

BANGLADESH INVESTMENT CONFERENCE: THE EMERGING TIGER

Energy sector crying for investment: Mosharraf

Bangladesh needs 11.25 billion US dollars in the power sector up to the year 2010 and another 3.7 billion dollars in the gas sector by 2020 to meet the growing national demand for energy, reports UNB.

Energy and Mineral Resources Minister Dr Khondaker Mosharraf Hossain told an investors' conference in the city yesterday that the peak demand of electricity is estimated to be 3,983 megawatts by the year 2000 and 8,953 MW by the year 2010.

He said the country urgently requires installation of new generating units to meet the increasing demand with reliability. About 2,300 MW of new generation capacity will be required within the next five years for achieving modest development targets.

The government has arranged funds for 889 MW but financing for the remaining 1400 MW is yet to be arranged, the minister informed the "Bangladesh Investment Conference: The Emerging

Tiger" at a city hotel.

He said that to raise the per capita generation from the present 83 kilowatt hour to 282 kWh by the year 2010, investment requirements will be about 11.25 billion dollars.



Mosharraf Hossain

It is difficult for the government to provide such a huge amount of fund for the power sector. Thus private investment, both local and foreign, is essential for sustain-

able development of the sector.

Turning to the gas sector, Dr Mosharraf Hossain said an investment of 3.7 billion dollars will be required for drilling 132 exploratory and 200 development wells by the year 2020.

The present known gas reserves cannot cope with the increased national energy demand which is expected to surge from 9 million tons of oil equivalent (MTOE) in 1995 to 74 MTOE in 2020, he added.

The minister told the conference that the projected demand in the gas sector is expected to escalate from the 780 million cubic feet per day (MMCFD) level in 1995 to 5500 MMCFD in 2020.

The present reserves can sustain a supply of only 1000 MMCFD, he said, adding that 132 exploratory and 200 development wells to meet the demand require a substantial private investment.

The Energy Minister informed the investors that the

government has opened the power sector to private investment and also allowed the private sector in exploration and production of oil and gas.

As the authorities have adopted a petroleum policy and finalised the energy policy, four production share contracts have been initiated with foreign companies for oil and gas exploration.

The government is also negotiating with another six foreign companies for exploration of gas and oil in eleven prospective blocks, he said. A contract was also signed with a US mining firm for exploration and development of coal, he added.

The minister also told the conference that the power sector has so far attracted 24 private entrepreneurs and the government is negotiating with them to set up power plants.

Despite all odds, the energy sector has succeeded in bringing famous firms to Bangladesh by its prospects, he said, urging the investors to invest in the sector.

Dollar down in Tokyo

TOKYO, Jan 24: The dollar lost ground moderately on the Tokyo foreign exchange market today in the absence of incentives, reports AFP.

The greenback was quoted at 99.75 yen at 3:30 pm (0630 gm) Tuesday, down 0.18 yen from the previous day's 99.93 yen here and lower than 99.77 yen quoted in New York late Monday.

Spot turnover decreased from the previous day's 6.169 billion dollars to 5.220 billion dollars.

After being quoted at 99.75 yen by 9 am (0000 gm), the dollar moved between 99.60 yen and 99.89 yen by 3:30 pm here today.

"It's hard to say what sentiment is like," a dealer said. "With the market still worrying about the Mexican situation, it's hard to imagine a strong move on the (dollar's) upside," a dealer said, adding that investors were waiting for incentives.

Dealers said US fourth quarter Gross Domestic Product (GDP) data out Friday was likely to spur further speculation of an increase in US interest rates next week.

The Japanese Finance Ministry said Tuesday that Japan's trade surplus grew 0.3 per cent from a year earlier to 12.99 billion dollars in December.

The mark was quoted at 1.5137 to the dollar at 3:30 pm here Tuesday, against 1.5154 the previous day.

Asian stock markets close lower

HONG KONG, Jan 24: Asian stock markets closed generally lower Tuesday, but share prices rebounded in Tokyo after five days of declines in the wake of last week's earthquake in Kobe, reports AP.

Tokyo's 225-issue Nikkei Stock Average gained 275.24 points, or 1.55 per cent, closing at 18,060.73. The benchmark index had plummeted 1,054.73 points, or 5.60 per cent, to 17,785.49 on Monday.

