

## WB official tells foreign investors Corruption threatens to retard growth

Star Business Report

A World Bank official has cautioned the government against corruption, slow privatisation process and indiscipline in the financial sector which he feared might affect the country's economic growth.

Appreciating the GDP growth, more than 5 per cent annually in the past two years, Pierre Landell-Mills, the WB Country Director for Bangladesh, said yesterday that the country now needed to maintain competitiveness of its export-oriented industries.

Landell-Mills was addressing the monthly luncheon meeting of Foreign Chamber of Commerce and Industry, FICCI president A K M Shamsuddin Ahmed was also present.

The WB executive directors at a meeting last month criticised Bangladesh for its slow privatisation process, massive corruption at each level of the administration and huge uncovered bank loans, Landell-Mills said.

The World Bank official also criticised the country's low aid utilisation capacity. He said the Bank was sitting with one billion US dollars a year for Bangladesh, but the country could hardly use 300-400 mil-

lion dollars annually. However, Bangladesh got US\$ 658 million during the current 1997-98 fiscal from the WB, he said.

Landell-Mills told the FICCI members that the Bank was trying to help Bangladesh in its efforts to reduce poverty and attain a faster growth. "But the government must ensure that the power supply is good, the port is functioning well and telephones are working."

He spoke of good governance, quick and efficient judicial procedures, sound financial sector as key factors for attracting foreign direct investment.

According to WB estimates, he said, Bangladesh received US\$ 230 million worth of foreign investment in 1995-96 and US\$ 321 million in 1996-97. FDI inflows would be much higher in the current fiscal, he said.

When some chamber leaders were trying to convince Landell-Mills that the government's recent "hunt" for loan defaulters was not good, he said financial discipline should be restored immediately and that due to huge unrecovered loan Bangladesh's financial institutions were not able to fund medium- and long-term pro-

jects.

Landell-Mills said the government should carefully watch the current currency turmoil in the Asian countries and make sure it maintained a competitive exchange rate of the Bangladesh taka.

He said if Bangladesh could not remove corruption and maintain a flexible exchange



Pierre Landell Mills, Country Director of World Bank Resident Mission in Bangladesh, speaking at the monthly luncheon meeting of Foreign Investors' Chamber of Commerce & Industry at Pan Pacific Sonargaon Hotel yesterday. Chamber President A K M Shamsuddin, Secretary Jahangir Bin Alam and Member NJS Miller also seen.

rate, its export-led industries would soon face stiff competition from other Asian countries.

"China is becoming a big threat for Bangladesh," he said, warning that the country would obviously confront with China in next two years, if corruption -- a major factor which increases cost of production -- could not be removed.

Landell-Mills lauded the government's short-term fiscal management though it "failed to collect the expected level of revenue" and "the inflation rate was seven to eight per cent."

He said it was surprising that the people of Bangladesh were not reacting to the "outrageous corruption everywhere." "If everyone becomes proactive then it would remove corruption," he said adding toll collection, bribing the public officials were hurting investment climate of the country.

He referred to the ongoing and upcoming WB projects which would make administration and the judiciary more transparent, improve auditing and accounting systems of different government offices.

In his address of welcome, FICCI president said Bangladesh needed an eight per cent GDP growth in order to get out of the poverty trap. He welcomed the WB assistance to combat corruption but said downsizing the government, financial and legal sectors reforms, and transparency in the governance were pre-conditions to it.

## 'One phone set for every 100 Bangladeshis by 2000'

Bangladesh plans to have one telephone set for every 100 people by the year 2000, four by 2010 and 10 within the first quarter of the 21st century, reports UNB.

The target was set in the recently approved National Telecommunications Policy, 1998 that also envisages digitalisation replacing all analogue switching equipment by 2002 and analogue transmission equipment by 2005.

Country's present teledensity is about 0.1 telephone for every 100 people with a capacity of 4.75,036 line-unit of which more than 55 per cent is of digital technology.

The target of expansion of telephone penetration has been fixed at 1,300,000 line-unit to decrease the unserved demand and increase the teledensity to one telephone for 100 population.

The goal is to be achieved through increase in basic telecommunication facilities, expansion of existing networks and provision of new ones by 2010.

