



April – May 2008

EXPORT OUTPACES EXPECTATION AMID MASSIVE SHIPMENTS OF RMG

Export grew an impressive 21.25% in March amid soaring shipment of key garments items.

According to Export Promotion Bureau (EPB), export in March clocked USD 1.2 billion. It was the third consecutive month export posted over 20% growth, pushing the first nine months shipment to USD 10 billion; a growth of 12.43% compared to the same time last year. If growth maintains this pace it is expected that export would exceed or match the target (USD 14.50 billion) that government has fixed for the current fiscal year.

Manufacturers and analyst attributed the impressive growth in March to the weak Taka, which made Bangladeshi products cheap in the world, and a draining of competitiveness in China.

According to EPB, garments aside, most of the major export items like frozen foods, pharmaceuticals, footwear and agricultural products, have fared well despite a slow down of economies in the EU and USA, Bangladesh's main export destinations.

PHARMA FIRMS TAKE TO CONTRACT MANUFACTURING

Domestic pharmaceutical companies, Square Pharmaceutical and Eskayef BD Ltd, have made inroads into the lucrative

business contract manufacturing of bulk drugs and formulations for global clients. Including these two, at least four top companies are eyeing exports of about USD 10 million this year through contract manufacturing deals with European pharma majors.

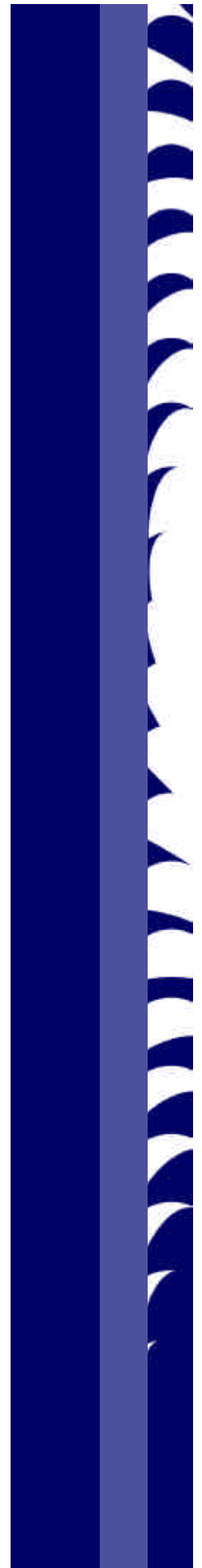
Low labor cost, depreciation of the US dollar against most currencies and comparative advantages for Bangladesh under the WTO's agreement on Trade-Related Aspects of Intellectual Property Rights have inspired many global pharma giants to set up their contract manufacturing base here.

Eskayef has signed deals with two UK based companies and is also negotiating contract manufacturing deals with a German and a Dutch company, while Square is negotiating with two UK based companies.

LUKEWARM RESPONSE TO OFFSHORE BIDDING

In a lukewarm response to the country's first offshore bidding round, only six oil and gas companies submitted their bids for 16 out of 28 offshore blocks.

With a few offers overlapping different blocks, the oil companies offered to invest USD 1.6 billion. The bids included 3 offers for exploration in shallow water blocks.





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The off-shore bidding round was announced in February 2008 with 20 deep sea blocks and eight shallow water blocks each having an exploration area cover between 3000 and 7000 sqkm.

This bidding is the first of its kind in the country with a focus exclusively on the Bay of Bengal. India has heavily explored the Bay in recent years and discovered 100 tcf gas and two billion barrels of oil in place. Even Myanmar in 2006 discovered 7 tcf gas in an offshore area which may be overlapping with the Bangladesh maritime boundary.

Petrobangla has been preparing for this block round since 2006. But unlike the past bids, no road shows abroad to attract oil companies were staged. In addition, presently some other countries are holding their own block bidding, which kept many oil companies pre-occupied.

Finally, there are doubts about the maritime boundary of some blocks close to India and Myanmar.

SHRIMP IMPORT FROM BANGLADESH – EU SLAPS NEW YET MODEST CONDITION

The European Union has softened its earlier stand and slapped a modest condition on shrimp imports from Bangladesh by its member states.

The EU condition has come following the detection of some serious shortcomings in the residue control

system and laboratory capacity of the exporters.

In FY2006-07, Bangladesh obtained about US\$ 500 million by exporting shrimps, mainly to the US and EU.

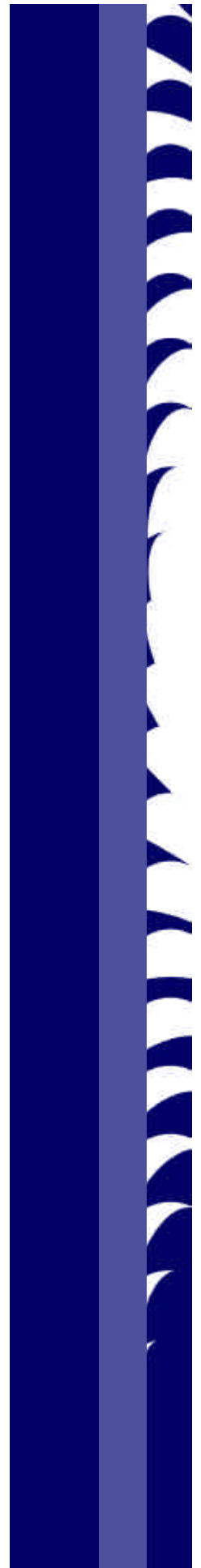
The EU was about to impose a condition requiring inspection of each and every consignment at the entry points of the ports of its member states. But following successful negotiation, the EU has decided to ask its member states to ensure only the laboratory test reports with every shrimp consignment from Bangladesh.

