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OFFSHORE OIL & GAS BIDDING

The caretaker government will launch offshore bidding for oil and natural gas by February. Bangladesh needs to make new discoveries to avoid a future energy crunch.

The government has made offshore bidding one of the priority projects, as Bangladesh is already facing a shortfall of gas in the key industrial regions of the Chittagong division.

A total of 28 offshore gas blocks will be tendered under the “Bangladesh Offshore Bidding Round 2007”

Top global exploration companies including Total, Chevron, Shell Oil, Cairn Energy and Thai PTT have already expressed their desire to take part in the offshore bidding.

GOVERNMENT TO SET UP FOUR ECONOMIC ZONES

The government has decided to set up four economic zones (EZs) in order to attract more investment from home and abroad and foster economic growth.

Under the plan, Comilla Export Processing Zone (EPZ) and Hi-Tech park for information technology in Kaliakor (Gazipur district) will be turned into economic zones.

In addition, one EZ will be set up for readymade garments factories and another for producers of Active Pharmaceutical Ingredients (API). The

social impact assessment survey has been completed for the four EZs and the environmental impact assessment will start soon.

WELFARE COMMITTEES AND SERVICE BOOKS IN RMGS

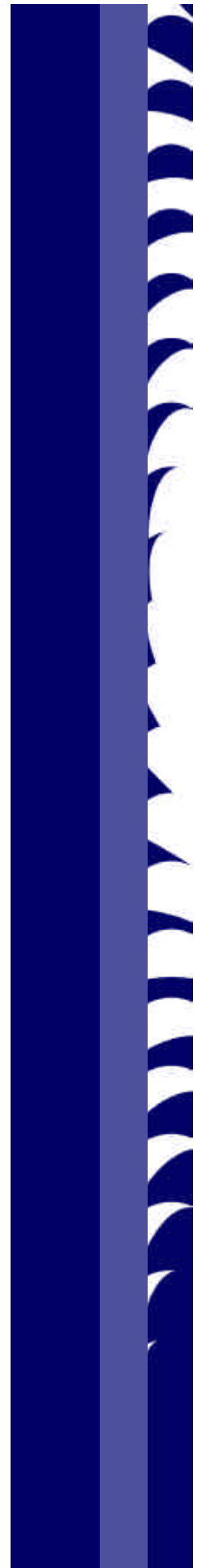
The government has decided to form a welfare committee at every ready-made garment (RMG) factory for ensuring “overall welfare and enhancing the living standard” of the workers. Besides, as a measure of streamlining the apparel sector, it has also decided to introduce a service book at the factories.

The committee comprises of 5 to 10 members, both RMG-factory officials and workers. The government has also taken a move to file cases with the labour court against management of 150 RMG factories who failed to implement the tripartite agreement of 2006.

Following the recent tension in few RMG factories, a field investigator for the Washington D.C.-based “Worker Rights” was held by the security forces. After a huge campaign he has been released.

“PHARMACEUTICALS” PRODUCT OF THE YEAR

The government plans to declare “Pharmaceuticals” as the product of the year in a bid to boost its export further. Such a move is the first in the country and pharmaceuticals has





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been singled out considering its tremendous prospect in the global market and diversification of export basket as well. In this regard, the government might relax some rules related to export and allow the set up of sales centres overseas. Bangladesh, being a LDC, enjoys a TRIP patent waiver till 2016 under the WTO

Bangladesh pharmaceuticals industry is the largest among the LDCs and growing with 50% annually. Pharmaceuticals export rose to USD 17.64 million in the first five months of FY07-08 while it was USD 11.86 million during the same period of FY06-07

TEXTILE TITAN RENEWS USD 66 MILLION PROPOSAL

Indian textile titan Arvind Mills Limited has renewed its USD 66 million investment proposal for setting up a high-end denim fabric-manufacturing factory in Bangladesh.

The company, whose investment proposal has got stuck-up over a year due to political chaos in late 2006, has expressed fresh interest to set up the proposed production facility in Comilla EPZ. It would be the single largest investment from India which has bought 26 industrial plots in EPZ.

The company will produce around 30 million meters fabric a year and expect to generate employment for an estimated 1000 people and more if it expands its production capacity in the future.

VODAFONE TO INVEST IN BANGLADESH

Vodafone, the world's largest mobile phone operator by sales, has planned to invest in Bangladesh as part of its expansion to emerging markets amid a slow business growth at home.

Mr. Govin Darby, CEO of Vodaphone's Asia, Africa and China operations expressed the intention of the British Telecom giant to foray into Bangladesh's fast growing mobile phone market.

According to the Bangladesh Telecommunication Regulatory Authority, the country added over one million subscribers a month in 2007 as the total number rose to 34.37 million at the end of the year. Presently the active mobile operators in Bangladesh are Grameen, Banglalink, AkTel, CityCell and Warid Telecom.

