

Biman Bangladesh constructing 'cargo village'

By Staff Correspondent

Biman Bangladesh Airlines, the national carrier, is constructing a 'cargo village' to ensure security of export items during processing.

Biman is also going to adopt an 'open air policy' to meet the increased demand for cargo freights, says a press release.

This was disclosed by Dr Mohiuddin Khan Alamgir, State Minister for Civil Aviation and Tourism, at a meeting with BGMEA delegates in the former's office of Sunday.

The minister told the Bangladesh Garment Manufacturers and Exporters Association team headed by its President Mostafa Golam Qudus that Biman was convinced in principle to waive the 'royalty' from the chartered carrier.

The proposed village will cost about Taka 46 crore. BGMEA President urged the minister to treat the overseas buyers on 'Very Important Persons' or 'Commercially Important Persons' at the airport.

For valued buyers face various difficulties at the entrance, Qudus said. The minister said that BGMEA should propose some names of the buyers to receive that facility.

Alamgir said Biman's increase freight to New York from Taka 109 to Taka 146 per kilogram of exportable items would be readjusted.

Biman is also taking initiative to combat stealing of exportables from the port.

Biman fails to hold scheduled meet with AACAB

By Staff Correspondent

The Association of Air Cargo Agents of Bangladesh (AACAB) has criticised the Biman authorities for its failure to hold scheduled meeting with them.

"They (Biman) do not give due importance to the export activities," said Mustaque Ahmed, President of AACAB, while talking to The Daily Star last night.

He claimed that exports worth Tk seven crore were being hampered each day due to inoperation of Biman cargoes for the last three days.

He said Biman made a schedule to hold a meeting yesterday with the AACAB leaders at 2.30 pm. "But we waited until 4 pm until the meeting was postponed," he said adding that Biman was responsible for creating such a 'grave situation'.

The AACAB leader said that hundreds of tons of exportables have piled up at the Zia International Airport.

Rangs Electronics' sales & service centre opens at B'baria

Rangs Electronics Ltd has opened a new sales and service centre at TA Road, Brahmanbaria, says a press release.

The centre was inaugurated by Aktar Hussain, Managing Director of a Rangs Electronics — the sole authorized distributor of Sony Audio Video, Aiwa Audio Video, Sharp Home Appliances and Rangs products in the country.

Mahbubul Gani, Director; Kazuyuki Sakoda, Marketing Consultant of Sony International, Yoshiyuki Iwata, General Manager of Asia Marketing Division, Sabur Ahmed, General Manager and Masud Ali Khan, Manager Administration of Rangs Electronics, were present.

In his inaugural speech, the Managing Director said electronics has become a part of life in the present day living. He hoped that this sales and service centre will enable the local people and the people abroad to get the world famous electronic products and after-sales service easily.

Rangs Electronics Ltd has sales and service centres and authorized dealers all over the country.

Representatives from Sony International are staying in Bangladesh at present with a view to giving logistic support to Rangs Electronics in launching a special marketing programme and extending better after-sales services to the people of the country.

Philippine exports grow 14 pc in Feb

MANILA, Apr 7: Strong sales of electronics and computer parts helped Philippine exports grow 14 per cent in February from a year earlier to 1.81 billion dollars, the government announced Monday, says AP.

The February shipments were 7 per cent higher than the previous month, the National Statistics Office said.

Exports of electronics and components rose 22 per cent in February to 758.5 million dollars from a year earlier, accounting for 41.9 per cent of total export revenue.

Investors less worried about political instability

Red-tapism main hurdle to FDI: Seminar told

Bangladesh economy needs one billion US dollars every year in foreign private capital, but some crucial problems call for urgent solution before expecting any substantial inflow, reports UNB.

This was stated by Forrest E Cookson, president of the American Chamber (AmCham), presenting a paper on problems of foreign investors in Bangladesh at a high profile seminar here Sunday.

The Board of Investment (BOI) and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) jointly arranged the 3-day seminar on Foreign Direct Investment, opened at a city hotel on Saturday.

Cookson labelled poor infrastructural support, government's lack of sense of the value of time and corruption as the major hurdles to foreign investment and said the investors bother less with political instability.

"The problem with Bangladesh in the eyes of foreign investors is not the political instability... what is important is a government that is prompt to make decisions, makes these decisions clearly and sticks to what it says," he observed.

