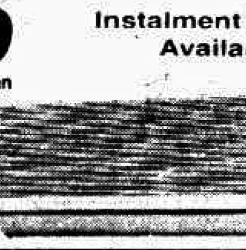

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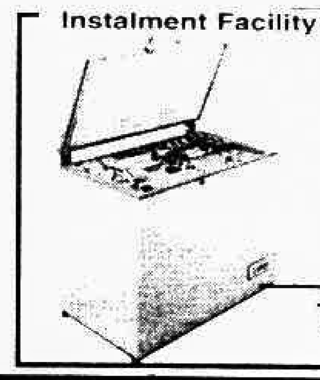


DCCI seminar on industrial development

Kibria attaches lending priority to cash equity

Star Business Report

Finance Minister Shah AMS Kibria yesterday said that higher importance should be given to those business entrepreneurs having equity in the form of cash in providing loans.

At a seminar on "Impact of High Equity Requirement on Industrial Development", organised by the Dhaka Chamber of Commerce and Industry (DCCI), the minister said that the notion of high equity requirement in getting loan was based on "misconceptions".

"The government never said anything about providing loans to only those coming up with 50 per cent equity capacity. Its the bank which will decide their eligibility," Kibria said before a group of businessmen who attended the seminar.

He, however, said that before giving loans, a bank should make sure that the sponsors have substantial equity in the form of cash. "Those having cash equity should be preferred."

There are some entrepreneurs who provide equity in the form of land. The value of such land is multiplied and a land worth Tk five lakh is shown at a overvalued price. Against that overvalued price, they opt for 70 to 80 per cent loan from the banks.

"I am not saying everyone does this but there are a few who takes to such means. These industries ultimately become sick since it is the money of the public that the sponsor are using."

"An entrepreneur having no equity in an industry would not show much interest in the enterprise because he doesn't invest his own money in it.

"So, I would suggest the banks to provide loans in accordance with the policy of free market economy. But we are ready to change laws for industrialisation in this country."

He also said that the government could not dictate or persuade the banks in giving loans.

Earlier, DCCI President MH Rahman presented the key-note paper prepared by the DCCI Research Cell.

The president in his paper identified the problems hindering the country's industrial development.

He said that due to huge overdue loans, the lending institutions have become reluctant to go for further loan sanctioning causing the process of industrial financing come to a halt.

"After a lapse of decade, the DFIs and banks have recently started considering industrial financing at a lower debt/equity ratio of 50:50, which requires an entrepreneur to bring in higher amount of capital."

He said that this high equity requirement was likely to slow down the process of industrial development, as only a few sponsors would be able to meet the new loan standard.

The new standard of lower debt and higher equity has perhaps been considered on the understanding that higher debt-equity contributed to industrial sickness and huge default, the minister said.

He said that the industrial sickness was due to delayed supply of gas, power, foreign exchange for import of raw materials, inadequacy in providing working capital by commercial banks, fiscal import anomalies, duties and charges on raw materials and finished goods, frequent changes in fiscal policies, drastic trade liberalisation, exchange rate fluctuation, higher interest rates, loss of market due to price effect or technology and political instability causing frequent work stoppages.

He said that in the past several agencies and commissions identified the factors responsible for overdue loans, but no suitable remedial measures were taken.

"Efforts by DFIs and banks in settling overdue issue of overdue loans by waiving past interest have not been successful, as the factors contributing to industrial sickness were not removed. And in order to instil faith in prospective entrepreneurs, it is imperative that the government undertakes corrective measures urgently which will not only help revive sick industries but also enable the DFIs and banks to realise their genuine claims."

In response to the recommendations the finance minister said he agrees to the delay in providing working capitals by the commercial banks.

"They are taking time in approving term-loans and working capital. The slow process of financing is a management problem," Kibria said.

The working capital should be approved at the time okaying long-term loans. These should be given since investment decision has already been made.