The national policy shows that teledensity will be 10 for 100 population within the first quarters of the next century that will include value added services and Global Mobile Per-

sonal Communication by Satellite (GMPCS) and other new services.

It emphasises that telecom sector needs rapid expansion to meet the unmet demands for telecom services and that public and private sectors are to work as partners to develop telecommunications in the country.

Eight operators are now in operation or licensed. Of them, Bangladesh Telegraph and Telephone Board (BTBB) is the lone operator in the public sector and the largest one having basic telecom services, transmission and international network.

The private sector operators are licensed to provide basic telephone services in rural areas and value added services all over the country. The national policy provides for the private operators to contribute their efforts towards accessibility up to village level.

The policy spells out that emphasis will also be given on the efforts to upgrade the semi-urban and rural telecommunication facilities and make the services with latest technology available in phases ultimately in the villages by the year 2005.

In the short term perspective, the operators will continue to consolidate and develop up to

the year 2000 in their respective fields for which they have been licensed.

The BTBB will upgrade its trunking and transmission networks and links both inland and overseas to meet the increasing interconnection demands of its own and the private sector operators.

Besides, it will continue its expansion programmes in its areas to meet the growing and unmet demands for telephone lines.

Furthermore, the government reserves the right to license additional operators if appropriate, and if needed, take measures to open basic telecommunication services to the private sector operating entities.

In this regard, the mid-term target of the government is to open more service areas for private participation in basic telephone and long distance networks after the year 2000 or earlier.

As a long term strategy, according to the policy, development of telecom infrastructure and services in all the fields are to be opened for private participation after the year 2010, and if needed, this can be opened up earlier than the year 2010.

## FBCCI team leaves for Islamabad

A three-member delegation of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) left here for Pakistan capital, Islamabad yesterday to attend a two-day 'Strategic Planning' workshop, reports UNB.

FBCCI president Yusuf Abdullah Harun is leading the delegation to the workshop to be held on April 29-30.

Other members of the delegation are FBCCI Executive Committee members Mir Nasir Hossain and Mohammad Ali Sarkar.

The SAARC Chamber of Commerce and Industry (SCCI) has organised workshop.

The workshop will discuss the future strategy of SAARC Chamber of Commerce and Industry for enhancing cooperation among the member countries.

The other members of the SAARC Chamber will also attend the workshop.

During the absence of the President, Kazi Shaful Islam, Vice-President, FBCCI, will act the president.

## Vajpayee announces 3-month reform schedule

NEW DELHI, Apr 28: Indian Prime Minister Atal Bihari Vajpayee on Tuesday promised to cut red tape, find new sources of funding for infrastructure and take other steps over the next three months to overhaul an economy hobbled by political uncertainty, reports AP.

Economic reforms launched by a previous government in the early 1990s foundered after 1996 elections left no single party in control. Vajpayee's current coalition left no single party in control. Vajpayee's current coalition is, by early indications, likely to be as unwieldy and fractious as the multiparty government that collapsed last November, forcing elections two years ahead of schedule.

Vajpayee won the most parliamentary seats in the new vote, but not enough to govern without partners -- 19 of them. But in his speech Tuesday to industrialists, he pledged political uncertainty would not hamper good governance.

"I assure you that in spite of some teething problems, the people's desire to see a stable, strong and action-oriented government in New Delhi will be fulfilled," Vajpayee said.

The month-old government's priorities include setting up a panel to simplify or even scrap laws governing trade and industry.

A high-powered panel that

screens foreign investment proposals will have to decide on each application within 60 days, Vajpayee said in a speech at the annual conference of the Confederation of Indian Industry.

The Prime Minister's Office will directly monitor a list of projects worth one billion rupees (253 million dollars) in the areas of power, roads and bridges, dams and irrigation, telecommunication, oil and energy, railways, ports and airports, he said.

"My office will seek a monthly progress report on all such projects and ensure that they are completed and commissioned on due dates," Vajpayee said to wide applause.

He also proposed tapping new sources of funding for infrastructure projects, including debt market instruments and pension and insurance funds.