The AmCham chief noted that the foreign investors find some aspects of Bangladesh law difficult and said laws referring to recovery of credit, of obtain-

ing payments for accounts receivable and the protection afforded to labour are areas in need to review.

Identifying less freedom in business, he said: Part of the problem in Bangladesh is that the opportunities for earning good returns are present, but the government has gone out of its way to interfere with the day to day operation of the firm.

Referring to corruption, Cookson said the central problem for the American investors in dealing with Bangladesh is the Foreign Corrupt Practice Act which makes it very difficult for American companies to invest in this country without violating the US law.

He said the Transparency International rates Bangladesh as one of the most corrupt countries in the world and the American legal position make investment in the country tougher.

The AmCham president found instability of policy environment in the country, but noted that the most difficult problem for the foreign investors is the government's lack of understanding of the value of time.

Cookson's view was more or less supported by the representatives of two countries having large foreign investment in Bangladesh.

Yh Kim, Resident Representative of Korean Overseas Trade

Agency (KOTRA), said they are facing problems like administrative bottlenecks and procurement of land outside the Export Processing Zones.

He said the Korea investors identified some of the impediments to foreign investment and made recommendations to BOI, Bangladesh EPZ Authority and Bangladesh Bank. "But I'm sorry to say that there is not much sign of improvement."

Resident Representative of the Japan External Trade Organisation (JETRO) Yuichi Bamba said about 73 Japanese enterprises are operating in Bangladesh, but facing problems regarding infrastructure and administration.

He also complained of lack of necessary information from the concerned government agencies that is required before taking any investment decision.

Prime Minister's Principal Secretary Dr SA Samad, who chaired the session, said the foreign investors consider most whether they are welcomed or not, rather than the fiscal and non-fiscal incentives.

In the day's other session, Power Cell Director General SD Khan Presented a paper on energy sector. Additional Secretary of the Jamuna Bridge Division Omar Hadi on ports and their potentials, and East West Vice Chancellor Dr Farash Uddin on foreign investment.

Int'l expert consultation begins in city

'Take measures to improve inland water fish production'

State Minister of Fisheries and Livestock Saifur Rahman Roy has called for taking urgent measures to check declining fish production from inland waters, reports BSS.

The state minister made this call while inaugurating a five-day 'International expert consultation on inland fishery enhancements' at Sonargaon Hotel here, yesterday.

Hosted by the Ministry of Fisheries and Livestock, the consultation was sponsored jointly by the Food and Agriculture Organisation (FAO) and Overseas Development Administration (ODA) of Britain.

Presided over by Irshadul Haq, Secretary of the Ministry of Fisheries and Livestock, the

function was addressed, among others, by Resident Representative of FAO Hiroyuki Monuma, Representative from ODA Simon Blan, Director General of Fisheries Department Mohammad Liaquat Ali and Joint Chief Planning, Ministry of Fisheries and Livestock Muhammad Azizul Karim.

The state minister said fish production from inland waters is declining due to aquatic pollution due to pesticides, insecticides, herbicides and industrial effluents. He said, anthropogenic activities especially for flood control, drainage, irrigation have further contributed to the decline of valuable stock of inland fishes by preventing their migration to breeding and

feeding ground.

The state minister said fish is a part of the staple diet of the people of our country. The country produces 1.2 million tonnes of fish in which the inland fisheries contribute about 600 thousand tonnes, he said.

The minister said that the expert consultation would devote its energies to address these problems and evolve workable solutions. He hoped that the recommendations from the expert consultation would be relevant and directly applicable for the enhancement of the inland fisheries of the country.

A total of 30 experts from 15 countries are participating the consultation.



Aktar Hussain, Managing Director of Rangs Electronics Ltd inaugurating the sales and service centre at Brahmanbaria.

Dollar eases against yen after hitting 50-month high in Tokyo

TOKYO, Apr 7: The dollar eased in late trading here today, after hitting the 125 yen mark for the first time in 50 months as investors turned wary of possible intervention by the Bank of Japan, dealers said, reports AFP.

At 5 pm (0800 GMT), the dollar stood at 124.68-71 yen after briefly touching 125.00 yen earlier in the day compared with 124.27 yen in New York late last Friday.

Against the mark, the US unit stood at 1.6943-46, up from 1.6865 here earlier in the day and 1.6855 in New York late Friday.