The Tokyo Stock Price Index of all issues listed on the first section was up 19.62 points, or 1.41 per cent to 1,410.30. The TOPIX had lost 68.72 points, or 4.71 per cent, to 1,390.68 on Monday.

In Hong Kong, share prices also closed higher after plunging for two straight days.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, rose 54.97 points, or 0.8 per cent, closing at 7,022.90. On Monday, the index slumped 310 points.

TAIPEI: Share prices closed lower for the second straight day in volatile trading ahead of the Chinese New Year holidays next week. The market's Weighted Index fell 127.25 points, or 2.0 per cent, to 6,167.79 after Monday's 136-point slump.

WELLINGTON: New Zealand share prices closed lower in light trading, with brokers expecting the market to remain weak in line with major overseas markets. The NZSE 40, Capital Index fell 24.53 points to 1,923.08.

SEOUL: Share prices closed lower for the fourth straight day, partly because of uncertainty over the global economy after last week's earthquake in Japan. The Korea Composite Stock Price Index fell 18.55 points to 916.83.

MANILA: Share prices closed lower in reaction to the slump in overseas markets. The Philippines PSE index of 43 selected issues fell 46.57 points to 2,374.86.

SYDNEY: Australian share prices closed broadly mixed, with gold stocks plunging due to lower gold prices while other mining stocks moved higher. The all Ordinaries Index rose 0.2 of a point to 1,862.0.

SINGAPORE: Share prices closed mixed in moderate trading. The 30-share Straights Times Industrials Index rose by 2.18 points to 1,919.18.

KUALA LUMPUR: Share prices closed lower despite some bargain-hunting. The KLESE Composite Index fell 9.23 points to 840.87.

BANGKOK: Thai share prices closed slightly higher. The Stock Exchange of Thailand Index rose 2.09 points to 1,193.35.

JAKARTA: The stock exchange's Composite Index fell 0.698 points, closing at 435.459.

Citibank NA experts suggest

Pvt sector investment should be geared up to meet cash flow shortage

By Staff Correspondent

Private sector investment in the infrastructural development should be encouraged in order to overcome the acute shortage of government cash flow.

Citibank NA experts emphasised in their workshop at the Bangladesh Investment Conference, which opened on Monday, a half-day nationwide bazaar in a local hotel yesterday.

The workshop on Financing Infrastructure Projects in Bangladesh highlighted that Bangladesh has shown a respectable GDP-growth rate of 4.5 per cent over the last two years and inflation has stood at less than two per cent. While foreign currency reserves rose from 1.3 billion US dollars in 1991 to 3.4 billion dollars in 1993.

The experts added that Bangladesh has set a favourable field for foreign investments as no approval is required for self-funded projects and there is no limitation on foreign equity.

The moderator of the workshop Guntti Chadha, head of Corporate Finance and Capital Markets, Citibank India, said

that in the power sector Bangladesh will make a growth of 11 per cent per annum while in the gas and oil sectors it expects to grow in the similar trend. Chadha added that it is necessary for the hosts to ensure clear government policies on foreign investments.

There should be an unquestioned sponsor strength and experienced and reliable EPC contractors or O & M, he added.

On the issue of investment risk, Chadha said that in order to stimulate participation there should be an acceptable development reward. He further said the usual problems remain. The whole framework is at times highly complex and the government is reluctant in accepting project risks and costs.

Chadha further stressed that in Bangladesh the rule of three Ts applies. It is Technically Tried and Tested. For project financing the "right" project at the "right" time should be involved.

The Citibank expert highlighted that as for the

American investors in the country Overseas Private Insurance Company (OPIC), an American government-owned insurance company, may take up policies for the investors. This policy may only cover commercial risks rather than political ones. The local sponsors should be encouraged to cover that aspect of investment.

The Citibank workshop presented a brief picture on its involvements and experiences in other countries of the region.

Alman Aslam, an official of the bank, said in his concluding statement that from the bank's experiences in the region one should look for a strong sponsor before setting off with an investment plan.

Also present in the workshop were Robert S Eichfeld, the Regional Chief of Citibank based in Bombay, India.

Citibank started operations in Bangladesh through a representative office in 1986. Citibank is now one of the largest overseas correspondents for Bangladesh's nationalised commercial banks.



