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INVESTMENT PROPOSALS OF TATA, ASIA ENERGY

Delay in 'approval' frustrates investors

Says Australian envoy

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Delay in 'approving' the investment proposals of Tata and Asia Energy is frustrating foreign investors in Bangladesh, Australian envoy in Dhaka said yesterday.

"Any further foreign investment in the country depends on the government decision on the investment proposals of Tata and Asia Energy," Australian High Commissioner to Bangladesh Douglas Foskett said adding that many Australian entrepreneurs are waiting for the final outcome of the proposals of the two companies.

So, the government should take decisions in due time, the high commissioner observed while addressing the monthly luncheon meeting of Foreign Investors' Chamber of Commerce and Industry (Ficci) in Dhaka.

The Australian envoy also criticised Bangladeshi businesses and entrepreneurs for not taking advantages of duty and quota free access, which was granted by the Australian government to 49 least developed countries (LDCs) including Bangladesh in July 2003.

Referring to a study conducted by Australian Productivity Commission in 2002, Foskett said Bangladesh -- being the largest textile clothing and footwear exporter to Australia amongst the LDCs -- accounted for around three quarters of textile, clothing and footwear imports to Australia from LDCs, and had the opportunity to have the maximum benefit from this preferential tariff removal.

"In fact, the study predicted Bangladesh could increase its clothing exports to Australia by between 2.5 and 11-fold. But this has not happened. Instead, Bangladeshi exporters have stuck to traditional markets which shows that Bangladeshi exporters do not regard Australia, with only 20 million people, as a big enough market," he said.

But, he said, the Chinese sold $3 billion of clothing to Australia last year. "And as China exports increasingly into Bangladesh's traditional North American and European markets, it is important for Bangladesh to continue developing alternative markets," he pointed out.

He also pointed out four major reasons for which Bangladeshi manufacturers and exporters are showing reluctance to Australian market and the reasons are lack of knowledge about the Australian market, Australian quarantine rule, Rules of Origin and visas.

"Australia strongly encourages Bangladesh to export goods to our country. We want you to increase the volumes, and these can be much higher than at present," the envoy continued.

"Australia's initiative is comprehensive and unqualified. It does not exclude sensitive sectors, nor does it provide phasing-in arrangements for selected items," he said.

The high commissioner said with the large percentage imports of inputs into the garment industry, Bangladesh exports could achieve significant increases in exports to Australia. "And the many other products -- ceramics, black goat leather, chemical fertiliser, jute, and new products like biscuits, can easily meet the Rules of Origin levels and attract duty free entry."

Foskett said Australian merchandise exports to Bangladesh -- mainly food and manufacturers -- continue to increase. "However, we continue to encourage the government of Bangladesh to develop a flatter tariff structure and to minimise the restrictive trade practices such as those associated with customs clearance."

Speaking at the function, Ficci President Masih Ul Karim said private sector investment from Australia in Bangladesh is very insignificant while the country needs huge foreign direct investment (FDI) as a way out from the poverty trap. "Ficci is ready to assist foreign investors," he said.

Karim, however, said there are some shortcomings in the country for FDI, which are related to infrastructure and governance. "But these are improving slowly," the Ficci chief said.

PHOTO: FICCI

Masih Ul Karim, president of Foreign Investors' Chamber of Commerce and Industry (Ficci), speaks at the monthly luncheon meeting of the chamber yesterday in Dhaka. Douglas Foskett (second from left), Australian high commissioner, Ficci Vice-president Peter A May (left) and MA Matin, chamber secretary, are also seen.

HSBC arranges Tk 70cr term loan facility for Eskayef

The Hongkong & Shanghai Banking Corporation (HSBC) Limited in Bangladesh on Tuesday announced a syndication of Tk 70 crore term loan facility for Eskayef Bangladesh Limited, says a press release.

HSBC, a leading global bank, is the arranger and agent for the syndicated facility to expand the existing capacity of Eskayef Bangladesh, a leading pharmaceutical company and a concern of Transcom group.

A total of five banks participated in the syndicated facility. Along with HSBC, United Commercial Bank Limited, Pubali Bank Limited, The Trust Bank Limited and Commercial Bank of Ceylon Limited were participants in the facility.

