

IMF suggests cut in lending rates to sustain growth

REJAUL KARIM BYRON

The International Monetary Fund (IMF) has recommended further lowering the lending rates in Bangladesh, saying that the economy would suffer if the cost of capital could not be reduced.

"If it cannot be lowered further in the next few years, the rate of economic growth may suffer," said a study report prepared by an IMF consultant. The report was submitted to the Ministry of Finance and Bangladesh Bank last month.

The report however observed that the cost of capital in Bangladesh must be seen in the context of its demand and non-inflationary supply.

The IMF consultant also suggested Bangladesh Bank to reduce statutory liquidity requirement (SLR) and modify cash reserve requirement (CRR) by the end of this year to better the central bank's liquidity management.

"The central bank should reduce SLR and then phase it out over the next few years," said the report. It recommended modification of CRR to allow reserve averaging and remuneration for better implementation of monetary policy.

Dwelling on matters relating to high lending rates and their possible solutions, the IMF report said the lending rates are high because of the banks' high operating costs and other inefficiencies like rigid labour

practices.

Banks have to pay high interest on national saving certificates to compete with the government, which is also a reason for high interest rates. Private commercial banks also have to pay high rates against deposits to attract more clients, the paper said.

The study found high incidence of individually negotiated deposit rates for larger deposits in the banks in Bangladesh.

The IMF suggested the Ministry of Finance and BB to clearly define and separate their respective responsibilities regarding debt management and monetary policy.

The ministry should establish a debt management unit by the end of

this year and publish the government borrowing strategy for 2004 and beyond, the report said.

"This unit should take full responsibility, in consultation with BB, for implementing the government's weekly borrowing plan published a quarter in advance."

The IMF report said government deposits with banks should be made on the basis of one-year contracts competitively awarded to banks in full compliance with all prudential regulations.

"The government should explicitly remunerate banks for services provided and also contract with banks for such services on a competitive basis," the report suggested.

Batexpo-2003 begins Monday

BGMEA expects more buyers from Canada, Australia this year

UNB, Dhaka

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) holds its biggest apparel exposition here October 20-22 as the organisers yesterday predicted they would be able to attract more foreign buyers this year.

"We're expecting more foreign buyers at Batexpo-2003, particularly big numbers from Canada and Australia which granted duty-free access of Bangladeshi products to their markets," BGMEA President Quazi Moniruzzaman told members of the Overseas Correspondents Association Bangladesh (OCAB) yesterday afternoon.

Asked about the fate of garment sector after the expiry of the quota regime after December 2004, Moniruzzaman said, "Obviously it's a crucial time and great concern for us... After the collapse of Cancun, it has been further cloudy. We're working on it to find how to cope with

the new situation."

He thought that small and medium-scale garment industries may face some problems, but "we're negotiating with different international bodies, including CIDA and EU, to overcome the situation."

In reply to a question the BGMEA president said, "Maybe, we're lagging behind China and India, but if we get policy support and measures from the government, we will not be out of business."

He said Bangladesh reached a position among top 10 suppliers in the EU and USA at the rate of 20 per cent growth per year.

About setting up of backward-linkage industries, he said the garment sector did not get adequate response from the government and there had not been sufficient investment from the state-owned or private banks in the textile sector.

Moniruzzaman said there are some backward-linkage industries for knit and woven garments and sweater, but it is not what is

required.

Asked about Bangladesh's strong plea for duty-free access of Bangladeshi products, including RMG, to American market he said they were pursuing it at different levels of the US administration, including the US Trade Representative, to get it approved.

The Bangladeshi caucus that includes one US Senator will be visiting Dhaka in January next year, when he said this issue would be discussed again.

Presently, the business leader said, 40 per cent of total garment exports worth nearly US\$ 5 billion in 20 categories go to US market.

Asked if Dhaka's plea for duty-free access is tied up with any American interests in Bangladesh, he said it's not like tying up, but obviously US companies have interests in exporting gas and setting up ports in Bangladesh.

On law-and-order situation, the BGMEA president is it is "disturbing for us" and they took up the matter

with the home minister and even the prime minister.

