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Indian software exports up 52 per cent

NEW DELHI, Feb 5: Indian software exports in 1998 shot up 52 per cent year-on-year to 95 billion rupees (2.3 billion dollars), a trade body said today, reports AFP.

The national association of Software and Service Companies (NASSCOM), a 520-member software body, said the "unprecedented" growth took place even as the Indian economy was in the grip of a slowdown.

"We have not witnessed this sort of growth in the last seven years. In spite of the slowdown in the general exports from the country, software exports have managed to keep up their growth rate," said NASSCOM chief Dewang Mehta.

"However, a buoyant economy in the country could have even further increased software exports to a level of 70 to 75 per cent growth," Mehta told reporters.

India's economic growth dipped to five per cent in the fiscal year ending March 1998, after averaging 7.5 per cent for the previous three years.

New Delhi has earmarked information technology and computer software development as a priority development area, with ambitions to make India a global software power by early next century.

Thailand about to quit world rubber body

BANGKOK, Feb 5: Thailand is about to bail out of the International Natural Rubber Organisation (INRO) because it no longer serves the country's interests, Deputy Agriculture Minister Newin Chidchob said yesterday, reports AFP.

Newin said crisis-hit Thailand, one of the world's biggest rubber producers, was not getting value for money from its annual INRO membership fee of 401 million bhat (11.1 million dollars).

"The natural rubber policy committee carefully decided that maintaining membership will not benefit the country and Thai farmers," he told reporters.

The committee's decision would go to cabinet for final approval before INRO was informed, he said.

Natural rubber produced by Thailand, Indonesian and Malaysia account for the almost 80 per cent of world's production.

Thailand exported about 190,000 tonnes of rubber in 1988, valued at more than 60 billion baht (1.7 billion dollars).

Rupali Bank zonal heads' confce held

Star Business Report

The first zonal heads' conference '99 of Rupali Bank Limited was held at the BCIC auditorium in the city on Thursday.

It was inaugurated by the chairman of the bank, Afzalur Rahman.

A K M Nazmul Haque, managing director, directors oft he bank Md Nurul Alam Chowdhury and Md Hafiz Ibrahim also spoke on the occasion. Speaking of the occasion, the chairman, advised all to maintain chain of command so that the officers and employees may increase their productivity and uphold the image of the bank.

The managing director of the bank asked all officers and employees to become more responsible in taking prompt decisions.

UK footwear marketing expert in city

Star Business Report

James Parchman, US international expert in footwear marketing, is in the city on a visit to Bangladesh.

During his visit here, he w.'' provide technical assistance to the group of local small footwear producers.

The group of footwears was jointly identified by the Job Opportunities and Business Support (JOBS) programme and the Footwear Association of Bangladesh.

The programme is funded by the United States Agency for International Development (USAID) in Bangladesh, says a press release.

During his stay, Parchman will visit the representatives of the Footwear Manufacturers' Association and the local footwear markets and a few export-oriented footwear manufacturing enterprises.

He will also visit the Export Promotion Bureau and other relevant government organisations.

Parchman is an expert in consumer products marketing particularly in footwear, leather, leather goods, and sewn products.

He has served as a marketing specialist for a number of international agencies like UNIDO and ITC, and has worked in many developing countries including India and Sri Lanka.

He will be working as an international consultant for the SME component of the JOBS programme.

Finance minister gives directives

Turn Sona Masjid transit point into full-fledged land port

SONA MASJID, (Nawabganj), Feb 5: Finance Minister S A M S Kibria has given directives for upgrading the customs transit point at Sona Masjid to a full-fledged land port with warehouse, truck terminal and banking facilities, reports APB.

The minister gave the directives during a visit yesterday and urged the authorities here to complete necessary formalities within the shortest possible.

Addressing customs officials, importers and C&F agents on the occasion, he also urged them to ensure smooth transit of mercantile cargo as per rules to help increase the volume of trade through this frontier point. Sona Masjid can be a very busy land port which will also benefit the people of this area, he observed.

The government will do everything possible to develop infrastructure facilities and curb smuggling, he said.

