

## Floating exchange rate sans preparations may backfire

### FBCCI meeting told

#### STAR BUSINESS REPORT

Introduction of floating exchange rate without adequate preparations by the central bank may be disastrous for Bangladesh, bankers and business leaders said yesterday.

Without the preparatory measures, the floating exchange rate may lead to a situation akin to the 1996 stock market crash, they added.

However, exporters and some other bankers felt the system will make Bangladeshi exports more competitive, increase remittance significantly and discourage unnecessary imports.

The bankers, exporters and business leaders were speaking at a discussion on 'Floating Exchange Rate' organised by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at its conference room in Dhaka. FBCCI President Yussuf Abdullah Harun chaired the discussion.

Participating in the discussion, Shah Abdul Hannan, chairman of Islami Bank Bangladesh Ltd, mentioned Bangladesh is in aid trap of International Monetary Fund and World Bank and the country should not take any decision on the basis of their recommendations.

Foreign exchange reserve below two billion dollars is not sufficient and the central bank is not prepared for the system, he said. At least 10 to 20

officials should be fully trained before the introduction of the floating exchange rate, he felt.

Professor Abu Ahmed of Dhaka University warned floating exchange rate will help a group of people and a section of banks make money.

As the government is considering floating exchange rate, dollar price has already gone up. The government has to chalk out a plan to tackle the situation if the volatile situation continues for six months, he observed.

Some banks will dictate the market as they hold the lion's share of the foreign exchange market, he mentioned. Bangladesh foreign trade contributes only 15 per cent of the GDP but many of the countries whose share is over 25 per cent have not yet introduced floating exchange rate, he added.

He said majority of underdeveloped countries have not introduced floating rates and some that did without adequate preparation, could not control the situation and backtracked to managed systems.

It is very risky for a country like Bangladesh as its economy is very small, he said, adding that introduction of floating exchange rate is a big step forward.

Mamun Rashid, chief executive officer of Citibank NA, said most countries have bitter experiences to share when they were caught unprepared and the experience for developing nations

can be no different.

Bangladesh Bank presently does not have a dealing room and does not know how to intervene to stable the market. The central bank should be adequately prepared before introducing floating exchange rate, Rashid said.

"Its treasury operations need to be much more competent. It needs to have experienced and able dealers to intervene in the market, interpret commercial transactions and react swiftly", he added.

Rashid said preparations are very essential to withstand any sudden contingency like that faced by Sri Lanka and Pakistan.

MA Yussuf Khan, managing director of Premier Bank, said the government has to think whether Bangladesh will be able to sustain in the floating exchange rate regime.

Without adequate support of the IMF, the government should not go for the floating exchange rate, he noted.

Samsul Arefin, managing director of Uttara Finance and Investment Ltd, said Bangladesh should wait for three to four months and see how the three big economies of the US, Europe and Japan settle and then decided on this issue.

Abbasuddin Ahmed, managing director of City Bank Ltd, said floating exchange rate may have some shocks initially but should not have adverse impact in the long run. It should not be disastrous

for the country and there is no reason for increased demand for dollar after going to an uncontrolled regime, he added.

Monjurul Huq, president of Bangladesh Knitwear Manufacturers and Exporters Association, said the government has no option but to start floating the exchange rate to encourage exporters.

"But before going for it, it should take adequate preparations. Otherwise, there are possibilities of shocks."

M Anisuzzaman, chairman of Bangladesh Terry Towel and Linen Manufacturers and Exporters Association, mentioned exporters and remitters will be key players after the introduction of the floating exchange rate.

"But I think readymade garment exporters are fully protected as they import raw materials under master letters of credit and don't need foreign currency. Rather they are able to sell foreign currency in the market. Floating exchange rate will be helpful for exporters because orders are still coming but their prices are very low," he added.

Lakiat Ullah, director of Exim Bank Ltd, said exports will be competitive, remittance will increase and importers will feel shy after the introduction of the floating exchange rate. These are positive signs and this is the right time for going ahead with a floating exchange rate, he added.

## Poverty drops: WB, ADB

#### AFP, Dhaka

The World Bank and the Asian Development Bank Tuesday said Bangladesh had been able to reduce poverty "significantly", but more than a third of its 130 million people are poor.

The number of people living in poverty dropped from 58.8 per cent in 1991-92 to 49.8 per cent in 2000, they said.

The fall was due largely to its "strong, sustained economic growth, with an average annual Gross Domestic Product (GDP) increase of almost five per cent," the banks said in a statement.

"This impressive performance was fueled by the 86 per cent jump in real GDP in the expanding industrial sector, with most notable contribution from the ready-made garments enterprises," it added.

"For Bangladesh to meet its poverty reduction goals, it must grow its economy faster than it ever has -- with an annual average GDP growth rate of at least six per cent," said Salman Zaidi, the World Bank's senior economist.

