FBCCI seeks ADB aid to boost private sector, strengthen export base

Business leaders in the city have sought financial and technical assistance from Asian Development Bank to boost private sector activities, develop human resources and strengthen export base, reports UNB.

"We're at the juncture of economic development. We need your help," FBCCI President Yussuf Abdullah Harun told a visiting ADB team at a meeting, requesting the ADB not to curtail its financial assistance to Bangladesh.

The president of the Apex trade body, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), also drew ADB's attention to the prolonged flood that caused extensive damage to crops and infrastructure.

ADB Director Francesco Pittore led the seven-member team in the dialogue at the federation building at Motijheel in the city yesterday.

Metropolitan Chamber of Commerce and Industry (MCCI) president Laila R Kabir, Dhaka Chamber of Commerce and Industry (DCCI) president R Maksud Khan and Bangladesh Chamber of Industries (BCI) president Sharif M Afzal Hossain also spoke on the occasion.

Foreign Investors' Chamber of Commerce and Industry (FICCI) president AKM Shamsuddin, ADB's resident representative in Dhaka Phiphit Suphaphiphat and Host Director for Bangladesh M Faizur Razzaque were present.

Trade body leaders requested the ADB for industrial financing which, they said, is very inadequate in Bangladesh.

They identified small and medium enterprises (SMEs) as the priority area where ADB can extend financial support.

The FBCCI President said that although the relation between the government and the private sector is very close, bureaucracy is not yet as responsive as that in other countries.

The government has liberalised the economy, but adequate logistic supports are yet to be ensured, Harun said, referring to the port problems, irregular power supply and delay in customs clearance.

Giving a resume of reform programmes taken up by the government, the FBCCI leader said administrative reforms showed little progress. Reforms in financial and judicial sectors have seen better progress, he pointed out.

Harun painted a frustrating picture of industrial financing in Bangladesh, and said two government institutions for industrial financing are virtually ineffective while contribution of commercial banks is unsatisfactory.

He sought ADB's assistance for industrial financing and further development of export sector, which recorded a 17 per cent growth last fiscal.

Human resources development is one of the priorities of the private sector, Harun said, inviting increased participation of ADB in Bangladesh.

Laila Kabir said ADB's financial and technical assistance is welcome for development of export and improvement of productivity.

She also sought ADB's support in developing a non-government institution for financing the industries, an area the commercial banks have failed to tackle.

Sharif Afzal called upon ADB to come up with assistance for post-flood rehabilitation works. He said private sector needs institutional support.

Maksud Khan sought the ADB support in setting up a Product Development Institute. Small and Medium Enterprises (SMEs), provided with proper assistance, can be the key factors for sustainable economic development, he added.

ADB team leader Francesco Pittore, while focusing on ADB's presence in Bangladesh, said it is reluctant to finance nonviable public enterprises. He, however, said ADB's financing in private sector is "not too much."

He said Bangladesh's environment is sound for private sector growth, but felt government administration should be more open.

Pittore also stressed the need for privatisation of public enterprises and financial sector reforms.

He suggested that the business community leaders consult and convince the government of their various problems.

Yussuf Abdullah Harun, President of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), addresses a discussion meeting with the visiting members of the Board of Directors of Asian Development Bank (ADB) at Federation conference room Tuesday. Francesco Pittore, head of the ADB delegation, M Faizur Razzaque, Director of ADB and Laila Rahman Kabir, President of Metropolitan Chamber of Commerce and Industry, are also seen in the picture. — FBCCI photo

HK has third largest forex reserves

HONG KONG, Sept 1: Hong Kong's foreign exchange reserves totalled 96.5 billion US dollars at the end of July, unchanged from a month earlier, the government announced Tuesday, says AP.

Hong Kong has the third largest foreign reserves, behind Japan's 207.5 billion US dollars in July, and China's 140.6 billion US dollars, the Hong Kong Monetary Authority said.

The government is believed to have spent about 15 per cent of its foreign reserves last month in shoring up the stock and futures markets and in defending the Hong Kong dollar, which is pegged at 7.80 to the US currency.

Foreign investment in Poland hits record high

WARSAW, Sept 1: Foreign investment in Poland in the first half of 1998 reached a record high of five billion US dollars, the Polish Foreign Investment Administration reported Monday, says Xinhua.

Foreign investment in Poland amounted to 5.7 billion dollars in the whole of last year compared with 5.2 billion dollars in 1996 and 2.5 billion dollars in 1995.