Latifur Rahman, chairman of Eskayef and Transcom group,Steve Banner, CEO of HSBC Bangladesh, Khandaker Habibur Rahman, first asst vice president of United Commercial Bank Limited, Mahbub Mustafizur Rahman, general manager of Pubali Bank Limited, Iqbal U Ahmed, managing director of Trust Bank Limited, and S Rengenathan, CEO of Commercial Bank of Ceylon, signed on behalf of their organisations at the signing ceremony in Dhaka.

45pc of ADP executed in nine months

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Implementation of the annual development programme (ADP) during the July-March period of the current fiscal year has been even slower than what it was during the same period of the last fiscal year.

According to sources, ADP implementation was only 45 percent in the first nine months of the 2005-06 fiscal, which was 47 percent during the same period of 2004-05 financial year.

Of Tk 24,500 crore ADP size for the current financial, local component is to be Tk 17,000 crore and project aid Tk 7,500 crore.

With only 45 percent implementation, the government was able to implement only 41 percent of the local contribution while it was 54 percent in the case of project aid.

During the July-March period of the last financial year, the government had been able to implement 47 percent of the ADP. In the first nine months of the last financial year, 46 percent of the local contribution was implemented while it was 49 percent in the case of project aid.

"It is not possible to implement the rest 55 percent works of the ADP only in three months. In fact, a large portion of the money will go to the pockets of a section of politicians, bureaucrats, contractors and other people involved in the process," said an economist.

The country is actually getting 40 to 42 percent of the total expenditure of annual development programme due to poor quality of works, corruption and other flaws in implementing the projects, he added.

The ministries that are even behind the national average implementation of 45 percent are: communications; health and family welfare; education; food and disaster management; law, justice and parliamentary affairs; religious affairs; Chittagong Hill Tracts affairs; environment and forest; housing and public works; water resources; agriculture; defense; home affairs; science and information and communication technology; shipping; information; and land.

Meanwhile, divisions that are also far behind the national average are: prime minister's office; finance; energy and mineral resources; cabinet; public service commission; economic relations; planning and internal resources.

Of the total of 959 projects, included in the ADP, 796 projects represent investment, 144 technical assistance.

PHOTO: HSBC

HSBC CEO Steve Banner (3rd from left) is seen with Latifur Rahman, chairman of Eskayef, Khandaker Habibur Rahman, first asst vice president of United Commercial Bank Limited, Mahbub Mustafizur Rahman, general manager of Pubali Bank Limited, Iqbal U Ahmed, managing director of Trust Bank Limited, S Rengenathan, CEO of Commercial Bank of Ceylon, and Mahbub-Ur Rahman, corporate banking head of HSBC, at the signing ceremony of Tk 70 crore term loan facility for Eskayef in Dhaka on Tuesday.

CPD to carry out studies on int'l trade negotiations

The Centre for Policy Dialogue (CPD) is going to undertake a number of new studies to strengthen Bangladesh's trade negotiations capacity in the WTO as well as for regional and bilateral free trade agreements, says a press release.

This was decided yesterday in a meeting of the Steering Committee of CPD's Trade Policy Analysis and Research Programme. The meeting was held at commerce ministry.

Md Abdul Karim, secretary of Ministry of Commerce, and Mahbubur Rahman, president of International Chamber of Commerce-Bangladesh (ICC-B), co-chaired the meeting. Debapriya Bhattacharya, executive director of CPD, briefed the members of the Steering Committee about CPD's trade related research, policy advisory, capacity building, publication and outreach activities.

CPD has been implementing its Trade Policy and Research Programme since 2000 in close collaboration with the Ministry of Commerce, trade bodies, trade experts and activists.

The studies to be undertaken by CPD include Post-Hong Kong strategy for duty-free quota-free market access for Bangladesh, implementing of China factor for Bangladesh's export in the US market, strategy for services negotiations include Mode 4, consequences of negotiations on industrial goods for Bangladesh. The issues have been identified in connection with Bangladesh's interest and concerns in the ongoing Doha Round of the WTO. CPD was also advised to initiate studies on modalities of bilateral free trade agreements with India and Pakistan, poverty and income distribution consequences of trade liberalisation and export growth.

The meeting was attended by Hafiz G A Siddiqi, vice chancellor of North South University, Rokia A Rahman, former advisor to the caretaker government, Nasir Uddin Ahmed, joint secretary of Ministry of Commerce, Md Sirajul Islam, chairman of Bangladesh Tariff Commission, Muhammad Mahfuzur Rahman, deputy secretary of Ministry of Foreign Affairs, Fazlul Hoque, president of BKMEA, M A Momen, president of DCCI, Kutubuddin Ahmed, former president of MCCI, Annisul Huq, former president of BGMEA, C K Hyder, secretary general of MCCI, Luna Shamsuddoha, chairman of Dohatech New Media, Sayeeful Islam, former president of DCCI, and Md Nurul Islam, advisor to BILS.

