document on June 10.

The framework report predicted that the remittance growth would be 18.7 percent in FY2009-10. The following five years will see an average growth of 22 percent to reach the remittance flow to 31.4 billion dollar in FY2014-15, according to the report.

A Bangladesh Bank (BB) official said the growth in 2009-10 fell mainly because of a slowdown in manpower export.

According to economic review statistics, the manpower export dropped by 38 percent in 10 months till April of FY2009-10 compared to the same period a year ago. In FY2008-09, manpower export fell by 34 percent.

The global recession caused a significant decline in manpower export last year. This year when some countries have already started hiring workers, Bangladesh is lagging behind because of what recruiters and experts say is a lack of comprehensive approach to address labour-related problems and promote markets.

Saudi Arabia, the UAE, Malaysia, Kuwait and Singapore are the major markets for Bangladesh's workers. Saudi Arabia and Kuwait have kept their doors almost shut for long, apparently due to

anomalies in recruitment process.

Saudi Arabia, home to over 1.5 million Bangladeshis, hired 14,666 workers and Kuwait only 10 jobseekers last year.

A Bangladesh delegation led by Prime Minister Sheikh Hasina visited Saudi Arabia last year and Kuwait recently when manpower figured prominently in the talks, but there was no progress.

Meanwhile, Malaysia that cancelled work visas for 55,000 Bangladeshis in March last year following the economic crisis is now hiring one lakh workers from Nepal.

The BB official said the manpower export posted abnormal growth in 2006-07 and 2007-08 at 97 percent and 74 percent respectively. The official said if the normal trend is taken into consideration, the remittance inflow is satisfactory.

### **Apparel exports grow by 1.2 percent in FY 2009-10**

Export earnings from apparels, which earn more than three-fourths of the country's entire export proceeds, grew by 1.2 per cent to 12.5 billion dollar in the just ended FY 2009-2010.

But overall export earnings grew by 4.1 per cent to 16.2 billion dollar as a few traditional and non-traditional products performed very well, according to the monthly report of the Export Promotion Bureau.

The report showed that in FY 2009-2010 exports of knit garments amounted to 6.483 billion dollar, higher by 0.8 per cent than the previous fiscal year. Exports of cut and sewn or woven garments amounted to 6.013 million dollar, up 1.6 per cent.

The increased shipment of garments since February helped to offset the minus growth in the previous months. In every month from June to January of the last fiscal year, except October, garment export earnings saw negative growth and the highest figure was recorded at minus 26 per cent in September.

In June, overall monthly export was recorded at 1,600 million dollar, which is a record for any month.

Analysts said that the belated impacts of global recession, increased competition by other countries' exporters and disruption in production due to shortage of gas and electricity had handicapped Bangladeshi garment exporters.

Faruk Hassan, acting president of the Bangladesh Garment Manufacturers and Exporters Association, said that the cost of yarns and fabrics had increased quite a lot in the last quarter of the past fiscal year, so apparel exports increased in terms of value.

‘Really, one per cent growth is almost unusual in the Bangladeshi apparel industry,’ said Hasan. ‘Moreover, this growth was due to the increased FoB value of shipments because of the increased cost of raw materials.’

Anwar-Ul-Alam Chowdhury Parvez, a former president of the BGMEA and chairman of the Evinco Group, said that the seasonal rise in sweater shipments also increased the growth of apparel export in the last three months of the past fiscal year.

Professor Mustafizur Rahman of the Centre for Policy Dialogue saw this growth as ‘recovery’ and said that it could be made sustainable.

‘There has been post-recession increase in demand in the global market and it is helping Bangladeshi exporters,’ said Rahman. However, he sees volatile factors there like reshaped competition and currency fluctuation. ‘Bangladeshi exporters can maintain growth but they need to get support for smooth production, they have to manage the non-wage cost of business and use dynamic marketing strategies.’

The Export Promoting Bureau said that export of some traditional and non-traditional products grew robustly in the year.

Jute goods exports grew by 88 per cent to 398 million dollar, raw jute by 32 per cent to 196 million dollar, home textiles by 72 per cent to 539 million dollar, and terry towels by 18 per cent to 156 million dollar.

Leather export grew by 28 per cent to 226 million dollar, footwear by 9 per cent to 204 million dollar, engineering products – bi-cycle, steel and copper ware etc – by 72 per cent to 311 million dollar.

Export of frozen foods – shrimps and fishes – saw minus growth of 2 per cent and amounted to 445 million dollar.

The volume of manufactured products, which constitute more than 90 per cent of Bangladesh’s exports, increased by 4.5 per cent, but the prices fell by 0.6 per cent.

### **Post-recession US apparel imports : Bangladesh lags behind other major Asian suppliers**

The US market is becoming quite tough for the Bangladeshi apparel exporters in a period when recession is receding there, industry people say.

Citing a recent report of US Commerce Department, they mentioned that compared to other Asian suppliers, Bangladeshi apparel exporters in the recent months saw an unusually low or negative growth in shipments to USA.