The figures are based on official statistics related to projects each with investment of more than million dollars.

So far, Italy's Fiat Group boasts the biggest investment in Poland with 1.247 billion dollars, followed by South Korea's Daewoo Corporation, with 1.200 billion dollars.

The increase of foreign investment in Poland is chiefly attributed to the stable political situation, sustained rapid economic growth and favourable policy on attracting investment to the country.

Russian financial mkts paralysed

MOSCOW, Sept 1: Russia's financial markets were virtually paralysed yesterday as investors awaited the outcome of a deepening political crisis which is holding up attempts to overcome great strains in the economy, reports AFP.

Only three deals were struck during the first two hours of trading in the lowest volumes could remember.

At 3:00 pm (1100 GMT) the main RTS index stood at 64.50, a drop of 3.41 per cent from the closing price on Friday and just a shade above an historic closing low of 63.20 set last Thursday.

The broader RTS Interfax index, which includes energy monolith Gazprom, was showing a loss of 4.27 per cent to 20.72, having started the year at 100.

The big freeze was rejected in interbank foreign currency trading, where the rouble continued to fall in over-the-counter dealing, although on tiny volume of just one million dollars, analysts said it was impossible to say what the real market rate was.

The Russian currency was being sold at 11.7 to the dollar compared with an official rate of 7.905 to the dollar. Last week the rouble fell to 16 to the dollar on the over-the-counter trading system before recovering.

Dealers have been forced into over the counter deals since Wednesday when the central bank shut down floor trading on the Moscow interbank currency exchange.

The bank confirmed yesterday that it was maintaining the freeze. "Banks are free to trade among themselves, but the central bank will not participate," a bank spokeswoman said, adding that the central bank had not yet decided when hard currency trading may resume.

Another train service goes private

Star Business Report

Chowdhury Associates, a private firm of Chittagong, started commercial operation of passenger train Karnaphuli Express between Dhaka and Chittagong yesterday.

Karnaphuli Express with its new look left Kamalapur Station at 11:10 AM for Chittagong.

N M Khurshid Anower, Additional Director General (Operation), Bangladesh Railway, Rafiquzzaman, Divisional Railway Manager, Abdur Razzak, Divisional Commercial Officer and other senior officials of Dhaka Railway Division, were present at the time of departure of the train, says a BR press release.

In order to increase efficiency and operate its business on more commercial basis Bangladesh Railway has taken up a programme to associate private sectors in its different activities.

Commercial activities of the passenger trains include selling and checking of tickets and ensuring cleanliness and safety of the coaches.

Under this new arrangement, Bangladesh Railway will earn Taka 2.7 crore annually as fare against Taka 1.4 crore as at present.

Karnaphuli Express will leave both from Dhaka and Chittagong at 11:10 AM daily and reach Chittagong at 10:10 PM and Dhaka at 9:45 PM respectively.

Australia's share market dives

SYDNEY, Australia, Sept 1: Australia's sharemarket dived three per cent by noon (0200 GMT) Tuesday, shaken by Wall Street's second biggest fall in history overnight, says AP.

At 1202 Australian Eastern Standard Time, the benchmark all ordinaries index had plunged 83.3 points, or 3.36 per cent, at 2397.4, but above its morning low of 2386.7.

The meeting of the Board of Directors of Padma Textile Mills Ltd in progress yesterday. — Padma Textile photo

Eurostat report
EU inflation rate slips to 1.5 pc

BRUSSELS, Sept 1: The European Union's annual inflation rate fell to 1.5 per cent in July, down from 1.6 per cent in July 1997, the EU's statistics agency Eurostat reported on Monday, reports AP.

It added that inflation in the 11 countries that will take part in a single European currency as of next January remained stable at 1.4 per cent.

Eurostat said the inflation rate of 1.5 per cent in July for all 15 EU nations compared with 1.7 per cent that month for the United States.

The highest rates in July were registered in Greece (4.8 per cent), Portugal (2.8 per cent) and Ireland (2.5 per cent) while lowest were France and Austria (both 0.8 per cent) and Germany (0.9 per cent).

Compared with a year earlier, the larger increases occurred in Portugal (from 1.4 to 2.8 per cent) and Ireland (from 1.5 to 2.5 per cent), while it dropped the most in Germany (1.5 to 0.9 per cent) and Belgium (1.9 to 1.2 per cent), Eurostat said.