While he can simply order administrative reforms some of the changes Vajpayee promised will have to be approved by parliament. He proposed unspecified changes, for example, in foreign exchange laws.

In a later speech to the industry group, main opposition leader Sonia Gandhi promised to help Vajpayee.

Her Congress party will give constructive cooperation to the government if a broad national consensus is reached on legislative changes for boosting

investment and restoring business confidence," she said.

**Bank employees threaten strike**

AFF says: Trade unions in India's state-run banking industry on Monday warned of a nationwide strike if the government accepted suggestions to privatise the sector.

"Going on strike would be one of the options," a spokesman for the National Confederation of Bank Employees told reporters here after a meeting of various bank unions.

The strike threat followed the recommendations of a government-appointed commission, including merger of state-owned banks and changes in rules which govern lending to the agriculture sector.

Bank unions fear the government would slowly privatise the industry under the garb of reforming state run banks, which employ one million staff.

New Delhi first nationalised private domestic banks in 1969, but allowed private banks to reopen in 1995 as part of pro-market reforms begun in 1991.

India has more than 50 state-owned banks, which are notorious for red tape and labour unrest, according to the central Reserve Bank of India they have accumulated bad debts of 11.4 billion dollars.

## Taiwan-China indirect trade drops by 4 pc

TAIPEI, Apr 28: Indirect trade between Taiwan and China shrank 4.0 per cent from a year ago to 4.046 billion US dollars in the two months to February, the Board of Foreign Trade (BOFT) said yesterday, reports AFP.

It ascribed the decline to a dumping of goods from crisis-hit southeast Asian nations and South Korea whose currencies have fallen sharply as well as to China's sagging domestic demand.

Exports to the mainland stood at 2.45 billion US dollars in January-February, a decrease of 6.4 per cent year-on-year, while imports from China rose 6.6 per cent to 596 million US dollars.

The island enjoyed a 1.855 billion dollar trade surplus, down 10 per cent from a year ago.

The indirect commerce, largely conducted via Hong Kong, made up for 9.2 per cent of Taiwan's overall trade for the two months.

Taiwan fared better than South Korea and Southeast Asia in items such as electrical equipment and parts, man-made fiber and steel products, the BOFT said in a statement.

"Yet Taiwan-made products such as plastic products and textiles faced stiff competition from the two areas," it said.

Electrical items, machinery, steel, plastics and synthetic fibers comprised 54.6 per cent of mainland-bound shipments while 74.6 per cent of imports from China were agricultural and industrial materials.

Taiwan's ruling Kuomintang, forced out of the mainland by communists at the end of a civil war in 1949, has banned direct trade with the long time rival.

Cross-strait indirect trade amounted to 24.4 billion US dollars in 1997, a 10.1 per cent growth over the previous year.

## Exchange Rates

Following is the forex trading statement by Standard Chartered Bank, Dhaka.

Central Bank USD/BDT Rate: Buying-BDT46.15/Selling-BDT 46.45

TT/OD	Selling		Currency	Buying		
	BC	Doc		TT Clean	OD Sight	OD Transfer
46.5100	46.5500	USD	46.1150	45.9550	45.8400	
78.2298	78.2971	GBP	76.8737	76.6070	76.4153	
26.1439	26.1664	DEM	25.6194	25.5306	25.4243	
0.3548	0.3551	JPY	0.3462	0.3450	0.3441	
31.4788	31.5059	CHF	30.7741	30.6673	30.5295	
23.2469	23.2669	NLG	22.8100	22.7309	22.6404	
29.3253	29.3506	SGD	28.6785	28.5790	28.4544	
7.7808	7.7875	FRF	7.6622	7.6356	7.6127	
32.5472	32.5752	CAD	31.8034	31.6931	31.5485	
6.0465	6.0517	SEK	5.9450	5.9243	5.9072	
30.3710	30.3972	AUD	29.2369	29.1355	28.9250	
12.6386	12.6495	MYR	11.8395	11.7985	11.7780	
6.0106	6.0158	HKD	5.9434	5.9228	5.9103	
12.4692	12.4799	SAR	12.2289	12.1864	12.1658	