Prime Minister Sheikh Hasina inaugurated the 48-seater passenger aircraft of Aero Bengal Airlines at a function at VVIP terminal of Zia International Airport on Sunday. — PID photo

Ctg Port users, ministry yet to reach decision

A meeting between the Chittagong Port users and the Ministry of Shipping has ended without reaching any decision on the use of private equipment at the port, says a press release.

Vice-President of Chittagong Chamber of Commerce and Industries and Convenor of Chittagong Port Users Forum, Kamaluddin Ahmed, in a statement Sunday said as per the tripartite agreement signed on March 19 following mediation by Chittagong City Corporation Mayor Alhaj ABM Mohiuddin Chowdhury and Saber Hossain Chowdhury MP, a final decision was to be taken by April 5.

Since no decision could be taken it was agreed that another meeting of port users and the Ministry of Shipping would again to be held today.

FBCCI chief urges India Remove tariff barriers for Bangladeshi goods

FBCCI President Yussuf Abdullah Harun has urged New Delhi to remove tariff barriers for Bangladeshi goods to enter Indian market and help reduce the huge trade imbalance, reports UNB.

Speaking at a launching ceremony of India's Liberty Footwear company at a local hotel yesterday Sunday, he said Bangladesh has removed almost all tariff barriers allowing Indian products to the Bangladesh market.

Harun expressed concern at the growing trade imbalance between Dhaka and New Delhi and said Indian export to

Bangladesh now stood at one billion US dollar while Bangladeshi export to India stood at about 70 million dollar.

"We are allowing your (India) goods in our country and now we would like to see our items in Indian market," the FBCCI President said, adding that by and large Bangladesh has removed all the tariff barriers.

Referring to Indo-Bangla relations, Yussuf Abdullah Harun said the two countries entered into a new era following the signing of the Ganges water sharing treaty.

51st branch of IFIC Bank opens in Faridpur

The 51st branch of International Finance Investment and Commerce Bank Ltd (IFIC) was inaugurated by the Minister of Water Resources, Abdur Razzak in Faridpur on Saturday.

Speaking on the occasion, the Minister urged the rural and urban people to take help from IFIC Bank and explore potential for promotion of Trade and Commerce as well as infrastructural development of Faridpur.

He stated that the Commercial Banks in private sector is playing a vital role in the economic development of the country.

He emphasised the need for introduction of modern banking in Bangladesh to bring the standard of banking at par with other developed countries of the world.

President over the ceremony, ASF Rahman, Chairman, of IFIC Bank Ltd, said is the only Bank in the private sector that has 40 per cent Govt share.

He assured the local business community that the new branch will extend all possible assistance and co-operation in the development of business and other commercial activities in the area.

In his welcome speech, Abbas Uddin Ahmed, Managing Director of the bank, said, "Although we are late in opening the branch in Faridpur we shall extend all possible help for the economic development of the district."



Abdur Razzak, Minister for Water Resources, inaugurating the 51st branch of IFIC Bank Ltd in Faridpur on Saturday.



D A Prasanna, CEO, GE Medical Systems, addressing a press briefing at a city hotel on Sunday.

48-seater pvt aircraft launched

Prime Minister Sheikh Hasina has called upon the private entrepreneurs to play pivotal role in nation-building activities, reports UNB.

"The government has opened various sectors for the private entrepreneurs and is patronising them as they can play active role in the nation-building drive," she said addressing the launching ceremony of 48-seater passenger aircraft of Aero Bengal, the only private airlines operating in the country.

Addressing the function at VVIP lounge premises of Dhaka International Airport, the Prime Minister said private sectors would have to come forward to accelerate the overall development process.

"This country is ours and we all have to build it," Hasina said, adding that her government is continuing its all-out effort for progress in all sectors, including the economy.

Aero-Bengal Airlines, which started its journey with two 17-seat aircraft, bought the 48-seater plane from Sri Lanka to expand its service.

The Prime Minister underlined the need for using the unused airports of the country recognising those as satellite airports in order to expand air traffic.

GE Medical to expand service in Bangladesh

GE Medical Systems, the world leader in Diagnostic Imaging equipments like X-ray, Ultrasound, CT and MRI scanners, will provide world class training and after sales service to its customers in Bangladesh, says a press release.

These initiatives are expected to expand GE's share significantly in the growing market for sophisticated medical technologies in the region.