It gave these other figures for July (July, 1997, figures in brackets): Spain, 2.3 (1.5); France, 0.8 (1.1); Italy, 2.1 (1.7); Luxembourg, 1.2 (1.3); Netherlands, 1.8 (1.9); Austria, 0.8 (0.9); Finland, 1.1 (1.1); Denmark, 1.4 (2.0); Greece, 4.8 (5.2); Sweden, 1.3 (1.7); Britain, 1.5 (2.0).

Padma Textile earns Tk 20.29cr profit

A meeting of the Board of Directors of Padma Textile Mills Ltd was held yesterday in city.

Presided over by A S F Rahman, chairman of the Beximco Group, the meeting was attended by Marc Rachman of Commonwealth Development Corporation, C M Alam of PIDC of Bangladesh, M A Qasem, Director and A B Siddiqur Rahman Director of Beximco Group, Meer Tabarrak Husain, Executive Director, M Lufar Rahman, Sr. General Manager and Md Rafiqul Islam Finance Manager of the company were also present in the meeting.

The board reviewed the performance of the company for 1997, considered the annual audited accounts for the year and recommended approval by the AGM.

In 1997 the total turnover of the company was Tk 175.34 crore and it earned a profit of Tk 20.29 crore. The turnover for the year increased by 18.19 per cent.

CSE executives get British Council certificates

British Council awarded certificates to 31 CSE executives at a ceremony held at CSE Board room on Sunday.

The executives participated in a 2-month "Business Communication Skills Development" course conducted by the council, said the CSE in a press statement.

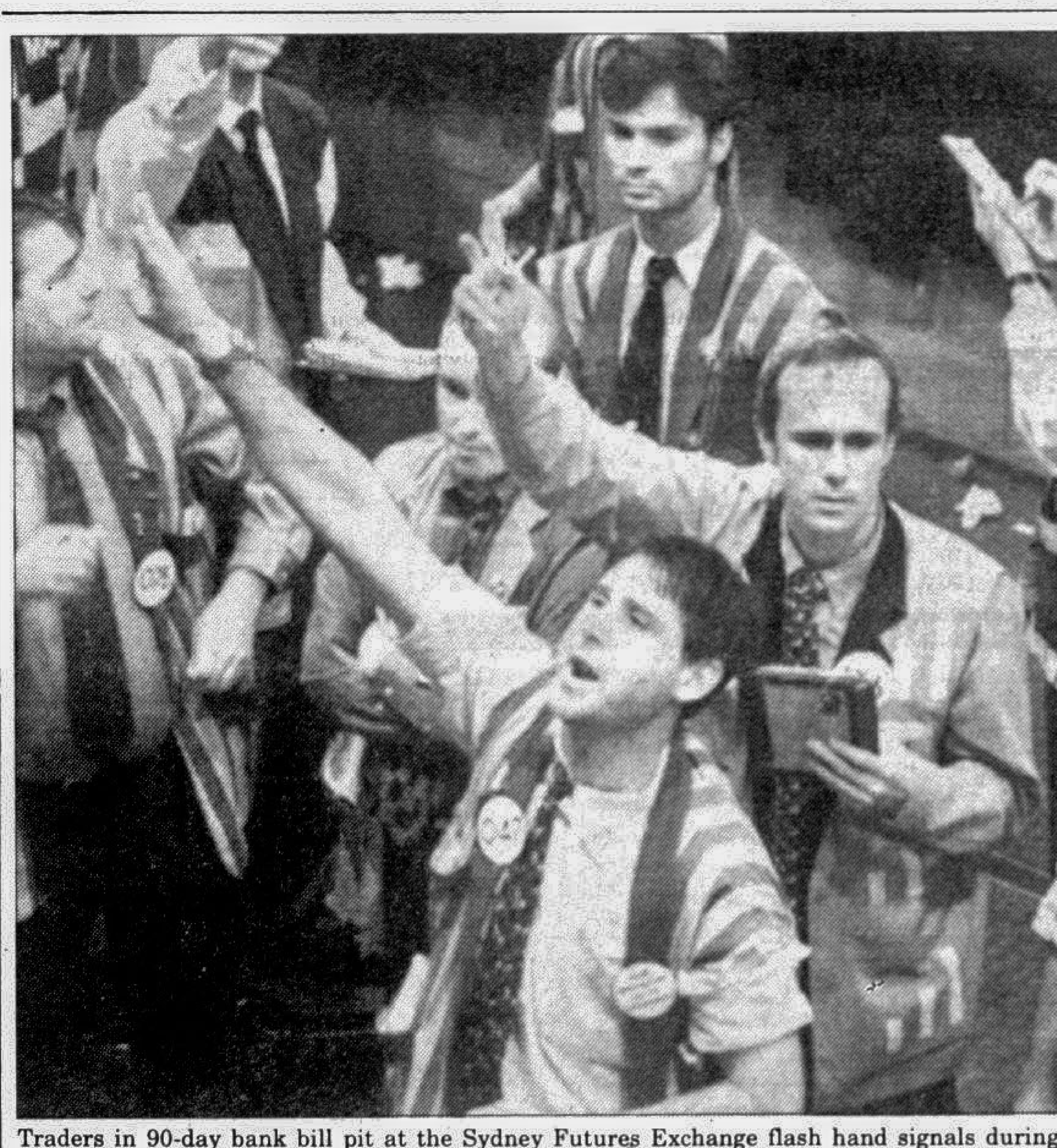
Amir Khosru Mahmud Chowdhury MP, President of CSE, distributed certificates among the participants.