The new EU measure will cost the Bangladesh shrimp exporters an additional amount. However, they have welcomed the latest EU action which, they feel, is soft compared to the one that was about to be imposed.

SOFT EXPO 2008

Bangladesh Association of Software and Information Services (BASIS), the national trade association of software and IT services companies of Bangladesh organized its annual mega exposition BASIS SOFTEXPO 2008 from February 14-18, 2008.

One of the major aims of the event was to present the potentials of the ICT market to local and international players. Denmark was declared as partner country in the exposition





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As such, DANIDA participated in an IT matchmaking event bringing a group of 8 Danish IT companies to the expo. Danish participants expressed that the quality of the Bangladeshi partners they had teamed up with was very impressive and satisfactory. DANIDA hopes to see 7 new IT sector partnership being formed. At present 16 Danish companies are already established in Bangladesh.

These partnerships will give Bangladesh an opportunity to develop a whole new industry in providing IT services for Europe. Development of the IT sector would undoubtedly benefit Bangladesh in terms of job creation, export revenues, transfer of new technology and developing new business opportunities and models.

TELEPHONE SHILPA SANGSTHA LOOKS FOR PARTNER TO BUY 49% STAKE

State-run Telephone Shilpa Sangstha Limited (TSSL) is looking for a strategic partner to buy a 49% stake in the company in an effort to breathe new life into the country's sole telephone equipment manufacturer.

TSSL has sought expressions of interest from local and foreign buyers to sell the shares valued Euro 19 million. The company basically supplies land phone sets and analog system equipment to state-run land phone operator BTTB.

RUSSIA LOOKS TO BANGLADESH FOR GARMENT EXPERTISE

Skilled Bangladesh textile workers are being hired to work in Russia, further evidence of Bangladesh's growing status as a world leader in garment expertise.

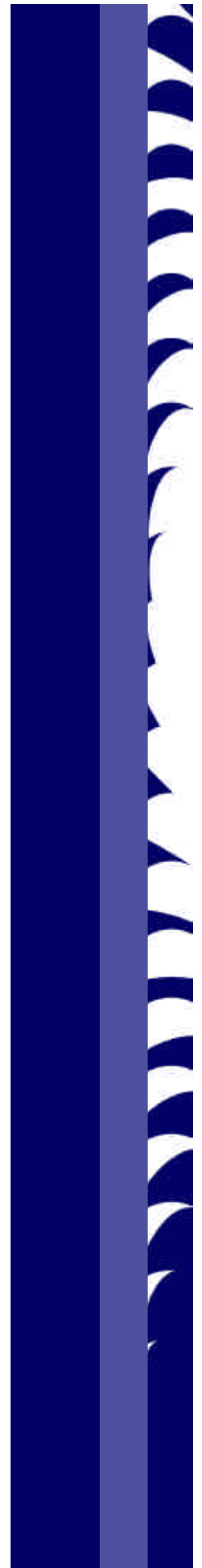
Although garment industry leaders have previously complained of a shortage of skilled labor in Bangladesh, they have welcomed the Russian initiative as proof of the strong development and international competitiveness of the local garment sector.

According to statistics there are 2.5 million skilled, semi-skilled and unskilled workers in the woven, knitwear and textile sectors.

BUDGET DEFICIT MAY RISE TO 5% IN FY2007/08

The Economist Intelligence Unit (EIU) expects the budget deficit in fiscal year 2007/08 (July-June) to rise to the equivalent of 5% of GDP, compared with the official target of 4.7%.

It said real GDP is expected to grow by 5.7% in 2007/08 and by 6% in 2008/09 while consumer price inflation is expected to average 8.9% in 2008, after averaging an estimate 9.1% in 2007. It also said that the trade deficit is expected to swell to record levels in 2008-09 as demand for industrial raw materials strengthens and international oil prices stay high.





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The Caretaker Government has secured a loan from IMF to help finance imports, the cost of which has increased substantially on the back of high international prices for fuel and food. On outlook for 2009-09 fiscal policy, EIU said Bangladesh will continue to post a budget deficit in the forecast period, as revenue expansion fails to keep pace with growth in spending.

TELENOR RESPONDS TO USE OF CHILD LABOUR BY GP VENDORS

Norwegian telecoms group Telenor pledges measures to improve work safety at its suppliers of antenna towers in Bangladesh, following a report of abuses including use of child labor.

A Danish television documentary revealed that children as young as 13 worked at the suppliers' factories in dangerous condition, unleashing a flood of criticism in Norwegian media, humanitarian organizations and politicians.

Telenor owns 62% of Bangladesh operator Grameenphone, which employs the subcontractors to make mobile antenna towers.

Telenor said in a statement that an independent review by Norwegian risk management experts found several breaches of contractual terms, the Working Environment Act in Bangladesh and Telenor's own code of conduct. It has also added that Telenor

would speed up the process of the defects underlined in the report.

CARETAKER GOVERNMENT “MISHANDLED” RELATIONS WITH BUSINESS : ICG

International Crisis Group said in a report published late last month that the Caretaker Government has not dealt with the country's business community in a prudent way that discourages new investment.

The Brussels-based group also said that despite some well received efforts to institute tax and institutional reforms, the interim administration's anti-corruption drive severely damaged business confidence, creating an atmosphere of fear and scared off new investment.

The group said government has also recognized the anti-corruption drive's adverse impact on the economy and that prompted it to form a public-private body to help better the country's business atmosphere.