The report on “US apparel imports from major Asian sources in January-April 2010” shows, Bangladesh’s apparel shipments saw one per cent decline over the same period of the past year.

In first four months of the current year, Bangladesh’s apparels shipment to USA amounted worth 1.21 billion dollar against the figure of 1.2 billion dollar in the same period of the 2009.

The report shows that in January-April, shipments from China grew more than 13 per cent to 6.8 billion dollar, Vietnam 9.6 per cent to 1.7 billion dollar and Indonesia 6.1 per cent to 1.46 billion dollar.

Shipments from India in the period grew by 1.8 per cent to 1.15 billion dollar, Pakistan 8 per cent to 0.4 billion dollar and from Cambodia it grew by 3 per cent to 0.65 billion dollar.

‘The post-recession US market appears to be harsh to Bangladesh,’ said a Bangladeshi executive who works for the Dhaka sourcing office of an US importer.

He pointed out that in some garment categories including trousers, Vietnamese, Cambodian and Pakistani exporters are trying to catch importers who had been sourcing cheapest products from Bangladesh.

‘Sourcing dynamics have been changing a lot in post recession market,’ the executive said. ‘Convenient contracts and deliveries, more interactive marketing efforts and many other things are influencing the minds of the importers.’

Onward mid-2008, the early months of recession being experienced by the US apparel retailers, cheers were there in Bangladesh as its shipments to USA were increasing with other Asian suppliers seeing a decline.

‘Many US importers diverted some extra sourcing from China to Bangladesh,’ said Anwarul Alam

Chowdhury, a former president of the Bangladesh Garment Manufacturers and Exporters Association said.

He pointed out that US importers might have been hesitant for placing increased orders to their Bangladeshi suppliers as US importers usually place big volume orders so they are more cautious about production and delivery schedules.

'The market there is tough now, but Bangladesh will not lose that ultimately,' Chowdhury hopes. 'Most US importers know for long that the Bangladeshi suppliers have developed capacity for handling big orders.'

Golam Moazzem, senior researcher at the Centre for Policy Dialogue, a private think tank, felt that Chinese, Vietnamese and other suppliers might have been cashing on their governments' early stimulus packages extended to them.

'Price wars always exist in the low price segment of the market,' Moazzem pointed out. 'As exporters in China and elsewhere are supported earlier so they gained more by offering more competitive deliveries to the recession-hit US market.'

Moazzem says after seeing recession in the West, Bangladesh government is more sensitized for encouraging exporters to new and non-traditional market.

'US market is not only the oldest destination for Bangladeshi apparel exports, it is crucial given the volume of shipment there,' said Moazzem. Bangladesh's apparel shipments amounted closely to 10 billion dollar in July-April of the current fiscal year. More than one-fourth of Bangladesh's apparel shipments find market in USA.

Moazzem advised the industry and the government to keenly watch the trends in US market and act according to their requirements. 'Multifaceted efforts including vigorous campaign for duty-free market access to US should be kept up.'

### **Japan-Bangladesh RMG joint-venture in the offing**

Two Japanese companies – Kurabo Industries Ltd and Matsuoka Corporation Ltd – have signed a contract with a Bangladeshi apparel company to set up a joint-venture (JV) in the country.

Capitalised at 5.88 million dollar, MK Apparels Limited, the Bangladeshi partner, is scheduled to

commence operation from March 2011, manufacturing mainly woven garments at an annual rate of 2.4 million dollar units, a company source said.

"Annual sales of the MK Apparels Limited are expected to be worth approximately 300 million Japanese yen," he added.

With the establishment of this new JV, cooperation among MK Apparels and production bases in Japan, Thailand, Indonesia and China will enable Kurabo and Matsuoka to meet various needs of customers in Japan, Europe and the US, official sources said.

Kurabo Industries Limited is a Japan-based manufacturer engaged in six business segments including textile and chemicals. The textile segment is engaged in manufacture and sale of threads, fabrics, textile, non-woven fabrics, knits, reinforced nets and secondary textile products, as well as staining, arrangement and processing of synthetic fabrics.

The other partner of the joint-venture, 'Matsuoka Corporation,' has a long successful history of garment production in China. Under the present world-wide movement of "China+1", it is indeed a great decision to choose Bangladesh as a new production point, the company source added.

Ready-made garment (RMG) is the leading industry of Bangladesh which consists 75 per cent of its exports. The country's RMG industry is a major supplier for the North American and European markets. However, it has been a major challenge for Bangladesh so far to open up Japanese apparel market.

"It is a golden opportunity for Bangladeshi RMG sector to expand its apparel export to Japan, by learning valuable lessons and know-how directly from Japanese garment manufacturers," the company source added.

### **Jute export booms**

The country's export earning from jute goods increased by 70 percent and that from raw jute went up by 44 percent during the first nine months of the current fiscal year.

The earning from jute goods during July-April period of FY 2009-10 stood at 377.09 million dollar compared to 222.05 million dollar during the corresponding period of FY 2008-09, says the Export Promotion Bureau (EPB).