**Usance Export Bills**

TT/DOC	30 Days	60 Days	90 Days	120 Days	180 Days
46.015	45.731	45.352	44.9162	44.4425	43.3183

**Exchange Rates of Some Asian Currencies Against US Dollar**

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
39.6686	44.10/13	38.7080	3.7800/50	7950/8050	1349/52

**US Dollar**

Buying	Selling	Labor			
		1 Month	3 Months	6 Months	12 Months
Cash 46.05	46.6	USD 3.65625	5.6875	5.78125	5.91016

**TC** 45.9 46.5 **GBP** 7.44141 7.5 7.49219 7.4375

**Indicative forward cover selling rates against Taka**

USD/BDT	Month	Months	3			4			5			6		
			2	3	4	2	3	4	2	3	4	2	3	4
GBP/BDT	46.69	46.90	47.11	47.32	47.53	47.74								
USD/BDT	78.25	78.49	78.72	78.98	79.23	79.49								
DEM/BDT	26.21	26.38	26.54	26.74	26.86	27.03								
CHF/BDT	31.57	31.83	32.08	32.33	32.59	32.85								

**Market Commentary**

The call money rate fell further and it was reported to range between seven and 7.5 per cent due to increased liquidity. Demand for the US dollar was high mainly due to import payments and it was said to trade between Taka 46.440 and 46.4700 in the interbank market.

In the international forex markets, dollar fell against most currencies due to fall in Dow Jones Industrials by 1.62 per cent on Monday. Fears of Bank of Japan intervention kept the dollar under pressure against the Japanese yen despite rise in Japan's unemployment rate to 3.9 per cent in March which is the highest since 1953. At 1710 hours local time US dollar traded at 1.7890/08 DEM, 131.55/131.65 yen and GBP at 1.6672/82 against USD.

## PC industry shows robust growth

SAN JOSE, California, Apr 28: The personal computer industry posted solid growth in first quarter 1998, with shipments increasing 14.1 per cent over the same quarter last year a survey reported Monday, says AFP.

Dataquest, a research and consulting group said shipments in the first three months of the year came to 21 million units, with Compaq IBM and Hewlett-Packard recording the strongest performances.

Dataquest earlier this month predicted the personal computer market would expand 15.6 per cent in 1998.

"There are signs that Compaq's inventory is shrinking slightly, and dell is positioned to take advantage of both the Pentium II transition and customer movement to windows 98," said Scott Miller, Dataquest senior analyst.

"We believe the Secret to Hewlett-Packard's success lies in the company's supply chain management and its ability to execute."

The study found that the United States continued to grow more rapidly than the worldwide market as US Personal Computer Shipments expanded 16.2 per cent in the quarter to 7,800.

## New branch of SIBL opens

Social Investment Bank Limited has opened a new branch at Babubazar in the city.

The branch has inaugurated by the Chairman of the Bank Dr M A Mannan on Sunday, says a press release.

## 'Japan's package can kickstart economy'

PARIS, Apr 28: Japan's economic stimulus package has the potential to kickstart the economy in the second half of this year and early 1999, but the Tokyo government cannot afford to stop there, IMF Managing Director Michel Camdessus said here.

The package "has certainly the potential to stop the decline and to give a boost during the second part of this year and the beginning of next year," Camdessus told a press conference on the sidelines of the annual ministerial meeting of the 29-member Organisation for Economic Cooperation and Development.

But it is important that fiscal stimulus is not "prematurely" withdrawn at the end of next year, Camdessus said. It should be withdrawn gradually once the economic recovery "is well established," Camdessus said.

He also said he would like to see the temporary tax cuts included in the 16.6 trillion yen (127 billion dollars) package "promptly complemented by measures of a more permanent nature."

He acknowledged that "this is difficult indeed" for the Japanese government to achieve, but "it will be important for the government in the next few months to devote its attention to that."

The economic package included a pledge to reduce corporate taxes to close to international norms in three years, but on personal taxes simply said that the government would review them.

"All these measures are already announced. We hope that they will be now implemented forcefully," Camdessus said.



Former Finance and Planning Minister A M A Muhith addressing a seminar on Policy for Social Expenditure in Bangladesh which was presided over by Bangladesh Bank Governor Lutfar Rahman Sarker at the Bank auditorium in the city yesterday.

