

Policy support dearth leads private jute mills to closure

Owners demand facility similar to that of state-owned mills

STAR BUSINESS REPORT

As private sector jute mills are struggling to survive due to lack of policy support from the government, mill owners demand facility similar to that of state-owned mills.

They said the finance ministry is yet to release Tk 53 crore, which was provided by the World Bank in 1997 for reforms in private sector jute mills.

Bangladesh Jute Mills Association (BJMA), a platform of private sector jute mills, alleged that private mills are being made victims of the government's 'dual policy'.

"Private jute mills perform better than public sector ones but the government supports only the loss-making state-owned mills," Serajul Huq Khan,

secretary of the BJMA, said.

He said 25 out of 37 private jute mills were closed in last six years rendering 45,000 workers jobless and the main reason is lack of policy support from the government.

Khan said the government annually provides Tk 200 crore subsidy to the mills run by Bangladesh Jute Mills Corporation (BJMC) which are incurring huge losses every year.

Twenty eight BJMC-run jute mills have a net cumulative loss and liabilities of Tk 2,529 crore in last 31 years against their total asset of Tk 2,424 crore.

Since independence, 49 out of 77 state-owned mills were either closed down or handed over to their original owners. Last year, the government closed down Adamjee Jute Mills.

On the other hand, the private mill owners said five out of their 12 mills saw profits last year.

"We are contributing to the national exchequer but deprived of support," Khan said.

The BJMA secretary said when new jute mills are being set up in neighbouring India, the local mills being laid off one after another.

Leaders of BJMA at a meeting with Prime Minister Khaleda Zia last September, apprised her of their problems and sought her help. They told the PM to accelerate the process of privatisation of the closed BJMC jute mills.

Earlier, BJMA leaders met Kamal Uddin Siddiqui, principal secretary to the PM, on August 18 and apprised him

of the delay in releasing Tk 53 crore World Bank grant.

They also urged him to implement recommendations of the 'inspection team' formed in 1997 headed by a joint secretary of the jute ministry.

One of the key recommendations of the team was to turn BJMC jute mills into holding companies for preparing them for privatisation.

The BJMA leaders said the jute ministry was yet to sanction Tk 13 lakh for installation of a computer-based data bank in the association's office.

According to Export Promotion Bureau, jute goods worth \$55.44 million and raw jute worth \$15.6 million were exported during July-September period this year.



PHOTO: STAR

Customers crowd a shop of warm clothes at Banga Bazar market in Dhaka. As the winter sets in some buyers add warm clothes to Eid shopping this year.

First Security Bank cuts interest rate

First Security Bank Limited has decided to lower the interest rate by one percentage point.

The lending rate will be effective in respect of general purpose loans and credits from December 1, 2003, says a press release.

This would reduce the cap on the bank's lending rates from 16 to 15 per cent.

The bank has also scaled down the interest rates on all types of deposits by one half of one per cent from the same date.

S'pore Airlines revises flight schedule

Singapore Airlines has rescheduled its flights from December 1, 2003 to January 31, 2004.

The flights from Dhaka to Singapore will depart two hours earlier than the current time, says a press release.

The airlines has brought forward the departure time to avoid disruptions to the flights in winter.

Last winter, night fog disrupted a number of flights causing long delays and great inconvenience to the passengers. The re-timing of the flights is for the interest of the passengers.

The airport check-in time has also been revised and it will be from 18:30 hours. Passengers are asked to check-in early to avoid delay.

Asian spending on IT security to grow sharply: IDC

AFP, Singapore

Spending by Asia-Pacific countries on information technology (IT) security will rise sharply in the coming years due to growing Internet usage and increased business uncertainty, a study showed Friday.

Spending on security solutions including software, hardware and services in the region, excluding Japan, is estimated to hit 1.7 billion dollars this year and grow 25 percent yearly to 4.1 billion dollars in 2007, IT research house IDC said in a statement.

Organizations must invest more in security as a result of the thriving Internet economy and worries generated by war and terrorism, said IDC.

Greater China and the Australia-New Zealand area are expected to take the lead in the Asia-Pacific region this year, followed by Southeast Asia and South Korea.

"Businesses today need to provide their customers with the continuity, speed and flexibility required to perform their day-to-day operations, either in an online or offline environment," IDC analyst Robin Giang said.

Failure to adopt multiple layers of security "is risky and reckless," he warned.

Top global policy makers warn on protectionism

REUTERS, Washington

Federal Reserve Chairman Alan Greenspan and top IMF policy-maker Anne Krueger, fearing that decades of trade liberalisation are being reversed, issued stern warnings yesterday against signs of creeping protectionism.

Their biggest concern is that governments are succumbing to short-term domestic political pressures over job losses and overlooking the biggest benefit of trade -- long-term economic growth.

"We cannot afford -- especially at this juncture -- any risk of a return to protectionism. Trade can sometimes be a controversial domestic policy issue," Anne Krueger, the IMF's first deputy managing director and top trade economist, told an emerging market conference in New York.