He expressed confidence that the course would provide the required skills particularly on the business communication.

Michael King of British Council was present as chief guest.

AGM Shamsul Kamal, CEO also spoke on the occasion.

Sutapa Barua, Director of British Council, Chittagong, Chiara and Diack Trainer were also present and spoke on the occasion.



Traders in 90-day bank bill pit at the Sydney Futures Exchange flash hand signals during early trading Tuesday. Following the American market's fall overnight, the Australian share market and futures also lost ground. — AP/UNB photo

China sees economic good from bad floods

BEIJING, Sept 1: Hoping to get good from bad, China plans to use the rebuilding process that will follow its devastating floods to modernise its industries, reports AFP.

In getting flooded-out companies going again, officials should "integrate renovation with restructuring," said Chen Bangzhu, a vice minister in the government's State Economic and Trade Commission.

Chen urged local governments to "act decisively" in closing down badly damaged, unprofitable companies that "cause serious pollution, have out of date technology or no hope of making profits in the future," the China Daily reported Tuesday.

Flood-damaged enterprises that were profitable but had outdated equipment should be updated, and mergers should be encouraged where there were too many companies making the same product, Chen said.

The floods "present the national economy with a threat and an opportunity," the newspaper said.

By government count, the floods that have hit most areas of China have killed more than 3,000 people and caused 166.6 billion yuan ($20 billion) in losses.

Noted Chinese economist Hu Angang predicted that China would lose 300 billion yuan ($36 billion), or 3 to 4 per cent of its gross domestic product, because of natural disasters this year, the China Daily said.

July figures set to be at 7 pc
Indian export growth to remain in the negative

NEW DELHI, Sept 1: India's overall export growth figures for the first four months (April to July) of the 1998-99 fiscal year would remain in the negative though July is expected to show a seven per cent growth compared to the same month last year, reports Xinhua.

The Economic Times daily reported yesterday that the export figures for the first quarter of the 1998-99 fiscal year stood at a negative eight per cent growth.

This was the first time that negative growth has registered since the 1991-92 fiscal year when exports suffered a negative 1.5 per cent growth.

The dismal negative export performance was reversed in July with export figures expected to show a seven per cent growth compared with the same month of the previous year.

The change in export performance in the month comes a breather to the Commerce Ministry which has refused to officially scale down the export target of 20 per cent growth set for the fiscal year.

Trade analysts are of the opinion that exports for the fiscal year 1998-99 may at best reach a five per cent growth, saying that "a 20 per cent growth target is being too optimistic."

Government officials said that while the exact areas where exports have gone up have not been fully analysed all sectors seemed to be slowly picking up.

An analysts of the preliminary data for the first quarter of by the Commerce Ministry showed that nearly two-thirds of India's export items had reported positive growth but about 30 major items constituting around 25 to 30 per cent of the export basket showed a substantial decline.

Among the major items which dipped were cotton yarn and fabrics which declined by 20 per cent, RMG man-made fabrics by 35 per cent, transport equipment by 20 per cent, hardware electronics by a whooping 60 per cent, and oil meals by 56 per cent.

Some sectors which had grown were software, games and jewelry, chemicals and pharmaceuticals.