## Asian stocks close mixed

HONG KONG, Apr 28: Asian stock markets closed generally mixed Tuesday despite a large drop overnight on Wall Street, but the key index in Tokyo fell to its lowest level since mid-January, reports AP.

Tokyo's benchmark Nikkei Stock Average of 225 selected issues shed 254.52 points, or 1.63 per cent, closing at 15,395.43, the lowest closing since Jan 14. On Monday, the average had lost 361.29 points, or 2.26 per cent.

The Tokyo market seemed most concerned about more bad news about the domestic economy.

Japanese officials said unemployment had jumped to a record 3.9 per cent in March. Production at factories and mines fell, as did department store and supermarket sales.

Analysts said fears that the bull market in the United States was running out of steam added to the bleak atmosphere.

In currency trading, the US dollar was quoted at 131.87 yen in late afternoon, down 0.78 yen from late Monday in Tokyo and also below its late New York rate of 132.23 yen overnight.

In New York Monday, fears that the Federal Reserve would raise interest rates forced the

Dow Jones average down almost 147 points to close at 8,917.64.

As Asian markets opened hours later, declines were registered across the region.

In Hong Kong the key Hang Seng Index dropped almost 300 points before rebounding later in the day to close at 10,678.61, up 84.90 points, or 0.8 per cent. On Monday, the index had slumped 286.22 points.

The markets were closed in Malaysia and Jakarta for holidays.

Elsewhere:

TAIPEI: Share prices closed slightly lower after recovering most early losses as investors snapped up lower priced stocks. The market's key Weighted Stock Price Index fell 36.95 points, or 0.43 per cent, to 8,434.67.

WELLINGTON: New Zealand share prices closed lower, with brokers saying the market has been dragged down by poor performances in overseas markets. The NZSE-40 Capital Index fell 47.52 points, or 2.0 per cent, to 2,240.09.

MANILA: Philippine shares closed mixed, with bargain-hunters taking advantage of the market's recent weakness to pick up oversold blue-chip issue

just before the session ended, traders said. The Philippine Stock Exchange Index of 30 selected issues rose 45.30 points, or 0.2 per cent, to 2,126.69.

SYDNEY: Australian share prices closed lower, pushed down by an overnight slide on Wall Street and further declines on stock markets across the Asian region. The All Ordinaries index fell 36.7 points, or 1.3 per cent, to 2,781.3.

SEOUL: Share prices closed lower in line with declines on regional markets. The Korea Composite Index fell 3.86 points, or 0.9 per cent, to 402.39.

SINGAPORE: Share prices closed higher on renewed talk that local banks are planning to lower their interest rates, dealers said. The benchmark Straits Times Industrials Index rose 10.30 points, or 0.7 per cent, to 1,481.77.

BANGKOK: Thai stock prices closed slightly higher in a late rally as the Cabinet announced steps to issue government bonds to ease tight liquidity and bring down interest rates, dealers said. The Stock Exchange of Thailand index gained 0.76 points, or 0.2 per cent, to 419.55.

## Vietnam's exports up by 20 pc

HANOI, Apr 28: Vietnam's exports posted 3.2 billion US dollars in the first four months of this year, a first-year-on-year increase of 19.8 per cent over the corresponding period of 1st year, according to official statistics released yesterday, reports Xinhua.

Thanks to the government's policies encouraging exports, the country recorded 900 million US dollars in exports in March and April 1998.

Items that achieved export increase included tea, up 53.2 per cent, footwear, up 13.7 per cent, crude oil, up 12.3 per cent, garment and textile, up 12 per cent, coal, up 3.7 per cent, and rubber, up 3.4 per cent.

Rice exports continued to increase, with 2.2 million tons shipped abroad so far this year, a 2.5 time year-on-year increase.

Due to a prolonged drought, coffee exports were down 19.8 per cent, vegetables down 14.4 per cent, pepper down 12.3 per cent, ground nuts down 8.3 per cent, and cashew nuts down 1.4 per cent compared with the corresponding period last year.