"But governments need to resist the pressure to give in to the lobbying of narrow interest groups who cannot benefit at the expense of the wider

public," she said.

US steel tariffs, ruled illegal by the World Trade Organization last week, European curbs on farm imports, and this week's US import caps on some Chinese textiles, are some of the protectionist tendencies emerging everywhere, say economists.

Key world trade talks broke down in Cancun, Mexico in September over farm subsidies, a divisive issue between rich and poor countries.

Gary Hufbauer, a trade economist at the Institute for International Economics, cited signs of slowing momentum in trade liberalization. "Textiles is troublesome and just the harbinger of more to come," said Hufbauer, expressing doubt that a US plan to end all textile and apparel import quotas in 2005 would survive political pressure.

In the United States, President George W Bush, a supporter of free trade, is under pressure to protect the ailing US manufacturing industry, which has lost 2.8 million jobs in 39

months, concentrated in states that are key for the 2004 US election.

US manufacturers have blamed China, saying it is keeping its currency artificially low which gives Chinese exports an advantage.

The Fed's Greenspan waned that protectionism could significantly erode the flexibility of the global economy.

"Some clouds of emerging protectionism have become increasingly visible on today's horizon," Greenspan told a monetary conference in Washington on Thursday. "Consequently, it is imperative that creeping protectionism be thwarted and reversed," he said.

Hoping to influence governments, the heads of the pro-trade IMF and World Bank on Thursday released a joint letter calling for the resumption of world trade talks after Cancun.

The letter noted the benefits of free trade for growth, saying it had been the single most powerful tool in reducing poverty and raising living standards.

Wartsila to build power plant for Lafarge Surma Cement

Surma Energy Limited, a company of Lafarge Surma Cement Limited, has awarded a contract to Wartsila Finland Oy and Wartsila Bangladesh for the supply and construction of a 30-MW power plant for Lafarge Surma Cement factory at Chhatak.

An agreement to this effect was signed by the officials of the two companies recently, says a press release. The power plant will be completed by early 2005.

Lafarge, world leader in construction materials, along with the renowned Spanish Cement Manufacturer Cementos Molins, is currently constructing a state-of-the-art fully integrated dry process cement plant at Chhatak. The raw materials for the plant will be transported from its own quarry in Meghalaya, India by a 17-kilometre-long belt conveyor.

The project is expected to be completed in 2005.

Wartsila is a major provider of solutions to decentralised power generation and supporting services.

Pakistan reports record industrial growth

REUTERS, Karachi

Pakistan reported record 11.74 per cent growth in industrial production in the first three months of fiscal 2003/04, kindling hope of above-target economic growth.

A government statement said the Economic Coordination Committee (ECC) of the cabinet -- the highest decision-making body on financial and economic matters -- was informed on Thursday that industrial production growth was broad-based.

Pakistan's real gross domestic product grew 5.1 per cent in 2002/03 (July-June) on the back of higher agricultural and industrial growth. The government's target for the current fiscal year is 5.3 per cent.

Eurostocks mixed as security fears weigh

REUTERS, London

Global security risks and fresh dollar weakness bedeviled European shares on Friday, but global banking giant HSBC and French-Belgian bank Dexia lent some strength to the market.

HSBC gained one percent, recovering from Thursday's losses after the bombing of its Istanbul office and supported by strong quarterly profits from U.S. subsidiary Household International.

And Dexia also cheered investors by nearly doubling third-quarter profits and sticking to forecasts of a strong rise in full-year earnings, sending its shares one percent higher.

Economy recovering, confirms BoJ

AFP, Tokyo

Japan's ever-cautious central bank on Friday confirmed what many economists have long been saying: the world's second largest economy is recovering thanks to robust exports.

But the Bank of Japan maintained its ultra-easy money conditions Friday -- announcing no change in monetary policy after a regular two-day board meeting -- to underpin the export-led recovery, which is far from vigorous as consumers continue to spend in the face of layoffs and salary cuts.

"Japan's economy is starting to recover gradually...(and) is anticipated to continue recovering, albeit at a moderate pace," the BoJ said in its monthly report on recent economic and financial developments for November.

"Exports are increasing and capital investment continues a gradual recovery," said the bank, adding housing construction remains sluggish and consumption is weak.

The central bank said industrial production, which had been flat, has started to increase and the decline in household income is gradually coming to a halt.

"A positive economic cycle has started moving forward. I mean this time 'started,' not appears to be starting," BoJ governor Toshihiko Fukui told a news conference.

Fukui said he was concerned about chilling effects of terrorist attacks on global financial markets, but added that recent drops in Japanese stock prices were unlikely to derail the recovery.

The BoJ's latest statement appears slightly more bullish than the conclusion in its October report: "The foundation for a gradual recovery in Japan's economy is being laid as the environment for exports and business sentiment has improved."

Going forward, the BoJ remains cautious about the outlook for Japan's more than four-year period of uninterrupted deflation, under which prices have been falling, discouraging consumers from rushing to purchase big-ticket items on the expectation they would get cheaper.

