

Govt drops 3 EPZ development plan on poor investor response

NAZMUL AHSAN

The government has decided to suspend all future infrastructure development in three export processing zones (EPZs) at Ishwardi, Mongla and Nilphamari.

Official sources said the government decision came on the heels of poor responses from investors.

The decision was recently taken at a meeting of the Board of Governor of the Bangladesh Export Processing Zones Authority (BEPZA) in Dhaka. The meeting was presided over by Prime Minister Khaleda Zia who is also the chairperson of the BEPZA Board.

As per the decision, the government will not release any further fund against these EPZs, which still need more than Tk 8,000 crore to complete their remaining development works.

Sources in the BEPZA said the existing units already set up in the Ishwardi EPZ in Pabna, Mongla EPZ in Bagerhat and Uttara EPZ in Nilphamari will not be affected by

the recent decision. New entrepreneurs willing to set up factories will also be welcome, the sources added.

The meeting also decided to form a high-powered committee to work out the next course of action relating to the issue. Committee members will evaluate the entire situation, past activities and future planning of these EPZs.

The incumbent and past governments have spent about Tk 11,500 crore in development works of the three EPZs. The amount was mostly spent on land purchasing, earth filling and electricity supply.

The remaining works include gas and water supply, installation of sewerage line and making plots ready for construction.

Out of the three EPZs, supply of both gas and electricity is only available at the Ishwardi EPZ. The EPZ, inaugurated in 2001, is still to house any industrial unit, although some 43 plots are ready for allotment.

The EPZ has failed to attract the attention of the investors due to

lack of investors' confidence and global recession, sources said.

Inaugurated in 1998, the Mongla EPZ is situated on 460 acres of land. The government has spent Tk 4,500 crore in development work of the zone which has only two units.

As far as the EPZ at Nilphamari is concerned, only one unit has been in operation since its inauguration in 2001. Established on 233 acres of land, the government has so far spent Tk 2,950 crore to prepare the EPZ.

Besides the above mentioned three EPZs, Bangladesh has three more EPZs, located in Chittagong, Savar and Comilla.

Bangladesh fetched Tk \$1.2 billion export earnings during 2001-2002 from the industries set up in Dhaka and Chittagong EPZs. The EPZ in Comilla, established in 2000 and with only one factory currently in operation, luckily has escaped the government's recent decision.



A ringside view of Dhaka Export Processing Zone (DEPZ) entrance. The government has decided to suspend all future infrastructure development in three export processing zones (EPZs) at Ishwardi, Mongla and Nilphamari. The decision came on the heels of poor responses from investors.

PHOTO: INTERNET

Christine Wallich takes over as WB chief at Dhaka office today



UNB, Dhaka

Christine Wallich takes over as World Bank Country Director for Bangladesh today.

She replaces Frederick T Temple who has completed his five-year term here as the Bank's Dhaka office chief.

A career economist, Dr Wallich held a range of senior positions with the World Bank since she joined the group in 1977. More recently, she served as the Bank's first country director for Bosnia-Herzegovina, acting director for the Balkans until 1997 and director of the Bank's corporate strategy department until 1999.

Between 1999-2002, she was seconded to the Asian Development Bank, where she held a joint appointment as director of the infrastructure, energy and finance department. She also worked as Head of ADB's private sector group.

Before assuming her present position, Wallich worked in the Operations Policy Vice Presidency of the World Bank.

A US citizen, Dr Wallich had her PhD in Economics from Yale University. She is married to Leo Hakim, also an economist from Chile.

Introduced by her predecessor Temple at a press meeting, Dr Wallich, one of the four females currently heading Bank offices, said Bangladesh's successes in various areas during last few years have built a positive image in her about the country's future.

"I saw at first hand the resilience and energy of Bangladeshi people while living for a week in one of Bangladesh villages earlier this year which really energised me," Wallich said in a statement issued on the eve of assuming her new responsibility.

She arrived here few months back to acquaint herself with the Bangladesh's perspectives and prepare to lead the Dhaka chapter of World Bank, a major development partner of Bangladesh.