This was disclosed by DA Prasanna, GE Medical Systems Chief Executive Officer and Director-South Asia Region, in a press briefing at a city hotel on Sunday. It was also attended by Omar Ishrak, General Manager, Ultrasound, GE.

At a seminar attended by over 150 medical specialists held earlier on the day, GE demonstrated the capabilities of the new ultrasound and colour doppler systems named LOGIQ.

Omar Ishrak, spoke about the latest advances like Micron Imaging and presented GE's global strategy for Ultrasound. Dr Ravi Kasat of Thomas Jefferson University showed many pioneering clinical studies performed at their research centre, using GE's LOGIQ scanners.

Modern imaging technologies enable doctors to achieve earlier diagnosis, non-invasively, and also make these procedures more cost effective.

GE Medical Systems has the world's largest installed base of over 20,000 CT Scanners and over 3000 MRI scanners. Over 80 per cent of the medical training and research centres in USA use GE products. GE is also number one in the field in Asia and has the best design, manufacturing and distribution facilities in many countries like Japan, Korea, China and India, the press release added.

New executives of ICAB's Dhaka region



AKM Mizanur Rahman FCA and SM Atiar Rahman FCA have been elected Chairman and Secretary respectively of the Dhaka Regional Committee (DRC) of the Institute of Chartered Accountants of Bangladesh (ICAB) for the year 1997 at its annual general meeting, held in the city recently, says a press release.

Having qualified as Chartered Accountant in 1984 from ICAB, Mizanur Rahman has been practising as partner of M/S Shafiq Mizan Rahman & Co. Chartered Accountants. He is presently Zone Chairman, Lions Clubs International District 315B-1 Dhaka, President, Lions Club of Dhaka Top Town, Secretary, Mottiri Samity, Treasurer, OISCA International Japan and also associated with many other social organisations. He also served as Secretary, DRC for the year 1994.

Atiar Rahman qualified as a Chartered Accountant in 1989 from ICAB. Presently he is serving in the BEXIMCO APPARELS LTD as Deputy General Manager. He is the Vice President of Lions Club of Dhaka Diamond and Greater Faridpur Jubo Kallyan Samity. This is his second consecutive term as Secretary in DRC.

The other three members of the Committee are: AK Gulam Kibria FCA, AKM Aminul Hoque FCA and Kamrul Abedin FCA.

Finance and fertiliser prices: What is good for Bangladesh?

By John Williamson

The donors' recent call for a tightening of fiscal policy, inter alia by raising the administered prices of petroleum products and fertilisers, has revived old fears that foreign institutions, perhaps especially the IMF and World Bank, are pushing policies of demand delation and higher prices on a reluctant government.

I have much sympathy for the natural desire of Bangladeshis to make national policy locally, even if that means mistakes are more likely to be made. Indeed, we in the World Bank have a term that expresses how important we think it is for a country's policymakers to believe in what they are doing, rather than to feel themselves being dragged around, we speak of government ownership of policies, and believe this to be a crucial determinant of their success. Recognising this, meetings between the government and the donors are essentially exercises in persuasion, not in one party dictating to the other. The problem is that the communicate written at the end of such a meeting tends to list the policies that donors advocated, rather than to explain the reasons for advocating them, with the result that newspaper readers can all too easily gain the impression that the donors were trying to lay down the law.

But it may be possible to explain in a newspaper article things that cannot be expressed in a communicate. Let me therefore try and spell out the logic

behind some of the policy suggestions that seem to have been most controversial.

The unease of the donors stems from the evidence that the budget deficit is likely to be larger than had been planned. The discrepancy is not enormous, but it is large enough to be worrying given that the planned deficit was about the largest that seemed prudent. A larger deficit would imply the need to choose between starving the private sector of adequate credit, or else allowing total credit expansion to be so large as to threaten a revival of inflation and a worsening of the balance of payments that the country is in no position to afford.

Some readers who remember learning Keynesian macroeconomics may wonder whether, given that the industrial economy is on the weak side, a little fiscal expansion financed by a faster growth of credit might not help to sustain growth, rather than being a threat. Once upon a time many of us would have subscribed to such a view though we would still have worried about the potential balance of payments effect of a larger budget deficit. But views on this issue have changed drastically over the past 15 years, even among those of us who never renounced our Keynesian heritage.