Prime Minister Khaleda Zia will inaugurate the Batexpo-2003 at Hotel Sonargaon on October 20 (Monday) while Leader of the Opposition in Parliament Sheikh Hasina attend the closing ceremony as chief guest on October 22.

During the 3-day exposition, four seminars will be organised on "Professional Management in the Garment Industry", "Use of Enterprise Resource Planning in the Garment Industry", "Free Economy and Outlook of Political Parties", and "Economy of Compliance in the Garment Industry".

Two fashion-shows and cultural programmes will be held on October 20 and 21 marking the 14th Batexpo.

BGMEA leaders Mohsin Uddin Ahmed (Niru), Jinnat Ali Mia and Ferdous Amin were present at the briefing at their office.



PHOTO: ETCETERA BANGLADESH

(From left) Yasmeeen Murshed, chairperson of Etcetera Bangladesh (Pvt) Limited, Shah Md Nurul Alam, managing director of Prime Bank Limited, Amir Khosru Mahmud Chowdhury, commerce minister, Waliur Rahman, head of credit cards of Prime Bank, Syed Maher Murshed, managing director, and Amer Ahmed, executive director of Etcetera Bangladesh pose for a photograph at the launching of 'Etcetera Credit Card' at a hotel in Dhaka on Wednesday evening.

Etcetera launches credit card

STAR BUSINESS REPORT

Etcetera Bangladesh (Pvt) Limited, a trading and distribution company, has expanded its venture with the launching of 'Etcetera Credit Card'.

In collaboration with Prime Bank Limited, Etcetera has launched the card with the affinity from MasterCard, a global brand of credit card of New York-based MasterCard International. The card will be available in market two weeks later.

Commerce Minister Amir Khosru Mahmud Chowdhury formally launched the credit card at a function held at a hotel in Dhaka on Wednesday evening.

Speaking at the ceremony, the commerce minister said entrepreneurs should come up with new and innovative products suitable to the needs of consumers.

Lauding the introduction of

Etcetera Credit Card in Bangladesh, he said it will enhance the customers' purchasing power.

Syed Maher Murshed, managing director of Etcetera Bangladesh, said Etcetera Credit Card is a unique card that does not differentiate customers by their levels of earning. "We have only one type of card, unlike others," he added.

Presenting other features of the card, Murshed said the clients will get 50 per cent cash advance facility from any branch of Prime Bank or any of its ATM booths. The cardholders will also enjoy 37-day interest free credit period, Murshed added.

Murshed said Etcetera Credit Card will be accepted as a mode of payment by approximately 8,000 to 9,000 MasterCard retailers across the country.

Talking to The Daily Star, Etcetera Bangladesh Executive

Director Amer Ahmed said people of any income level can get Etcetera Credit Card by depositing essential documents.

He said the company has a plan to set up Etcetera Credit Card booths in different kitchen markets in Dhaka for the convenience of customers. "We are also planning to introduce school fee payment facility by using this card."

Prime Bank Managing Director Shah Md Nurul Alam said credit card offers people a risk-free way of shopping. "This card will relieve them of hazards of carrying cash."

Etcetera Bangladesh Chairperson Yasmeeen Murshed said both the public and private sectors should work unitedly for economic development of the country.

Bangladesh Telecommunication Regulatory Commission Chairman Syed Marghub Murshed, Women

Entrepreneurs Association, Bangladesh President Rokia A Rahman, entrepreneurs and businesspeople were present at the function.

Apart from Etcetera, there are five other credit card providers in Bangladesh. They are Standard Chartered Bank, Prime Bank Ltd, National Bank Ltd, Vanik Bangladesh Ltd and Hongkong and Shanghai Banking Corporation (HSBC).

Established in 2001, Etcetera Bangladesh is engaged in the marketing of books, toys and local handicraft under its chain department-store concept.

It has set business links with world's leading publishers like Oxford University Press, Penguin, Pan Macmillan, Faber and Faber, Time Warner and Harper Collins.