State Minister for Women and Children Affairs Prof Zinnatunnesa Talukder, Chairman of National Board of Revenue Abdul Mueid Chowdhury, FBCCI Vice President M A Munim and local Awami League leaders were present on the occasion.

Later, the Finance Minister held a meeting with high officials of state-owned and private banks of northern region at Rajshahi Parjatan Hotel.

Kibria told the bankers that the government wanted to ensure skilled banking management through reform in the financial sector.

He urged them to work for raising people's confidence in the banking system as well as to guarantee credit disbursement alongside loan realisation.

The finance minister said that there were great potential for development of agro-based industries in the northern region and urged the bankers to exploit those.

Commodore Mohammad Ataur Rahman (retd), Chairman of Islami Bank Bangladesh Limited, addresses as chief guest the inaugural ceremony of the two-day Branch Managers' Conference of the bank at a local hotel yesterday. — IBBL photo

BIG SHOW BEGETS VAST CROWD: The Dhaka International Trade Fair (DITF) '99, opened on February 2, has already created widespread enthusiasm and curiosity among the city dwellers, making stall-owners dream of promising selling activities in coming days. The photo, taken yesterday, shows a part of the huge visitors who flocked to the fair. — Star photo by Amran Hossain

IBBL managers' confce opens

Star Business Report

The two-day Branch Managers' Conference of Islami Bank Bangladesh Limited was inaugurated at a local hotel yesterday.

Commodore Mohammad Ataur Rahman (Retd) Chairman of the Bank was present in the conference as the chief guest.

The conference was attended among others by Mohammad Younus, Vice Chairman, Prof Mohammad Abdullah, MP, Engr. Mostafa Anwar, Engr. Eskander Ali Khan and Mohammad Ataur Rahman Khan, Directors, Nur Mohammad Akon, Alternate Director, and A S M Fakhrul Ahsan, Director General of IBTRA including top executives of the Bank.

The conference was addressed among others by M Kamaluddin Chowdhury, Executive President and Nasiruddin Ahmed, Executive Vice President of the Bank.

In his speech, the Chairman expressed satisfaction over the progress so far achieved.

The executive president of the bank termed the current year as the year of promotion of quality investment.

BR leases out 5 western zone train services

NATORE, Feb 5: Dogged by staggering losses, Bangladesh Railway has placed the services of five passenger trains in its western zone under private management, reports UNB.

Sources said staggering losses caused by widespread corruption and malpractice by a section of dishonest railway employees have forced the authorities to lease out the services of the trains.

Of the trains, Padmarag Mail runs on Shantahar-Lalmonirhat route, Mahananda Express on Khulna-Chapainawabganj, Nakshikanta Express on Khulna-Goalando and two local trains — 481-up and 482 down — on Shantahar-Lalmonirhat routes.

Islam Brothers has taken the lease of Padmarag Mail at Tk 9.88 lakh per month while M/s Rainbow has been entrusted with the management of Mohananda Express, M/s Enterprise the Nakshikanta Express and Islam Brothers the two local trains.

Meanwhile, the railway authorities have taken up a Tk 37 crore project in the western zone to repair and renovate railway tracks, bridges, culverts and other infrastructures.

The project work has already begun and are expected to be completed by July this year.

Under the programme, 18 bridges are being repaired at a cost of Tk seven crore while tracks are being renovated with new sleepers and pebbles costing Tk 30 crore.

The bridges and culverts on Iswardi-Sirajganj route were damaged during the last year's flooding.

India, Lanka en route to free trade pact implementation

by P. Jayaram

NEW DELHI, Feb 5: Sri Lanka and India are steadily moving towards implementation of the landmark free trade pact they signed last month despite bureaucratic haggling and opposition from some quarters, the island nation's envoy said.

Describing the agreement signed by Indian Prime Minister Atal Behari Vajpayee and Sri Lankan President Chandrika Kumaratunga during her state visit here as "good", High Commissioner Mangala Moonesinghe said.

"We have to sell it on both sides of the Palk Strait." The pact, which may well prove to be a model for the proposed South Asian Free Trade Agreement (SAFTA), becomes effective on April 1, providing duty-free access to a range of items of exports to each other's markets.