It is certainly true that tax increases and expenditure cuts have a direct effect in reducing demand, but there are three in-

direct effects that work in the opposite direction. First, far-sighted consumers will recognise that government debts will have to be financed by higher taxes, so they will tend to save more today to be able to pay those increased future taxes. Econometric evidence suggests that this so-called Ricardo Effect offsets something over 50 per cent of the direct effect. Second, a lower fiscal deficit will help reduce interest rates, which will stimulate investment and thus offset a further part of the direct effect. But those two effects together can only attenuate, they cannot reverse, the direct effect.

There is no such inherent limit on the third indirect effect. This is the impact that a smaller fiscal deficit may have in increasing business confidence, thus again leading to stronger investment. One can expect this effect to be modest under conditions of low inflation and unquestioned government solvency, which can explain why Keynesian economics worked in Britain or the USA in the 1930s, and in most of the industrial countries in the 1960s. But under conditions of high inflation, or when the government's solvency is open to doubt, one may get a quite different result: fiscal contraction may be expansionary! This paradoxical case (from the standpoint of a traditional Keynesian) seems to have held in a number of instances

in recent years: in Britain in 1982, or Denmark in the mid-1980s, or the transition economies in the 1990s. And surely it is a case that one might expect to hold in Bangladesh today.

Moreover, it is not just the level of demand that would be higher, but its composition would be biased toward investment and therefore growth, rather than toward consumption. I hope this helps explain why some of us feel it will be a tragedy if Bangladesh fails to correct the fiscal slippage that has occurred: it will undermine the chance of achieving a breakthrough to higher growth in the next few years.

If one accepts that analysis, then the next question is how fiscal policy should be tightened. One should not expect to find a set of policy measures that will involve no one in any sacrifice: it is always a thankless task to raise taxes or to cut expenditures. What one should seek are measures that promise to improve the efficiency of resource allocation while placing the burden where it can most readily be borne.

These criteria suggest the desirability of raising some of the administered prices, especially of goods whose price is unusually low by international standards in Bangladesh. Petrol is an easy case. The poor do not drive cars, or ride in autorickshaws. Raising the price of petrol would be good for income

distribution, would do something to discourage air pollution and greenhouse gas emissions, and would encourage the development of public transport.

Diesel is a more complex case. Diesel fuel is used by farmers to pump groundwater for irrigation, by buses which provide almost all the public transport, and by lorries which distribute the goods that everyone buys in the shops. Higher diesel prices will certainly have some effects that no one would welcome. At the same time, one has to recognise that holding the price of diesel at an artificially low level relative to petrol will also have some undesirable consequences: it will encourage the rich to switch from petrol-driven cars to more polluting diesel-driven vehicles, it will stimulate greenhouse gas emissions and thus the global warming that threatens Bangladesh, and it will encourage farmers to pump up too much groundwater. For these reasons it is desirable to avoid a large gap between petrol and diesel prices.

Another commodity that receives a large subsidy is fertiliser. Since increased fertiliser use has been responsible for much of the gain in agricultural output, it is natural to hesitate before cutting the fertiliser subsidy. But two questions need to be asked before deciding that fertiliser subsidies are sacrosanct.

The first question is: how much of the subsidy actually

gets to the farmer? Those with whom I discussed this question in Bangladesh seemed convinced that the answer is that little of the benefit gets to the farmer, instead much of it is captured by the middlemen. And, of that part which does reach the farmer, a good chunk (some estimated around 20 per cent) reaches the Indian rather than the Bangladeshi farmer. One wonders whether Bangladesh can really afford to continue subsidising Indian farmers for the benefit of Bangladeshi middlemen.

The second question is: may low prices induce farmers to use too much fertiliser? Since it is only urea that is subsidised in Bangladesh, the subsidy causes an unbalanced use of fertiliser: too much urea, too little phosphate and potash. This unbalanced fertiliser use degrades the soil and leads to progressively greater costs in sustaining production.

These are the sort of reasons that lay behind the advice given by the donors. Perhaps there are legitimate grounds for challenging some point of the analysis, but I hope that critics will at least accept that the advice rests on a genuine concern to create the conditions in which Bangladesh is able to progress. Helping Bangladesh create such conditions is, after all, what being a donor is all about.

(The author is chief economist for South Asia at the World Bank Headquarters.)