Farm subsidy cut by developed nations

Dhaka to spend more on farm import, but gain in the long run

STAR BUSINESS REPORT

A cut in farm subsidy by the developed countries will negatively impact Bangladesh economy in the short run but will ultimately benefit the country, said a recent study of Bangladesh Institute of Development Studies (BIDS).

Since Bangladesh has to depend on agricultural product imports, it will have to pay more for importing such products from developed countries as lowering of farm subsidy will make them costlier, the study observed.

However, if Bangladesh provided some subsidy in agriculture sector, it would gain from subsidy withdrawal in developed countries in the long run as farmers will be encouraged to boost production to penetrate rich countries' market.

At present, the farm products originating from developing nations cannot compete with highly subsidised agriculture products in the developed world, the study said.

Though as a least developed country (LDC) Bangladesh has the right to provide subsidy to agriculture up to 10 per cent of the total value of agricultural output, at present the sector gets little support from the government, the study titled "Domestic Support to Agriculture and Bangladesh's External Trade" said.

M Asaduzzaman, research director, and Sharif Mosharraf Hossain, research officer of BIDS, jointly prepared the study report which was released recently at a workshop on Trade Policies in South Asia jointly organised by BIDS and the World Bank.

The Tk 700 crore annual subsidy on fertiliser and irrigation represents no more than 0.65-0.67 per cent of the value of Bangladesh's total agricultural production while its farm product exports are hardly 2-3 per cent, the researchers said.

In contrast, import of agricultural products, a major of which are food grain often purchased from EU countries or the United States, is substantial at around 20 per cent.

"So, Bangladesh's position in agricultural trade is fundamentally different from many other LDCs which are dependent on exports of primary goods," the report said.

In case of bilateral free trade agreements with India, Pakistan and Sri Lanka, the researchers think, a lower level of farm subsidy will be more beneficial to Bangladesh.

Premier Bank opens Islamic banking branch

Premier Bank has opened its first Islamic Banking Branch at Mohakhali in Dhaka.

Dr HBM Iqbal, chairman of the Board of Directors of the bank, inaugurated the branch as chief guest yesterday.

The bank will open more such branches in future.

A Shariah Council consisting of renowned Islamic scholars will ensure the total operations under Islamic rules.

Shah Abdul Hannan will be the chairman of the Sharia Council.

Repo auction

UNB, Dhaka

The Repo auction of Bangladesh Bank (BB) for commercial banks and financial institutions was held here yesterday.

Two bids of two-day tenor amounting to Tk 25.00 crore were received but that were not accepted, a BB press release said.

Lanka central bank cuts interest rates

AFP, Colombo

Sri Lanka's central bank on Thursday cut its benchmark interest rate by half a percentage point as the government warned commercial banks to make lending cheaper or face tough penalties.

Government spokesman G.L. Peiris, who is also minister for industrial policy and investment, said bank profits were "unconscionable" and the authorities wanted commercial banks to drastically slash lending rates.

"We want lending rates at single digits," Peiris said as the central bank reduced its key repurchase rate by 50 basis points to 7.00 per cent. The reverse repurchase rate was reduced by 100 basis points to 8.50 per cent.

The average commercial bank deposit rate is about 5.5 per cent while some lending rates are over 20 per cent.

Asian economic growth to pick up in 2004:WB

REUTERS, Singapore

Asian economic growth should pick up to almost six per cent next year, boosted by an improving global economy and a sharp rise in intra-regional trade based on China's rapid growth, the World Bank said Thursday.

But last month's failure of World Trade Organisation talks in Cancun, Mexico, and the slow pace of reforms were dangers for Asia, the bank said in its half-yearly report.

The bank also cautioned that Asia's policy of trying to stop its currencies rising against the US dollar had risks, saying the credit, investment and asset price boom in China raised concerns about a price bubble.

"With the quick passing of SARS, at least for the time being, clearer signs of recovery in the developed world, and healthier domestic conditions in East Asian economies, the prospects for a strong cyclical recovery and more sustained long

term growth are good," Jemal-uddin Kassum, the World Bank's regional vice president for East Asia and the Pacific said in a statement.