The statement said key health indicators -- such as malnutrition and maternal mortality rates -- remained among the worst in the world."



PHOTO: ISLAMI BANK BANGLADESH LTD  
Abdur Raquib, executive president of Islami Bank Bangladesh Limited, speaks as chief guest at the inauguration of a training session on Arthorin Adalat Act-2003 in Dhaka on Sunday.

## 30 CNG filling stations in Dhaka by June

### Navana opens second station

#### STAR BUSINESS REPORT

The existing fuel crisis faced by CNG-run vehicles will come to an end by June this year, said State Minister for Energy and Mineral Resources Mosharraf Hossain on Monday.

"Dhaka city will have 30 CNG filling stations by June and 60 more by September this year," he said while

addressing the opening ceremony of the second Navana CNG refueling station at Binimoy Service Station at Motijheel as chief guest.

State Minister for Communications Salahuddin Ahmed was present at the function as special guest.

Ahmed said the government took a decision to distribute plots among the bona fide investors who want to set up CNG stations in Dhaka, Chittagong,

Sylhet and Mymensingh.

Referring to a recent explosion of CNG cylinder, Mosharraf Hossain said the government will initiate a CNG Safety Measure Court.

Giovanni Colella, charge d'affaires of Italy in Dhaka, Shaful Islam Kamal, chairman of Navana Limited, and other officials of the company were also present.



PHOTO: KHANSONS

AKM Azizur Rahman, chairman of Khansons Automobiles Ltd, distributor of General Motors, India, and M Shakawat Hossain, chairman of Orion Autos Pvt Ltd, sign an agreement in Dhaka on Thursday. Under the deal, Khansons awards the dealership for Orion Autos for marketing Yellow Taxi Cab of Opel Corsa 1.4 GL. Officials of both the companies were present at the signing ceremony.

## Al-Arafah Bank course held

A daylong orientation course on Money Loan Court Act 2003 was held at Al-Arafah Islami Bank's Training and Research Academy in Dhaka on Friday, says a press release.

Ikteder Ahmed, secretary of Law Commission, inaugurated the course as chief guest.

Director of Judicial Administration Training Institute (JATI) Hasan Shaheed Ferdous and Special Officer of Bangladesh Supreme Court Manjurul Basit were present as special guests.

Managing Director of the bank Md Yousuf Ali Hawlader presided over the course.

Executives of the head office, branch managers, 2nd officers and officers attended the course.

Certificates were distributed among the participants by the Chairman of the Executive Committee of the bank Dr Bahauddin Md Yousuf and Chairman of the Policy Committee Kh Mesbah Uddin Ahmed.

## India cuts bank rates

#### REUTERS, Bombay

India's central bank cut the benchmark bank rate today by a quarter percentage point to six per cent, the lowest level in more than three decades, to give a fresh impetus to the world's 12th largest economy.

The Reserve Bank of India cut the bank rate, its key interest rate signal, in its annual monetary policy, with effect from the close of business on Tuesday, April 29. The bank rate was last at as low as six per cent in 1971.

It said it expected to hold the bank rate steady till its mid-year review of monetary policy in October.

The central bank also cut the cash reserve ratio -- the proportion of deposits banks must keep in cash with the central bank -- by a quarter percentage point to 4.5 per cent with effect from the two-weekly reporting period beginning on June 14, 2003.



PHOTO: CITY BANK

Abbas Uddin Ahmed, managing director of The City Bank Limited, speaks at the inauguration of a regional managers' conference of Chittagong Zone in Chittagong recently.

## City Bank Ctg zone managers' confce held

The regional managers' conference of Chittagong Zone of The City Bank Limited was held at Agrabad branch of the bank in Chittagong recently, says a press release.

Abbas Uddin Ahmed, managing director of the bank, inaugurated the conference as chief guest.

Imam Ahmed Chowdhury, regional manager of Chittagong Zone, presided over the conference.

The overall activities of branches of Chittagong Zone for the past three months were reviewed and the business strategies were discussed elaborately.

Speaking at the conference, the managing director of the bank, dwelt on various activities of the branches in the areas of profit, deposit, business development and expansion of foreign exchange business.

## Junior Chamber holds seminar

Junior Chamber Dhaka West Chapter held a seminar titled "shifting into high gear-how to accelerate to maximum performance" in Dhaka on Saturday, says a press release.

AH Zakir, technical director of GlaxoSmithKline Bangladesh Ltd was speaker at the seminar.

The seminar aimed to help young entrepreneurs and professionals utilize their maximum potential in terms of career growth.

National President of JCB Syed Almas Kabir, Dhaka West President Safina Rahman and members of JCB attended the seminar.

Junior Chamber International (JCI) is a worldwide federation of young professionals with chapters in various countries of the world. Junior Chamber Bangladesh (JCB) is affiliated to JCI and has three chapters in the country.

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