A partial view of the foreign investors attending "The Bangladesh Investment Conference: The Emerging Tiger" which began at Hotel Sonargaon in the city yesterday. — Star photo

British economist says

Bangladesh should find ways to raise income thru' higher productivity

A leading British economist said Bangladesh should find some ways of raising income through greater efficiency and higher productivity before the country will be in a position to enjoy export expansion, reports UNB.

Dr Jum Love, Head of Economics Department of Strathclyde University in Glasgow and also Director of the Developing Countries Research Unit (DCRU) of the same university, was delivering a lecture on "Adoption of the Export-Led Growth Strategy in Bangladesh: Some Thoughts" on Monday in the city.

Stressing strategic inter-

vention to improve the prospect of increasing exports, Dr Love said the country has to expand and diversify her exports in an increasingly liberalised and competitive world.

After the policy shift from import substituting industries to export led growth in developing countries, said Dr Love, export diversification could take place through adding new products to the export list and by increasing domestic processing of traditional primary products.

Referring to export composition changes in Bangladesh with decrease in raw jute and manufactured jute products export and increase in ready-made garments export, Dr

Love said this meant change away from traditional products towards new manufacture exports to fit with the recipe for export led growth.

Love, who has special interest in the third world development, said the benefits from GATT would go to those countries which can operate more efficiently and it would be increasingly important, therefore, to get prices right.

A more liberal trading regime over the next decade, as export quotas and tariffs are reduced and then eliminated, should present opportunities for greater market access in Europe and North America.



Prime Minister Begum Khaleda Zia talking to participating local and foreign investors at the international conference on investment prospect in Bangladesh at Hotel Sonargaon yesterday. Richard Ennor, Managing Director of Euromoney Publications, co-sponsors of the conference, is seen on her right. — Star photo

Dr Kamal Hossain says

Political stability a must for promoting investment, dev

Gono Forum chief Dr Kamal Hossain said here yesterday that violence, both by the state and non-state elements, must uncompromisingly be subordinated to the rule of law and political stability be ensured for promoting investment and development, reports BSS.

Dr Hossain was speaking on democracy and development, the rule of law and human rights. Essential linkage relevant to investors' concerns at the Euromoney-BOI hosted Bangladesh Investment Conference.

He said the need for democracy and human rights and the rule of law has been actually felt by citizens which have suffered under authoritarian regimes, including our own, as pre-conditions for significant development. He said it is gratifying that the imperative on "good governance" has received due recognition by the leading financial institutions and policy-makers of

capital exporting countries.

He said in order to create truly a positive environment for investment and a development in Bangladesh, one in

legacies of the past.

Dr Kunal said the negative legacies include a centralised democratically controlled and inefficient administration, which is allergic to transparency and accountability, law enforcing agencies which for long had become accustomed to carry out illegal and repressive orders.

Confrontation between government and opposition is another daunting legacy of the past, he said.

The Gono Forum chief said the respective roles of the government and the opposition in a parliamentary democracy call for acceptance of basic democratic norms, tolerance and mutual respect and bi-partisanship on fundamental national goals.

Dr Kamal said confrontational politics ultimately result in deadlock and crisis, the cost of which for economic development is unacceptably high.



Dr Kamal Hossain

which the Emerging Tiger can really spring forward — critical transitions towards democracy and the market economy must be carried forward by overcoming the negative

Political overview at Euromoney confce

Opposition MPs' resignation won't lead to breakdown of law, order

By Staff Correspondent

The en masse resignation of the opposition members from the Jatiya Sangsad and their call for early election under a caretaker administration is a transitional phase of the political evolution from a military dictatorship towards a parliamentary democracy, and it will not result in the total breakdown of law and order.

This view was expressed in a political overview of a research paper presented at the Euromoney conference yesterday. The paper was prepared under the guidance of Crosby Capital Market (Asia) Ltd — a leading Hong Kong based independent investment bank.

"However, the longer it takes for elections to be held, the further will be the delay for normalcy to be restored to the business environment in Bangladesh, the paper observed.

Titled from dictatorship to

democracy the paper gave a brief outlook of the recent political developments in Bangladesh.

Ghalib Chaudhuri, Gavin Saxon and Sussan Murphy took part in this working session under the topic "Assessing foreign investors and nurturing investor relationships".