One of the brightest sectors is the plastic industry which has recorded a laudable 17.5 per cent growth in dollar terms in the first quarter of the current fiscal year.

Against the exports of 88.02 million US dollars during the same period last year, the industry has recorded a figure of 97.55 million US dollars for the first quarter of the 1998-99 fiscal year.

Analysts here said that India's exports have been affected in certain degrees by the financial turmoil in Southeast Asian countries and economic sanctions by some countries and international organizations following the country's nuclear tests last May.

DCCI workshop on effective managerial leadership ends

A day-long workshop on effective managerial leadership was organised by the Human Resource Development Programme (HRDP) of the Dhaka Chamber of Commerce and Industry (DCCI) in association with Business Advisory Service (BAS) project at the DCCI auditorium yesterday, says a press release.

In his inaugural speech, DCCI president, R Maksud Khan, said, we are on the threshold of a borderless world and must make effective use of technology for a better life.

In this connection, he said business cannot remain confined to the old system. It must enhance its efficiency.

Khan further stated that the country has a large population but not enough resources. So its needs skilled manpower, and training is the only means to create manpower.

He also said technology is changing fast and modern management is the key to survive in the changing competitive world.

Earlier, the convenor of Human Resources and Training Standing Committee of the DCCI, Mamunur Rahman, welcomed the participants to the workshop.

Project Coordinator of Business Advisory Service (BAS) Project, Michael N. Nathan, gave a resume of the Business Advisory Service (BAS) Project and stated that the project activities aimed at promoting SMEs in Bangladesh. He lauded the role of DCCI in respect of entrepreneurial promotion and assured of continued German Support to such initiative.

S'pore launches electronic pricing system to end traffic jams

SINGAPORE, Sept 1: A new electronic system that charges vehicles for using certain highways and streets at peak travel times went into effect Tuesday as part of Singapore's programme to prevent traffic jams, says AP.

The system, which operates by deducting the charge from a prepaid cash card installed in every taxi, motorcycle, truck or car, operates from 7 am to 7 pm in the central business district.

On major highways, such as the one leading from town to Changi International Airport, the charges apply from 7:30 am to 9:30 am.

Drivers are charged 25 Singapore cents to three Singapore dollars (14 cents to 1.70 Dollars) depending on the type of vehicle and the time of day it passes one of the electronic cameras stationed over the roadways.

The cameras take pictures of the vehicles' licence plates and bills are sent to those who fail to place a cash card in the device that all drivers must have installed on their dashboards.

The system replaces one that required drivers to buy monthly passes or pass a booth and buy a certificate each time they wanted to use a restricted road.

The electronic system went into effect last April on the airport highway and was extended to other restricted roadways on Tuesday.

Indian govt powerless to stem fall in rupee

By Paranjoy Guha Thakurta

NEW DELHI, Sept 1: The external value of the Indian rupee is moving in only one direction — downward. Almost nobody expects the Indian currency to become stronger vis-a-vis the dollar or other hard currencies in the foreseeable future.

In fact, just about everybody who claims to know anything about the subject anticipates a further depreciation of the rupee in the weeks and months ahead. The only debate — if it can be called that — pertains to just how quickly or slowly the rupee's value would decline.

Will the exchange rate reach Rs. 50 to a dollar by April-May 1999 or will this barrier be breached towards the end of next year? This is the kind of question being raised by interested observers, be they politicians or bankers, economists or exporters.

The short point is that the near-term outlook of the Indian currency is rather gloomy. There are two obvious sets of reasons for this pessimistic prognostication, one external and the other internal. The government can do nothing to influence developments taking place in various parts of the world, whether these be in Southeast Asia, China or Russia.

Even if it is optimistically assumed that the worst is over for the economy — that growth rates would pick up and that inflation would ease later in the year — what is amply evident is that the Reserve Bank of India (RBI) can do almost nothing to reverse the trend in the exchange rate.

The country's central bank and apex monetary authority can, at best, ensure that the decline in the value of the rupee in relation to the dollar, the British pound, the German mark and the Japanese yen is somewhat orderly. The RBI can merely cushion the fall and check exchange-rate volatility, little else.