While India would remove duty on 1,000 items of exports from Sri Lanka, the island nation would allow duty-free access to 300 items from India.

Officials of the two countries were now busy working out the details of the list, Moonesinghe said. While bureaucrats from both countries were haggling over the lists, "the good thing is that there is political will behind the pact" and that augured well for the implementation of the pact, he told India Abroad News Service in an interview.

Moonesinghe said the opposition to the pact in both countries was largely based on fears that exports from the other would swamp their local markets.

Moonesinghe said he had received a number of inquiries from prospective Indian investors to set up manufacturing units in the island to take advantage of the free trade agreement.

He noted that the country of origin rule, which stipulates that foreign components of an item of export should not be more than 35 per cent, had been relaxed to 25 per cent in the case of such units using raw material from their own country.

Such companies could export their products to India or third countries, taking advantage of the island's liberal tax regimes and other incentives. He referred to the joint venture tyre project set up by India's CEAT company, which was now a major exporter from Sri Lanka.

Moonesinghe said even the "negative list", covering items which cannot be exported under the pact, could become redundant in the long run when the two countries realise the benefits of the pact.

Moonesinghe foresaw a period in the not too distant future when even the opposition to the pact from the farmers and small traders in Sri Lanka and the rubber and coconut lobby in Kerala would die down.

He said a time could well come when the potato and onion farmers in the island may switch over to cultivation of cash crops when they find that it is more profitable to grow these crops, paving the way for cheap Indian exports of farm products to the island's markets.

"We have to look at it with a vision. We have to change," he said.

He said the free trade pact would help the two countries to integrate their economies and accelerate economic development faster. Stronger economic relations would also help to bring the social sectors of the two countries closer, he added.

Moonesinghe said moves were under way to attract more Indian tourists to the island as this would help narrow the huge trade gap between the two countries. For instance, Indian exports to Sri Lanka last year were to the tune of $560 million dollars, while Sri Lanka's exports to India was a mere $40 million dollars, he noted.

Moonesinghe advocated that Indian rupee should be made acceptable in Sri Lanka, like in Nepal, to encourage more Indian tourists to visit the island.

He said visa procedures for Indian tourists had already been liberalised in the Sri Lankan missions in New Delhi and Madras.

He said Sri Lanka's Tourism Development Corporation was developing sites associated with the Ramayana epic in the island to give a boost to religious tourism from India.

Tourist arrivals from Sri Lanka to India was already the third largest among all countries, he noted. Work had already started on two new temples for Sita and the monkey god Hanuman at a 30-acre plot at Sita Eliya, near the hill resort of Nuwara Eliya, he said. Ravana, the demon king of Lanka, was believed to have held Sita, Lord Rama's consort, at Sita Eliya, where Sita temple has always stood on the bank of a stream. The new temple is being built at the same site.

— Indian Abroad News Service

The electronic quotation indicator flashes 111.75 yen, the US dollar rate against Japanese yen, momentarily on the Tokyo Foreign Exchange Wednesday morning. The dollar fell sharply against the yen as Japan's long-term interest rates continued to rise. — UNB/AP photo

China in bid to clean up troubled banks

HAIKOU, China, Feb 5: Gold letters over the door still spell out the bank's name. Tellers wait on customers and an electronic board overhead flashes foreign currency exchange rates, says AP.

The only sign of the disaster that struck Hainan Development Bank last year is a notice pasted to the door: It says the bank was declared insolvent on June 21 and taken over by a major state institution.

The Hainan bank was already shaky when it was ordered in 1997 to absorb credit unions ruined by a stock speculator who couldn't pay his debts. The added burden was too much, and it became the first bank to fail in modern China. Auditors are still adding up the cost.

The bank on the southern Chinese island of Hainan, offers just a hint of the tasks ahead as China struggles to clean up its banks. They face up to $100 billion in bad debts due to mismanagement and misguided lending — a legacy of the communist planned economy.

After years of delay, China is launching a massive effort to remake its banks along Western lines, slashing their debts and turning them into moneymaking tools to revive a sluggish economy.

"The bad-loan problem has become the greatest obstacle to developing a socialist market economy," Gao Shangquan, a senior government adviser, said at a seminar last month.