Economic growth in East Asia -- defined as China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Thailand, Taiwan and some smaller economies -- would slow to 5.0 per cent this year from 5.8 per cent in 2002, before rising back to 5.7 per cent next year.

The bank's projections were unchanged from six months ago, but it said the outlook then was more uncertain, because of the SARS crisis and the Iraq War.

Elections in Indonesia, South Korea, Malaysia, the Philippines and Thailand are due in the next 18 months, and the bank said it expected them not to be unsettling but, rather, would "tend to strengthen overall political legitimacy and stability."

They were also an opportunity to speed up the pace of reform, as the

bank said slow progress on institutional and governance reform was affecting the region's competitiveness.

A risk to Asia was the recent failure of trade talks.

"International trade is the life blood of East Asia. The difficulties at Cancun might allow protectionist interests worldwide to go on the offensive, causing long term damage to the world trading system," the report said.

China was becoming more and more important for the region, and was a massive consumer of Asian exports rather than just a pure competitor to other countries in the region.

"China's imports from and its trade deficits with the rest of East Asia have also been soaring, in an almost mirror image of its surplus with the US," the report said, adding about half of the export growth in East Asia this year had been due to intra-regional trade.

Japan, Mexico seek free trade deal

REUTERS, Tokyo

Japan and Mexico agreed on Thursday to try to conclude a bilateral free trade deal within the day despite remaining gaps over the politically sensitive farm sector.

Japanese Prime Minister Junichiro Koizumi told a joint news conference with Mexican President Vicente Fox that the two countries had reached an agreement in over 90 per cent of the areas covered, but that they were still at odds on some areas.

"In our meeting, President Fox and I agreed to make efforts to conclude a Japan-Mexico economic cooperation agreement today," Koizumi added.

Japan and Mexico have held round-the-clock talks in an effort to clinch the deal -- which Japanese manufacturers are keen to see concluded -- but failed to finalise the details because of a dispute over farm products, especially pork.

Intel, Olympus to invest \$20m in Indian firm

AFP, Bangalore

Satyam Computer, India's fourth largest software exporter, announced Thursday Intel Capital Corporation and another venture capital firm has invested 10 million dollars in its outsourcing subsidiary.

Intel, alongwith Olympus Capital Holdings Asia, a venture capital firm which invests in Asian technology companies, will also invest another 10 million dollars in Nipuna Services Limited by December, Satyam said in a statement.

"IT outsourcing plays a key role in any company's strategic direction," said Kumar Shiralagi, managing director of Intel Capital India.

"Intel Capital invests in companies like Nipuna Services Limited as we believe this business opportunity will assist in the acceleration and growth of the e-business industry," he said.

Nipuna Services was established in June 2002 by Satyam Computer Services Limited to provide outsourcing services. It currently has six customers.

REUTERS, Singapore

Thailand and the United States could seal a free-trade pact by 2005, paying the way for Washington to negotiate similar arrangements with the rest of Southeast Asia, a US business group said Wednesday.

The US-ASEAN Business Council also urged US President George W Bush not to spend too much political capital on convincing Beijing to drop its policy of keeping its currency weak, which draws loud complaints from American manufacturers.

The comments come ahead of the Asia-Pacific Economic Cooperation (APEC) forum next week in Bangkok, where trade and security are expected to dominate the agenda for Bush, Chinese President Hu Jintao and other

leaders of the 21-member grouping.

Thai officials expect Prime Minister Thaksin Shinawatra and Bush to announce the start of bilateral free-trade talks.

Those talks could lay the groundwork for other Southeast Asian nations such as Malaysia, said Ernest Bower, president of the US-ASEAN Business Council.

"I feel pretty comfortable in saying that once we're through the 2004 choppy waters of elections that we'll see the United States and several other ASEAN countries move forward with FTA negotiations," Bower told reporters.

ASEAN groups Singapore, Malaysia, the Philippines, Thailand, Indonesia, Brunei, Vietnam, Cambodia, Laos and Myanmar. Annual trade in the region of 500 million people is worth \$720 billion.