The stark fact is that a comparison of the rupee-dollar exchange rate in the third week of August with the rate prevailing a year earlier would indicate that the Indian currency has lost more than a fifth of its value, to be precise 22.5 per cent. One dollar was equal to Rs. 36.45 on September 9 last year. On August 20 this year, the exchange rate had crashed to a low of Rs. 43.68 to a dollar before the RBI intervened to shore up the value of the rupee slightly. On August 25, Prime Minister Atal Behari Vajpayee said he was opposed to "competitive devaluation."

The Nation newspaper of Thailand quoted him as stating: "We have never triggered competitive devaluation in the past nor indulged in it despite pressures to do so... The East and Southeast Asian crisis is a reminder of the harm this can do to Asian markets as also to the real economies and asset values of Asian countries."

Vajpayee added that India had weathered the crisis quite well so far, though the second wave was beginning to impact the economy. These were the first words by the Prime Minister on the subject. They do not, however, mean very much. As far as the external environment is concerned, there is little the government can do. Merrill Lynch, in its August report on global economic trends, has predicted that 1998 would witness the slowest world growth seen in seven years of around 2.5 per cent.

The report added that debt deflation would persist in Asia, tormented by the structural recession in Japan. Whereas the United States economy is expected to grow at a rate between two and 2.5 per cent during the current calendar year, Japan's gross domestic product is expected to shrink by a little over one per cent in 1998.

The point is that even if India does not indulge in so-called competitive devaluation, the rupee would be under tremendous pressure to depreciate further if China follows Russia's example and devalues its currency.

Over the last half of 1997, when the Asian meltdown took place, many in India felt comforted by the fact that the country's economy was not as globally integrated as the economies of countries such as Indonesia, Malaysia, Thailand or the Philippines.

Thus, while the Indonesian rupiah, the Thai baht, the Malaysian ringit and the Filipino peso devalued by varying proportions ranging from 25 per cent and 55 per cent against the dollar in the last six months of 1997, the rupee only devalued by roughly 12 per cent during this period.

This time round, as Prime Minister Vajpayee himself admits, the impact of external developments on the Indian currency is likely to be harsher. To an extent, the government is in a Catch-22 situation: Damned if it devalues and damned if it does not.

Theoretically, the RBI can intervene in the foreign exchange market if it wants to. It can strengthen the rupee by drawing down reserves without worrying too much about a balance of payments crisis.

After all, the country's total hard currency reserves (including gold and special drawing rights) are currently at more than $26.5 billion. Though this amount is nearly $3.5 billion lower than the figure prevailing a year ago, nevertheless, the country's forex reserves are at a comfortable level (equal to an import cover of more than six months).

One reason why the RBI is not drawing down its reserves is simply because a stronger rupee would naturally imply a loss of export competitiveness. If the rupee does not depreciate, the growth rate of exports have little or no chance of picking up.

Exports from India had increased by nearly 20 per cent in dollar terms for three years in a row before the growth rate slumped to around four per cent in the year ended March 1998. It seems unlikely that export growth would rise very much beyond this level during the current financial year. So, at one level, if the rupee remains strong, Indian exports would be out-priced in world markets. On the other hand, if the rupee does continue to gradually depreciate as it has done, imports become more expensive and fuel inflationary pressures. Thus, the government would find that its efforts to accelerate the growth rate of the economy are coming to naught with high inflation negating nominal gains.

This is precisely what is happening with prices on the rise, especially those of food items. The rate of inflation as measured by the wholesale price index is hovering around the eight per cent mark. There has been a surge in prices despite the fact that import-led inflation has been cushioned on account of relatively low world oil prices.

The actual rate of inflation is higher since the consumer price indices are in excess of the ten per cent level in most cities. In the capital New Delhi in particular, the inflation rate is particularly high and edging towards 20 per cent (comparing the figures for August 1997 and August 1998) which is just about as bad as inflation can get in India.

The Vajpayee government as well as his Bharatiya Janata Party (BJP) realise that such high inflation rates are politically disastrous and blame is being sought to be passed on to the "faulty policies" of previous governments. Despite the optimistic claims periodically put out by Finance Minister Yashwant Sinha, the health of the economy is unlikely to improve during the current fiscal year. Business expectations are about as pessimistic as they can get.

Few would be surprised if the real rate of growth of Gross Domestic Product (GDP), which came down from 7.5 per cent in 1996-97 to five per cent in 1997-98, declined further in 1998-99. And if the economy fails to revive on account of the combination of external and internal factors mentioned, there would be little the Vajpayee government could do to keep the rupee strong.

— *India Abroad News Service*