Experts praise EU farm reform plan

REUTERS, Stoneleigh, England

Praise for the European Union's radical reform of its subsidy-rich agriculture policy topped many experts' speeches on the first day of a top British farming event Sunday.

Sir Donald Curry, the government's chief advisor on agricultural reform, told visitors to the annual Royal Show -- a four-day farming event in Central England -- that last week's reform deal would benefit the industry.

Annan for more flexibility in global trade talks

AFP, Geneva

UN chief Kofi Annan on Monday called for countries to show greater flexibility in global trade talks to overcome difficulties two months ahead of a key WTO meeting.

The UN Secretary General said the three-year series of trade liberalisation talks launched by World Trade Organisation (WTO) members in Doha in 2001 could provide a "powerful engine of growth".

"Yet success is by no means assured. There are only 10 weeks left before the ministerial meeting in Cancun (Mexico). Key deadlines have been missed," Annan told the opening day of the UN Economic and Social Council (ECOSOC).

"The time has come for all parties to show more flexibility and give priority to the global interest.

"It is not too late to avoid a setback for economic development," he added.

Ministers of the 146 WTO members are due to hold a "midterm" review of the so-called Doha Development round of trade talks in the Mexican resort of Cancun from September 10-14.

But the negotiations are flagging, and progress has been held up by deep divisions, especially in key areas such as agriculture and access for the poor to cheap medicines, where interim deadlines for agreements have been missed.

The annual four-week session of ECOSOC initially focuses on rural development in developing countries.

Annan pointed out that the Doha agenda aimed to eliminate unfair competition faced by farmers and producers in poor countries and to open developed countries' markets to developing countries' goods.

It had also sought to give poor people better access to life-saving medicines while preserving incentives for medical research, he said.

"In the broadest sense, it could provide a powerful engine of growth, thus facilitating the attainment of the Millennium Development Goals," he said.

Halving the proportion of people living in worst poverty was one of eight goals adopted by 150 heads of state and government at the United Nations Millennium Summit in September 2000.

The goals for 2015 include reversing the spread of HIV/AIDS and halving from 20 to 10 per cent the proportion of the world's population without access to safe drinking water.



Qazi Saleemul Huq MP, chairman of Prime Insurance Company Limited, speaks at the 7th annual general meeting of the company held in Dhaka on Saturday. Managing Director Md Hashmat Ali and others directors of the company were present.

PHOTO: PRIME INSURANCE LTD

Free trade deal with HK to drive Chinese recovery

AFP, Hong Kong

China Sunday signed with Hong Kong its first free trade pact since joining the WTO, which the territory hopes will attract overseas investors and drive an economic recovery.

Speaking after attending the historic signing ceremony, Chinese Premier Wen Jiabao, who arrived in Hong Kong Sunday for a three-day visit, said the Closer Economic Partnership Arrangement (CEPA) will cover three areas: trade in services, trade in goods and trade facilitation.

It will come into effect on January 1, 2004, giving firms and professionals in the former British colony, which reverted to Chinese rule in 1997, a crucial headstart over other foreign countries in the race to establish a footing in the huge and potentially lucrative Chinese market.

Under the terms of the agreement, "goods of Hong Kong origin under 273 tariff items would enjoy zero tariffs treatment when coming into the mainland and zero tariffs will apply to other goods of Hong Kong's economic recovery after the

Kong origin no later than January 1, 2006," said Wen.

On trade in services, "restrictions on equity ratio will be lifted and thresholds on registered capital and technical qualifications lowered", to effectively grant professionals easier access to the mainland market.

On trade and investment facilitation, China committed itself to simplifying procedures in seven areas including trade and investment promotion, customs clearance and transparency of laws and regulations.

Although Hong Kong reverted to Chinese rule in 1997, it is treated as a separate customs territory.

The landmark deal will be consistent with China's obligations as a member of the 144-member World Trade Organization.