And 170.41 million dollar was earned from raw jute export during July-April of this fiscal year against 118.39 million dollar during the corresponding period of the previous year, according to EPB estimates.

The earning went up due to increased price and volume of export.

According to Bangladesh Jute Mills Corporation (BJMC), export price of jute goods and raw jute rose by around 35 percent this fiscal year over that last year.

"BJMC's export this year is already 1.35 lakh tonnes while it was only 90,000 tonnes last year," a senior official of the state-owned BJMC said.

Private sector export of jute goods also rose, he said.

Moreover, price of raw jute in domestic market was Tk 1,000 to Tk 1,400 per maund during the peak harvest period last year. But this year the price is already Tk 1,800 - 2400 per maund, said Bangladesh Jute Mills Association (BJMA) Secretary Abdul Barik Khan.

Sources in the Department of Agriculture Extension say this year jute is cultivated on more than five lakh hectares which is 50,000 hectares more than in the previous year. And production would be about 55 lakh bales against 49.70 lakh bales last year.

Contacted, Jute Minister Abdul Latif Siddique said, "We see a bright future of jute." Decoding of jute genome by Bangladeshi scientists has also paved the way for higher productivity and quality of jute, he added.

Meanwhile, the government gave Tk 300 crore to the BJMC to buy raw jute as its mills had liquidity crisis.

"Until June, BJMC mills don't have any problems for raw jute, but it is facing problems for power outages," said a top BJMC official.

The 16 BJMC mills now produce 475 tonnes of jute goods a day, which could be more than 600 tonnes if continued power supply was ensured, he said.

The BJMA secretary said they are upbeat about this sector as the government is providing loan facilities. "With credit facilities, jute mills can do amazing things." He however said frequent power outage

worries them.

Thirteen of the 92 BJMA mills are now closed while many run partially due to fund crunch and power crisis, he said. Production capacity of BJMA mills now is 20,000 tonnes a month but their present production is around 13,000 tonnes.

The jute minister said the government has directed the state-owned banks to disburse loans to both private and public sector jute mills by July 15 so that middlemen cannot manipulate the market.

In reply to a question, he said, "Power crisis is a common problem. It will be solved nationally in a year or two."

He went on, "We don't want to export raw jute. We want to add value to it and create job opportunities locally."

### **Yunus happy over responses to social business model**

Nobel laureate Muhammad Yunus has said he is happy to see his social business model attracting many, from youths to academics, giant businesses and governments in different countries.

He is also confident that such non-dividend business model could make up for a missing link in today's economic theories that are fundamentally flawed and unable to deal with issues like financial, food and energy crises.

"Social business is a thing that can make the world a much better place," Prof Yunus told a discussion to celebrate Social Business Day in Dhaka recently.

The day that coincides with Yunus's birthday was observed in some other countries in the globe. Yunus's latest book 'Building Social Business: The New Kind of Capitalism that Serves Humanity's Most Pressing Needs' was also launched recently. Held at Sonargaon Hotel, the discussion was jointly organised by AIESEC, the world's largest student-run organisation, and Chittagong-based Asian University.

Diplomats, professionals, business leaders, students and academics attended the programme.

In his speech, Yunus mainly focused on how the concept of 'social business' had got massive responses around the world. He said the response he got has surpassed his expectation.

“The young people worldwide are the biggest respondents,” said Yunus, also known as microcredit pioneer for founding and successfully running Grameen Bank.

He said business schools of different universities in Europe, America and Asia have adopted the concept and introduced a subject on social business.

Involvements of French-based dairy giant Danone and Germany-based chemical giant BASF in social business have had a great influence on the model, Yunus said.

Companies like Adidas, Otto, Veolia and Intel have also tied up with Grameen social businesses.

He said some countries and business organisations are now mobilising social business funds. He cited examples of Credit Agricole and Danone funds in this regard.

“India is also going to launch a social business fund soon,” Yunus also informed the function.

He said Albania, Columbia and Haiti and cities like Milan and Moscow launched government type of social businesses.

Yunus also laid bare Grameen's plan on social businesses. Developing a 13-acre industrial park in Gazipur to set up different social business enterprises is part of this plan.

“We've a plan to produce 1,000 nurses per year from existing 38,” he said. “A chain of nursing colleges will be built at different cities in Bangladesh.”

Dr Barbara Parfitt, head of the Grameen Caledonian College of Nursing, hoped that the college would be able to build up nurses of international quality.

“It will be a self-sustaining nursing college,” she said.

Saria Sadique, chief executive officer of BASF Grameen pointed out that social business improves the living condition of disadvantaged people.

Jonathan Shaw, director of Bangkok-based Asian Institute of Technology, said his team is going to take up a number of educational initiatives on social business and poverty reduction.

Corinne Bazina, executive director of Grameen-Danone Foods, Kazi I Huque, chief executive officer of Grameen-Intel, Shahid Ahmed, managing director of Bahrain-based IES Allaince, Zarina Hossain of Asian University for Women, Hiromi Inayoshi, a corporate identity designer and Rubayat Khan of AIESEC Bangladesh also spoke on the occasion.