Fahmida Khatun, senior research fellow of CPD, Uttam Kumar Deb, senior research fellow of CPD and Khondaker Golam Moazzem, research fellow of CPD, also attended the meeting.

India stock market bull run stalled as foreign funds get jitters

AFP, *Delhi*

Just over two weeks ago, Mumbai's stock market was looking unstoppable as it moved by leaps and bounds to new record highs.

But now investors are licking their wounds after a brutal correction that has pulled the benchmark Sensex index down by 14 percent since May 10 amid concerns about rising world interest rates, plunging metal prices and surging fuel prices.

While all Asian stockmarkets have been caught up in the worldwide turmoil triggered by a decision by the US Federal Reserve to hike interest rates, India's stock market was been particularly badly hit.

Analysts now say the Indian markets bull run has been stopped in its tracks and that the days of spectacular returns could for the time being be at an end.

The Sensex (the 30 largest and most actively traded stocks on the Bombay Stock Exchange) gained 43 percent last year and had risen 34 percent since January 1 before this months descent.

"The big gains are over. Valuations got ahead of fundamentals," said R. Balakrishnan, director of Bombay investment advisory firm Parellex Consulting Services.

"We're going to see a lot of volatility -- a couple of days of sunshine followed by a couple of days of depression -- but basically the market is going to stagnate," he added.

Analysts said that the "India story," one of a strong economy and a burgeoning middle class market which had inspired the market gains was still on track, with the economy still expected to grow by seven-to-eight percent this year.

But corporate earnings growth will not be as impressive as it has been in the past 18 months, analysts said.

"Valuations (still) appear stretched at this stage," said Hiten Mehta, director at Fortune Financial Services Ltd in Bombay. "A healthier market would emerge with the Sensex below the 10,000 point level."

'Made in India' phones set to tap global markets

REUTERS, *New Delhi*

India, already the world's fastest growing wireless services market, is set to become a handset manufacturing and export hub as giants such as Nokia and LG churn out millions of phones to tap voracious demand.

Global handset firms are knocking on the door of Asia's third-largest economy because of its established software industry, a booming domestic market and they want another manufacturing stronghold to offset the possible risk of operating plants in China.

"There is no question that everybody is planning for India to become a hub for (exporting) mobiles to the Middle East, neighboring countries and even Europe," said Rajiv Kochhar, chief executive at Mumbai-based Avista Advisory.

The consulting firm helped Elcoteq SE, Europe's largest contract electronics maker, to set up a unit in Bangalore, India's silicon valley.

It is also assisting several suppliers to Nokia, the world's largest handset maker, to set up plants in Bangalore, Pune and the southern port city of Chennai.

"Software design capabilities are a big factor in setting up a shop -- and India has them in abundance," Kochhar said.

More than 40 percent of the software that goes into Motorola Inc.'s iconic and ultra-thin RAZR handset is developed in its Indian R&D facility.

Nokia, which controls nearly half the $2.5 billion Indian handset market, and its suppliers are investing about $150 million in its Chennai unit, which makes a few million handsets a month and has already exported phones to south east Asian nations like Singapore, Indonesia and Thailand.

Jukka Lehtela, Nokia's director for Indian operations said the firm had earmarked 30 percent to 40 percent of its annual Indian production for export.

"The growing markets are here - - India, the Middle East and Africa. India is in the middle of these geographically and for us the transportation from India was easier and cheaper than from China or Europe," he said.

Two of Nokia's suppliers -- Aspocomp group and Perlos Corp. are investing $70 million and $12 million respectively to set up a printed circuit board unit and a mechanics factory.

South Korean conglomerate LG Electronics Inc., for its part, operates a plant in the western city of Pune that will churn out 20 million GSM and CDMA handsets by 2010, roughly half of which are earmarked for export.

"We are already exporting in excess of 10,000 units a month and we can see it growing to 50,000 a month in less than a year," said H.S. Bhatia, product group head for GSM phones at LG.

"India is also emerging as a second base apart from China, to distribute risk. Handset firms, having already established their initial manufacturing bases in China, are now looking at other locations, for which India is the obvious choice due to its growing domestic base."