Foreign-invested businesses in Vietnam still kept a high export growth rate, reaching 600 million US dollars 40 per cent higher than the same period last year.

Meanwhile, the country's imports were valued at 3.73 billion US dollars up 4 per cent over the same period last year.

Items with increased import volumes included fully-assembled vehicles and accessories, steel ingots, fertilizer, petroleum and motorbike spare parts.

## Asian turmoil won't deter China's reforms

BEIJING, Apr 28: Asia's financial turmoil won't deter China from revamping its banking sector and liberalising trade, Chinese Foreign Trade Minister Shi Guangsheng said Tuesday, reports AP.

The crisis, which has dragged down many economies in the region, has demonstrated the need to create better conditions for investors and thereby bring in the capital and technology to stimulate economic growth, Shi said.

"We will not slow down our reforms, but rather speed them up," Shi told a gathering of German business executives.

Specifically, Shi vowed to reduce trade tariffs from the current average of 17 per cent to the level of developed countries by the year 2000 and then to an average 10 per cent by 2005. He reiterated China's pledges not to devalue its currency and to reach 8 per cent growth this year.

China's ability to meet the growth target and its commitment to liberalising trade have recently been called into question.

Statistics released late last week showed economic growth slowing to 7.2 per cent in the first quarter, in part due to poor performance by already weak state industries. The persistent sluggishness of state enterprises, already heavily indebted to state banks, could complicate financial sector reforms.

China's bid to join the World Trade Organisation also appeared to lose steam last month when Beijing presented a lackluster offer to trading partners negotiating its entry.

Speaking at the opening of the 7th Asia-Pacific Conference

of German Industry, German Economics Minister Gunter Rexrodt praised the results of China's reforms so far.

Noting that China was Germany's leading Asian trade partner after Japan, Rexrodt said German investment and technology will continue but urged Beijing to improve protection for patents, copyrights, trademarks and other intellectual property rights.

"If intellectual property rights are not safeguarded, companies will hesitate to transfer technology," said Rexrodt.

**Danish workers on strike**

COPENHAGEN, Apr 28: Half a million workers demanding a sixth week of salaried vacation walked off the job yesterday in Denmark's first strike in 13 years, triggering panic buying in the country's supermarkets, reports AFP.

The stoppage was being honoured by workers in the transport, construction, manufacturing and service sectors.

Scandinavian airlines system cancelled all its flight to and from Copenhagen, while other airlines scrambled to cover about 200 of the 500 flights cancelled at Copenhagen airport.

Across the country, dunes got out their bicycles as bus drivers observed the strike, as did most taxi drivers, garbage piled up on the streets. The famed Tivoli amusement park shut down three days into its 156th season.

## Iraq favours further cut in OPEC output

UNITED NATIONS, Apr 28: Oil exporters should consider further production cuts when they meet in Vienna on June 24, Iraq's oil minister said Monday, reports AP.

Last month the Organisation of Petroleum Exporting Countries, or OPEC, agreed at an emergency meeting to reduce its oil output by 1.245 million barrels a day from April 1 through the end of this year to boost oil prices.

Several ministers have said OPEC would consider whether further reductions are needed when the group meets in late June.

Rasheed, who is in New York for talks with the United Nations, said he was encouraged by indications from some OPEC members that they would be willing to consider further cuts.

## Dubai's bullion trade starts slipping

DUBAI, Apr 28: Dubai's bullion trade has started to slip after a decision by its main market India to allow banks to import gold directly, officials said here, reports AFP.

But they insisted that, despite the changes in India, Dubai would remain the world's largest regional gold redistribution centre.

Gold imports by the Gulf commercial hub stood at around 153 tonnes in the first quarter of 1998, down from nearly 155 tonnes in the same period of 1997, said Muad Barakat of the World Gold Council (WGC).

"The reason is that Indian banks can now import directly from Switzerland and other gold producing countries following measures by the government to liberalise the gold trade there," said Barakat. Director of the WGC's planning and financing department for the Middle East.

The gold trade in Dubai, the second biggest and wealthiest member of the United Arab Emirates (UAE) after Abu Dhabi, depends largely on the Indian market, which receives nearly 80 per cent of Dubai's total gold imports.