"I hope that this arrangement will bring more opportunities to Hong Kong's business communities and provide some practical help to Hong Kong's economic recovery and growth," he added.

The trade pact is part of Beijing's pledge to support Hong Kong's economic recovery after the

devastating SARS outbreak in March forced it to halve its 2003 GDP forecast to 1.5 per cent from the previous 3.0 per cent.

Hong Kong is expected to benefit substantially from the agreement, with many overseas companies wishing to enter the mainland China market, electing to set up their China headquarters in the former British Colony.

Business leaders in Hong Kong welcomed the move.

"It is the most significant development since China's accession to the WTO and opens up new dimensions in the mainland for Hong Kong-based companies of all nationalities," Peter Woo, chairman of the Hong Kong Trade Development Council told the official Chinese Xinhua news agency.

"CEPA, with its focus on the liberalization of trade in goods and services, anchors on our world-leading position as a global platform for China business." However, mainland Chinese businessmen have criticised the deal as being too one-sided with Chinese firms gaining little from the deal.

Ex-BCCI staff get \$50m over settlement claim

STAR BUSINESS REPORT

Over 600 employees of the collapsed British Bank of Credit & Commerce International (BCCI) recently received about \$50 million to settle their claims for suffering the stigma of having worked for a corrupt and fraudulent organisation.

The settlement comes 12 years after the bank collapsed in a welter of recrimination and only after the case had twice been as far the House of Lords on different aspects of the dispute, according to a report published in London-based The Daily Telegraph on June 26.

Mohammed Quayum of the BCCI Campaign Committee said it was the decision of the creditors to forgo part of their payment that produced the money - until this litigation was closed their latest dividend from the liquidator was blocked.

The creditors, who are scattered in 140 countries, were cleared to receive their latest distribution of 15 per cent of what they are owed.

Of the payment, \$45 million was to write off the cheap mortgages employees obtained from the bank and another \$5 million was in cash.

The bank collapsed in July 1991, producing a long trail of legal battles in the wake of its fraudulent activities.

Prime Ins okays 12pc dividend

Prime Insurance Company Limited has approved a 12 per cent dividend for the shareholders for the year 2002.

The dividend was okayed at the 7th annual general meeting of the company held in Dhaka on Saturday, says a press release.

Qazi Saleemul Huq, chairman of the board of directors of the company, presided over the meeting.

According to the financial statement, the company earned a total premium income of Tk. 21.43 crore in the year 2002 as compared to Tk. 20.67 crore in 2001.

Total assets of the company stood at Tk. 40.87 crore as against Tk. 37.67 crore in 2001. Pre-tax profit increased to Tk. 3.79 crore as compared to Tk. 3.28 crore in 2001 which represents a 15.45 per cent increase.

The company allocated reserve of Tk. 6.97 crore as against Tk. 6.78 crore in 2001.

Among the directors, Ferdous Amin, Manzoor ul Karim, K M Khaled, Nazma Haque, Mizanur Rahman Mostafa, M R Chowdhury, Mainul Huq, Tapan K Podder, Md. Shahadat Hossain, representative directors Dr. Mustafizur Rahman, M A Khaleque, M A Wahhab, Mofiz Ahmed Bhuiyan and Shamsul Alam, Managing Director Md. Hashmat Ali and Company Secretary M. Qamrul Munir were present.

A large number of shareholders attended the meeting.

Among shareholders, Alamgir Bhuiyan, Nasiruddin Badal, Syed Liakat Ali, Golam Faruq, Sheikh Fazlul Karim and Selim Reza spoke at the meeting.

BoP support hinges on reforms, says Temple

STAR BUSINESS REPORT

Future balance of payment (BoP) support will continue for Bangladesh provided the reform programmes are implemented, said outgoing World Bank Country Director Frederick T Temple yesterday.

"The interim poverty reduction strategy paper (I-PRSP) provides a sound reform agenda, and we expect that it will guide future reform programmes that International Development Association (IDA) and other donors could support," said Temple, who has completed his tenure in Dhaka, at a meeting with the members of Economic Reporters' Forum (ERF) at the World Bank office.