Explaining the political situation after the country's independence, the paper also observed that the political concerns would not disappear under the medium-term investment. But the political system is evolving towards democratic stability, it added.

On the question of fundamentalism in Muslim countries, it was mentioned that "The fundamentalists do not have a mass base in Bangladesh because the Jamaat-e-Islami obtained only 12 per cent of the popular votes in the 1991

general election and the controversy over the book by feminist author Taslima Nasreen is an exceptional event."

Praising the liberalisation efforts by the present government the paper commented that "Khaleda Zia's government managed to rule effectively and enhanced the economic liberalisation process over two years despite a narrow parliamentary majority."

It is significant that Mujib's daughter, Sheikh Hasina Wajed, chief of Bangladesh Awami League, has publicly stated that her party is in favour of continuing the economic liberalisation programme. She has openly come out in support of the 510 million US dollars KAFCO fertilizer plant at Chittagong which is widely viewed, especially by the foreign investor community, as a test case on the receptiveness of governing and opposition parties to Foreign Direct Investment (FDI), so, this has reassured the foreign entrepreneurs that the current economic deregulation programme will not be reversed in the event of a change of government, the paper said.

The government will also extend a tax deduction to businesses that set aside funds for preparing for earthquakes and similar disasters, the officials said.

The official said such deductions have been available to companies in recent years.



Prof M Shafiqullah, Founder Director of the Institute of Business Administration, University of Dhaka, inaugurated MBA Club Ltd, a club exclusively for MBAs in Bangladesh, in the city recently.

Japan may give tax relief to quake victims

TOKYO, Jan 24: Japan may give tax breaks to victims of last week's devastating earthquake. Finance Minister Masayoshi Takemura said Tuesday, reports AP.

Japanese citizens can already get some tax relief from earthquake damage, but the details of the new tax breaks are still under consideration, a ministry official said on condition of anonymity.

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Japan's trade surplus grows

TOKYO, Jan 24: Japan's trade surplus grew 0.3 per cent from a year earlier to 12.99 billion dollars in December, boosting the imbalance for the year to a record 121.2 billion dollars, the Finance Ministry said today, reports AFP.

The ministry said the surplus for the year, up 0.8 per cent and surpassing the previous record of 120.2 billion dollars a year earlier, came despite imports growing at a faster pace than exports.

Exports grew 9.6 per cent to 395 billion dollars and imports were up 14 per cent to 274 billion dollars, the ministry said.

The surplus with the United States, the country's biggest trading partner, came to 54.9 billion dollars. Exports to the country climbed 11.5 per cent to 118 billion dollars and imports were up 13.3 per cent to 63 billion dollars.

Japan's trade surplus with Asia was 61.7 billion dollars, with exports to the region jumping 16.6 per cent to 157 billion dollars and imports from neighbouring countries advancing 17.6 per cent to 95 billion dollars.

The imbalance with the European Union was 22 billion dollars. Exports to the 12 countries edged up 1.9 per cent to 57 billion dollars and imports from the region leapt 17.6 per cent to 35 billion dollars, the ministry said.

For December alone, the surplus for the month — up from 8.6 billion dollars in November — included exports of 37.7 billion dollars, up 14.9 per cent from a year earlier, imports jumped 24.5 per cent to 24.7 billion dollars.

Japan's trade surplus with the United States was 5.5 billion dollars with exports climbing 6.9 per cent to 10.6 billion dollars and imports expanding 11.8 per cent to 5.1 billion dollars, the ministry said.

ROK offers Japan relief supplies worth \$5m for quake victims

SEOUL, Jan 24: South Korea has offered Japan relief supplies worth 5 million dollars to help it deal with the damage caused by last week's earthquake, a foreign ministry official said today, reports Reuter.

"The offer was conveyed last week, and the relief supplies are expected to total around 5 million dollar," the official said.

He said Japan had already accepted 180,000 dollar worth of emergency supplies from South Korea and Seoul had sent 500,000 dollar to Mindao, the Association of Korean Residents in Japan, to help relief efforts for ethnic Koreans.

About 85,000 ethnic Koreans live in Kobe, the worst hit city in the January 17 quake.

The quake killed more than 5,000 people and left more than 100,000 homeless. The dead included at least 429 ethnic Koreans, Seoul officials said.