Fourth-ranked LG exports handsets made in India to Bangladesh, the Middle East, Nepal, Africa and Sri Lanka. LG's larger rival Samsung Electronics Co. Ltd. has also begun producing handsets in the country.

India's domestic market, forecast to grow to $5.8 billion by 2010, is expected to consume about 55 million handsets this year, up 71 percent from 2005. Between 4 million and 5 million new users are coming into the market each month, attracted to the world's cheapest local mobile call rates of as low as 2 U.S. cents a minute.

There is still room for growth as mobile ownership is just 9 percent in India where the population is more than a billion and networks, even though they are expanding rapidly, are still largely city centric.

Analysts expect India's user base to rise to 278 million by 2010 as the low call rates lure customers. At 93 million, now it exceeds the combined population of Germany and Belgium.

Malaysians keen to invest in Bangladesh

Trade team due June 3

UNB, *Dhaka*

A high-profile Malaysian trade delegation will arrive here on June 3 with significant investment proposals for sectors like port, infrastructure and chemical fertilizer.

The 12-member delegation of Malaysian South-South Association (MSSA) and Malaysia Industrial Development Authority (Mida) will stay in Bangladesh until June 7 processing the investment packages in consultation with government authorities.

They will have discussion with the commerce minister, the Board of Investment (BoI), FBCCI, BEPZA, Export Promotion Bureau, Chittagong Chamber of Commerce and Industry and other chamber bodies.

Secretary general of Bangladesh-Malaysia Chamber of Commerce and Industry (BMCCI) Syed Moazzam Hossain said the delegation will take a close look at the investment climate in the country.

"Malaysia has serious interest in investing for increasing the efficiency of Chittagong Port. The delegates are likely to show their interest to the government during the upcoming visit," he said.

The joint-chamber leader said the delegation will comprise some highly experienced investors and professionals, particularly for the port and infrastructure sector.

The team, on the other hand, is likely to express interest in investing in herbal medicine, industrial ventures like electronic and electrical industry, chemical fertilizer and agro-chemical sectors and expanding road communications network.

Moazzam said initially the delegates will inspect the investment situation and conduct a feasibility study. Following the study, they will come up with concrete investment proposals.

Las Vegas Sands wins bid for Singapore casino

REUTERS, *Singapore*

Singapore picked Las Vegas Sands Corp to build and run what will be the world's most expensive casino at a cost of more than S$5 billion (US$3.2 billion), sending the U.S. casino operator's shares up more than 9 percent.

The tiny island nation scrapped a ban on casinos last year in a move to shake off its staid image and capture part of Macau's success as a gambling center for Asia's increasingly wealthy and mobile middle class.

Las Vegas Sands, the world's largest gaming operator by stock market value, beat three other bidders with a promise to invest S$3.85 billion (US$2.4 billion) in the project, on top of the S$1.2 billion price tag for the land in downtown Singapore.

PHOTO: MUTUAL TRUST BANK

Syed Manzur Elahi, chairman of Mutual Trust Bank Ltd, inaugurates the 21st branch of the bank at Gulshan in Dhaka recently. Other officials were also present.

Africa's growth to take centre stage at WEF meeting

AFP, *Johannesburg*

The annual World Economic Forum on Africa opening in Cape Town on Wednesday will take stock of Africa's strongest growth in three decades and the impact of China and India on the continent.

South African President Thabo Mbeki, Armando Guebuza of Mozambique and Jakaya Kikwete of Tanzania are among the leaders joining some 650 participants for the three-day conference.

"The general environment in Africa probably could not have been better. For three years in a row Africa as a continent has grown at more than five percent," the WEF's Africa director Haiko Alfeld said.

"The tone is set... there is a very strong bullish mood this year on what Africans can do for themselves," he told journalists ahead of the meeting.

Sub-Saharan Africa is poised to post growth of 5.8 percent, its best performance in more than 30 years, according to the International Monetary Fund (IMF).

The projected spurt is driven by oil producers, notably in light of capacity increases in Angola and the Republic of Congo and with new production coming on stream in Mauritania.

One of the issues under discussion at the Cape Town WEF will be how Africa could benefit even more from the economic growth in China and India, Alfeld said.

"We will have a very deliberate focus on the impact of China and India on Africa. We'll talk about the scale, the dimensions, the prospects of especially Chinese investments on the continent," said Alfeld.