Christine I Wallich, newly appointed country director in Dhaka, was also present at the meeting.

Temple said Bangladesh needs to increase the economic growth rate by one and half per cent to two per cent in order to achieve the target of halving poverty by 2015.

"Our view of Bangladesh's growth during the 1990s is that although it has been moderately good, it has been below the economy's potential -- primarily because of structural constraints, especially poor governance."

The key constraints of private sector-led growth in Bangladesh include the limited supply and unreliability of electricity, the inefficiency of Chittagong Port, lagging telecommunications development, high interest rates and the scarcity of credit in the

banking system due to the high level of bad debt, and problems in dealing with bureaucracy, including extortion and corruption, he added.

In the past, the economy has demonstrated the capacity to increase the growth rate in response to policy and institutional reforms, the outgoing director said, adding that the key to raising the growth rate to achieve the poverty reduction target will be to sustain and deepen the recently initiated reforms. The guiding principle should be to 'remove the constraints on the private sector'.

If reforms are explained well and arrangements made to meet the legitimate needs of those affected by them, people are likely to support them, he felt.

"Although growth is essential to reduce poverty, it won't be enough. Both trickle down and bubble up will be required to meet the poverty reduction target."

The transformation occurring at the village level, due to micro-credit and various forms of social mobilisation, is also essential for the 'bubble up' side of poverty reduction, Temple said.

Despite its very adverse initial conditions, Bangladesh's progress in human development stands out in cross-country comparisons, particularly within South Asia, while its economic growth has been moderately good, with very low volatility, he went on.

Temple observed Bangladesh will not face major problems in exporting readymade garment after phasing out of multi-bifurcated arrangement (MFA) as the export-



PHOTO: STAR

Outgoing World Bank Country Director speaks at a meeting with the members of Economic Reporters' Forum (ERF) at the bank's office in Dhaka yesterday.

ers have already established themselves and the private sector has managed to grow despite all constraints.

Rather, RMG depends very much on port problems, power supply and bureaucratic tangles, he felt.

About hartal, Temple said it is very disappointing and the poor are affected by this 'hartal culture'. A poor man cannot earn if there is hartal, he added.

Truce, tourism boost Sri Lanka economy

AFP, Colombo

Sri Lanka's economy grew by a strong 5.5 per cent in the first quarter thanks to higher tourism earnings fuelled by a truce between troops and Tamil Tiger rebels, Finance Minister K. N. Choksy said Monday.

Gross Domestic Product grew 5.5 per cent in the first three months this year compared with a modest increase of 0.5 per cent in the corresponding period of 2002, Choksy said.

He said the ceasefire between government forces and the rebel Liberation Tigers of Tamil Eelam (LTTE) contributed to better economic activity which saw tourism earnings rise by 28 per cent.

Industrial production was up

4.6 per cent while foreign remittances from Sri Lankans employed abroad rose by 11 per cent, strengthening the island's external reserves position to cover 5.1 months of imports, he said.

"Continuation of the ceasefire has led to enhanced service sector activities particularly in the telecommunications, transport, hotel and related services," Choksy said.

The growth follows a recovery in 2002. Sri Lanka recorded its first recession in 2001 when GDP growth was a negative 1.5 per cent.

The LTTE and the government have been observing a ceasefire since February 2002, although the peace process has been deadlocked since this April when the Tigers suspended participation in talks.

Schroeder banks on tax cut plan to spur economy

AFP, Berlin

Chancellor Gerhard Schroeder announced Sunday that he would bring forward a multi-billion-euro package of tax cuts by one year in order to stimulate Germany's sickly economy, despite the risk of running foul of tough EU guidelines.

He told a press conference at the end of a weekend cabinet seminar that it was both "an important economic stimulus as well as being socially just."

The measure will mean a loss to the government of tax revenues worth 16 to 18 billion euros (17.5-20.5 billion dollars) next year.