BIRD FLU PUSHES MILLIONS OF FARMER ON BRINK

The bird flu situation (H5N1) has pushed the poultry industry on the brink of destruction as fear for a human contact led to reducing the price of chickens in the local market. The industry which employs five million farmers is struggling with this worsening situation, after being already hit by the floods and cyclone Sidr.





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The FAO has said that Bangladesh needed house to house surveillance to fight the spread of bird flu because the situation has worsened and is posing a danger to human health.

Bangladesh poultry industry produces about 220 million chickens and 37 million ducks annually, one of the world's largest populations.

BANGLADESH FINALIZES COAL POLICY

An expert committee has finalized the coal policy for Bangladesh. The committee recommends that the north-western region of Bangladesh should be declared a coal zone and that a permanent local committee should recommend ways to develop coal mining. The permanent local committee, consisting of public representatives and top leaders of society, would recommend measures to develop coal mining, open-pit mining or underground mining.

The expert committee recommended that 25% of the investment in any coal mine in the country should be released on the share markets. 20% of this should be reserved for the affected people in the mine areas.

In connection with the royalty or government share of mining, the expert committee said that the government should decide the rate of royalty, taking the existing situation in consideration.

In matters regarding coal exports, the committee concluded that there is no

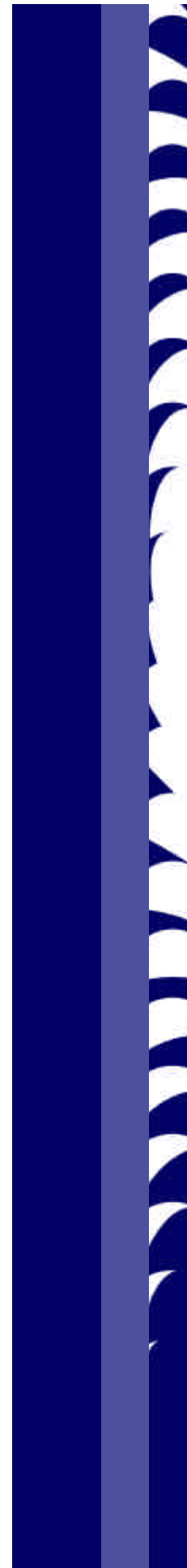
scope for coal export given the present local demand-and-supply context unless a 50 year deposit for future use is ensured. If new gas or coalfields were discovered that ensured energy supply for the next 50 years, coal export may then be considered.

With regard to lifting coal, the expert committee assumed that open-pit and underground mining both are possible. Because of the natural geophysical complexity, coal mining is arduous in Bangladesh as compared to other countries. The government will make a decision in consultation with local people. The mining-affected people should be properly compensated and rehabilitated. The directives of the Environment Directorate and Equator Principles should be followed while compensating the victims.

According to the expert committee, there is 1168m tonnes worth of recoverable coal deposits in Bangladesh. If it is extracted by open-pit mining, 90% of the coal can be recovered, while underground mining would recover only 25%. This coal can be used to produce electricity up to 2033.

BETTER BUSINESS FORUM LAUNCHED

The government has officially announced the formation of the first ever public-private business forum titled "Bangladesh Better Business





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Forum (BBBF)". The aim of the forum is to improve interaction between the business community and the government high-ups.

Chief Adviser heads as Chairperson of the BBBF, which will have a secretariat attached with the Board of Investment.

The forum would play a vital role to maintain favourable and suitable relations' between the government and private sector considering the current economic and trade situation. This would also help to achieve sustainable economic growth, especially in the interest of maintaining an investment and business-friendly atmosphere in the country.

INFLATION SOARS TO 11-YEAR HIGH

The month to month inflation soared to an 11-year high of 11.21% in November 2007 surpassing the previous 10.11% mark recorded in August last year.

The supply side constraints concerning essential products and the effects of the devastating cyclone Sidr attribute to the inflation reaching the new high.

According to the provisional estimate of the Bangladesh Bureau of Statistics, the inflation was more acute in the rural areas than in urban areas.

The price of rice, staple food, has nearly doubled since January last year. Production losses as a result of floods

and a devastating cyclone, combined with high international food prices, have led to a severe food shortage.

Annual food price inflation stood at 13.8% in November, up from 11.7% in October, and in the cities it surged to 15.5%. The official figures are, moreover, likely to understate the extent by which rising prices are eroding the incomes of the poor.

GDP GROWTH PROJECTION DOWN

WB, ADB and IMF, as well as local research institutes have revised their growth projections downwards because of the political turmoil, natural disasters and supply side constraints.

The WB's Global Economic Prospects 2008 estimates a full percentage point reduction in growth for Bangladesh to 5.5 percent for FY 2008.