"As for consumer prices... they are basically projected to continue falling gradually since the imbalance between supply and demand in the economy still remains considerably large despite its gradual improvement," it said.

The BoJ has been tackling deflation by offering commercial banks massive amounts of funds as there is little room for cutting Japan's already super-low interest rates, which are about zero percent for overnight lending.

The bank last eased credit October 10 to support economic recovery by raising the upper limit of the outstanding balance of current accounts held at the bank to 32 trillion yen (294 billion dollars) from 30 trillion yen.

But it has left official interest rates unchanged for two years.

The bank briefly touched upon investors' main concern that the yen's long-held strength against the dollar would keep Japanese products expensive overseas in dollar terms and undermine the nation's export-led recovery.

HSBC resumes business in Turkey

REUTERS, London

Britain's biggest company, HSBC Holdings Plc, resumed service in Turkey on Friday, and other British firms in the region remained on alert a day after 27 people were killed by truck bombs in Istanbul.

The explosions, outside the British Consulate and offices of HSBC, injured more than 400 people just five days after two Istanbul synagogues were devastated by suicide truck bombs.

"We are fully operational in Turkey today," said a spokesman for HSBC, which opened its first office in Turkey in 1990 and now has about 160 branches and 3,500 staff in the country. It has not been revealed how many of its staff were among the dead.

Meanwhile, British Airways Plc said its two flights a day service to Istanbul from London was continuing.

British betting and hotels company Hilton Group Plc, which runs eight hotels with a total of over 2,000 rooms in Turkey, said it was keeping security constantly under review.

"Our first priority is to concern ourselves with the safety of our guests and also, equally importantly, our staff," a spokesman said.

"The appropriate responsible people in the company are constantly on alert to what they need to do in the interests of both these policies."

Another British hotelier, InterContinental Hotels Group Plc, said: "We have got rigorous procedures in place, but we would review everything that we are doing to make sure that we are on full alert and as safe as we can be."

InterContinental has five managed or franchised hotels in Turkey, four of them in Istanbul.

India's central bank sees no limit to forex reserves

REUTERS, New Delhi

India's central bank has no target for the country's build-up of foreign exchange reserves, a senior central bank official said Thursday.

India's foreign exchange reserves are now at a record high of more than \$93 billion, having grown nearly 32 per cent in 2003.

"The reserves are coming because you are trying to see the huge inflows do not lead to excessive appreciation or a huge amount to volatility," Usha Thorat, executive director at the Reserve Bank of India, told an industry seminar on managing foreign exchange risks.

"There is no limit," she replied, when asked whether there was a limit to the country's build-up of reserves.

Thorat also said that the rupee had emerged as a strong currency amid the robust foreign exchange inflows into Asia's third largest economy.

"Certainly it is a rupee which is very strong ... very confident... very mature and probably able to stand on its own with any other currency in the world," she said.

PHOTO: WARTSILA BANGLADESH
Yong Ngai Chan (2nd-L), managing director of Surma Energy Limited, and Hans Eriksson, managing director of Wartsila Finland Oy, shake hands after signing an agreement on supply and construction of 30 MW power plant for the Lafarge Surma Cement factory at Chhatak. Mohammad Shameem, director (Sales and Marketing) of Wartsila Bangladesh (left), and M A Rahim, director (Legal and Communication) of Lafarge Surma Cement Ltd (extreme right), are also seen in the picture.

IMF, WB appeal for more effort on WTO talks

AFP, Washington

The leaders of the IMF and World Bank appealed Thursday for renewed efforts to advance global trade talks, saying removing trade barriers is "the single most powerful tool" to reduce poverty and boost living standards.

International Monetary Fund Managing Director Horst Koehler and World Bank President James Wolfensohn urged the organizations' 184 member governments to try harder to advance the WTO agenda after the failure of September talks in Cancun, Mexico.

In the letter to all member government leaders, the two officials said the

World Trade Organization agenda drafted in Doha remains a crucial goal for the world economy.

"Successive rounds of multilateral trade liberalization have been central to the unprecedented rise in global prosperity over the past half-century," the letters said.

"The Doha Agenda presents an opportunity to deepen this process, to maintain and accelerate growth, and to spread its benefits more widely."

It said that bilateral and regional trade pacts "are no substitutes" for reforming the global trading system.

"Expanding trade by collectively reducing barriers is the single most powerful tool that countries, working

together, can deploy to reduce poverty and raise living standards," the letter said.

"The current pattern of protection ... generally works against the poorest countries -- and the poorest consumers in all societies -- because trade barriers in both developed and developing countries tend to be highest in agriculture and labor-intensive manufactures.

"We cannot allow the impasse at Cancun to dash the hopes vested in the Doha Agenda."

Koehler and Wolfensohn said that a WTO meeting scheduled for December 15 "and the ensuing months are critical to the future of the multilateral trade negotiations."