Finance ministry experts claim the package is worth 1.0 percent in terms of growth, revitalising an economy that Finance Minister Hans Eichel said has now entered a third year of stagnation.

Schroeder said it was "a signal for stability and for growth."

However, the measure still has to go through parliament and the opposition conservative Christian Union, which dominates the upper house, has threatened to oppose any attempt to bring forward the cuts as too economically risky.

Another problem is the danger that it could lead to a bigger public deficit in Europe's biggest economy, a risk Germany can barely afford to take.

The nation is already one of three euro-zone countries facing disciplinary action, including the threat of multi-billion-euro fines, for failing to hold public deficits below 3.0 percent of gross domestic product.

Last year, Germany's deficit shot up to 3.6 percent and it looks likely to exceed the limit again this

year. Some experts suggest it will remain as high as 3.5 percent.

EU Commission President Romano Prodi warned in a newspaper interview Sunday against any steps that could trouble the 1997 euro-zone stability pact.

Eichel insisted that even with the tax relief package, next year's deficit would be "exactly three percent."

Schroeder said the tax relief package was a vital part of a broader effort to boost the flagging economy and slash chronically high unemployment.

He had gathered his ministers at a secluded residence near Berlin to ensure unity behind a belt-tightening budget unveiled Thursday by Eichel and to chart the course ahead.

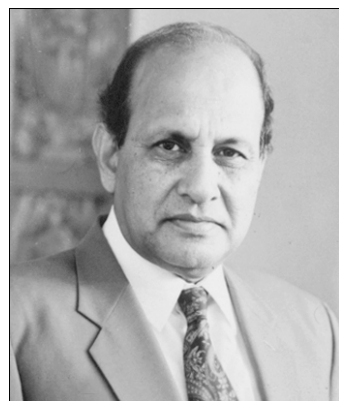
The chancellor said that advancing the tax cuts meant average wage-earners would pay 10 percent less income tax next year than they will in 2003.

"Ten percent less tax means 10 percent more consumption," he added.

The package is the third and final phase of a relief programme under which the top rate of tax will be reduced from 48.5 percent currently to 42 percent, and the lowest rate from 19.9 percent to 15 percent.

The first phase came into effect in January 2001. The second is due to take effect in January next year.

The third phase had been scheduled for January 2005 but will now also take effect next January if Schroeder manages to push it through parliament.



New chairman of Eastern Ins

Major (retired) Abdul Mannan MP has been elected chairman of Eastern Insurance Co. Ltd, says a press release.

A former state minister, Mannan is a well-known business personality.

He has extensive business interest in readymade garments, textile, beverage, aviation, insurance and leasing sectors.

He is also chairman of Sunflower Life Insurance Co Ltd, Bangladesh Industrial Finance Co. Ltd and Sunman Group of Companies.

Norban, WiLan sign deal

Norban Communications Ltd, a fast-growing IT/Telecom solutions provider company under Norban Group, signed a Gold Channel Partner Agreement with WiLan Inc of Canada in New Delhi recently, says a press release.

Under the deal, Norban Communications Ltd will maintain distribution channel of WiLan wireless equipment and products in Bangladesh and Myanmar.

The sign up will add a positive step towards IT/Telecommunication sector in Bangladesh.

WiLan is a global provider of broadband wireless communications products and technologies.

AB Bank, A&A Autos sign MoU

Arab Bangladesh Bank Limited signed a memorandum of understanding (MoU) with A&A Autos Ltd at its head office in BCIC Bhaban recently, says a press release.

Under the agreement, AB Bank will provide loan to A&A Autos under its consumer loan programme subject to fulfilling the requisites of the bank.

Ali Reza Iftekhar, senior executive vice president of AB Bank Limited, and Syed Ashfaqur Rahim, managing director of A&A Autos Ltd, signed the deal on behalf of their organisations.

Abu Hanif Khan, managing director, M A Awad, advisor, Iqbal U Ahmed, senior executive vice president, M A Rais Khan, executive vice president of AB Bank Ltd, were present.