In its first major step, the government announced in January that each of its four main commercial banks will create an agency to take over the banks' bad loans. The strategy apparently is to repackage and resell some debts, while writing off others.

However, they are distinctly different from the Resolution Trust Corp, the independent agency that cleaned up US savings and loans in the early 1990s.

"So far, this is what we need. We will see whether we will have to change this later," said Wang Mengkui, director of the Chinese Cabinet's Development Research Centre.

The situation with the Hainan bank highlights the dual problems plaguing Chinese banking: mismanaged local institutions and a costly mandate for government banks to bail out struggling state companies.

Banks have lost money financing golf courses, hotels and other speculative investments, or through graft by managers who took bribes to approve fraudulent loans.

And as the economy slowed in recent years and losses at state companies mounted, many borrowed to cover expenses.

Such "nonperforming loans" make up 20 per cent of total lending, Central Bank governor Dai Xianglong says. Economists say that equals some $100 billion in debt.

Outside estimates say the problems is even more serious than Chinese officials acknowledge, with delinquent loans accounting for up to half of total lending.

By contrast, a much smaller 5 per cent rate of bad loans in Thailand led to a crippling bank crisis there in 1997.

In China, banks have survived in part because of a steady inflow of deposits. With few stocks or other investments available, the famously frugal Chinese bank up to 40 per cent of their incomes.

China also is the East Asian nation to escape the region's financial crisis, thanks to foreign exchange controls and other barriers isolating it from the outside financial world.

China hasn't put a price on bank reform. But Germany's Deutsche Bank estimates it could cost up to $ 430 billion — half of China's annual economic output.

As banks tighten lending standards, loans to keep state companies afloat are expected to end. But the credit squeeze could lead to widespread layoffs — and unsettling prospect for communist leaders already facing unrest among unemployed workers.

So, before banking reforms begins in earnest, China has to complete a 17-months-old overhaul aimed at making state industry profitable, said George Leung, an economist for HSBC Group in Hong Kong.

Move surprises economists

BOE makes half-point cut to base rate

LONDON, Feb 5: The Bank of England responded to Britain's slowing economy yesterday by cutting its base interest rate by half a percentage point to 5.5 per cent, in a move welcomed by business and unions, reports AFP.

The fifth interest rate cut in five months surprised economists who had been expecting only a quarter-point cut, or even no cut at all.

Shares on the London Stock Exchange surged as investors moved money from the pound to stocks. The FT-SE 100 index rose to 6,036 points, up 95.7 points on the day, compared to a gain of 65 points before the rates announcement.

Sterling fell slightly against the euro and dollar.

The bank cut came the day after the US Federal Reserve decided to leave its rate on hold and on the same day that the new European Central Bank was to announce its rates, with the value of the euro diving sharply in anticipation of some cut.

The Bank of England said the reduction was needed in the face of flagging consumer demand, international activity and was consistent with its remit of hitting the government's 2.5 per cent inflation target.

The mass of recent economic data and surveys has pointed to a downturn in Britain, which has enjoyed strong economic growth for the last five years.

Fourth quarter GDP last year showed its weakest increase since the deep recession of 1992, with the economy growing just 0.2 per cent.

This was not as bad as had been predicted, distancing fears of an imminent recession.

But the writing was on the wall for a rates cut this week after Bank of England Governor Eddie George said that "We must be prepared to contemplate the further easing of monetary policy if overall demand seems likely to fall short of what we had previously anticipated."

George said risk of "widespread, international financial disturbance have certainly receded since the autumn."

His assessment was matched by a Confederation of British Industry survey that said 38 per cent of retailers had lower sales in January, compared to 29 per cent who saw higher sales.

This figure followed the official government survey of retail sales that showed a sharp fall in December, the busiest shopping month of the year.

Bosses and unions had led loud calls for cheaper money to boost business.

British Chambers of Commerce Deputy Director General Ian Peters said that "business will cheer this decision as a bold move and as evidence that the bank is listening effectively."

Peters called for the rate to keep coming down to bring it more in line with the euro zone's three per cent and also urged Chancellor of the Exchequer Gordon Brown to make his budget next month an "entrepreneurial budget geared to stimulate enterprise."