Regarding gas and power supply, the minister said that the government was trying its best. "We have not been able to bring that kind of dynamism in our bureaucracy, something we need to do right now."

About fiscal anomalies, the minister said since taking over as the finance minister he has been trying to remove these. "But sometimes the bid to remove one problem gives rise to another one, as there are different groups of businessmen and their interest conflicts."

Regarding drastic trade liberalisation, the minister said that it did take place at a fast pace during the tenure of the previous government.

On frequent fiscal policy changes, the minister said that sometimes these policies needed to be changed to give incentives, but he disagreed that it was frequent.

About exchange rate fluctuations, he said that Malaysia became 40 per cent poorer due to fluctuation of exchange rates and Thailand 60 per cent and it was much severe in case of Indonesia.

"In Bangladesh we are adjusting the exchange rates. We are more stable than any other nation in South Asia. Exchange rate has to be derived after complicated calculations and when it becomes necessary. It is a relative matter. We have to adjust Taka with currencies of countries having trade ties with us," the minister said.

He, however, said that the local businesses should not be exposed to such fluctuations.

Kibria also responded to various questions from the businessmen.

Abdur Rab Chowdhury, a former DCCI president said that industries were becoming sick due to various reasons like extended weekly holidays and hartals. "But we have to pay to our workers for 365 working days," Chowdhury said.

Disagreeing with him, the finance minister said that there was hardly any factory which remained closed for two days a week. "I would like to see one factory which remains closed for two days a week."

Responding to another question on political unrest the minister said that investment was continuing despite civil wars in Sri Lanka and Myanmar. "An ideal situation is desirable, but one should not be frustrated by these negative factors."

15-point recommendation for industrialisation

The DCCI president presented a set of recommendations to overcome industrialisation problems.

* The debt-equity levels should be kept at its previous levels of 70:30 for all types of project except export-oriented industries where the level may be fixed at 80:20.

* Equity participation fund, which now stands merged with Bangladesh Shilpa Bank, should be revived/re-established as an independent entity with an initial capital of at least Tk 200 crores for equity participation in small and medium-sized industrial units having a maximum project cost of Tk 50 million.

* Capital resources of the DFIs engaged in industrial lending/bridge financing should be continuously augmented every year with ADP allocation with a repayment period of 20 or more years.

* The Board of Investment (BOI) should be entrusted with complete authority for providing all infrastructural facilities as per project appraisal timeframe and provisions of cost/finance.

* The lending institutions, DFIs or banks, should provide the entire range of working capital as per appraisal report.

* Any losses or shortage of funds in project implementation arising from factors beyond the control of the sponsors should be unilaterally provided by the lending institution.

* Any losses arising from fiscal anomalies as ascertained by the lending institution should be reimbursed by GOB at once.

* Fiscal policies prevailing at the time of project-sanctioning should be continued/guaranteed by GOB for the life of the project.

* Rate of interest on loans should be based on bank rate with a spread not exceeding 4%.

* Exchange rate on foreign loans received by GOB should be borne by it, if it charges interest (which must not exceed the average rate of fluctuation).

* GOB should not charge any interest on foreign exchange loans except service charge where applicable.

* Insurance scheme for loss of export market due to introduction of WTO regulations should be formulated by GOB.

* GOB must take all measures for improving the law and order situation and avert political confrontation and consequent hartals for movement of capital and goods and uninterrupted economic activities.

RIO DE JANEIRO (BRAZIL): Customers at a supermarket in Rio de Janeiro check prices of various items Friday. Brazilian inflation for the month of February reached 4.4 per cent, its highest rate since July 1994 when a stabilisation plan for the currency was established according to a Thursday reports from a private firm. The government announced that it would lower taxes on certain import products, including food stuff, to lessen the ill effects of the inflation. — AFP photo

Shell increases its presence in Bangladesh

Shell has recently announced the formation of its new Bangladeshi oils marketing subsidiary — Shell Bangladesh Marketing Limited, says a press release issued yesterday.

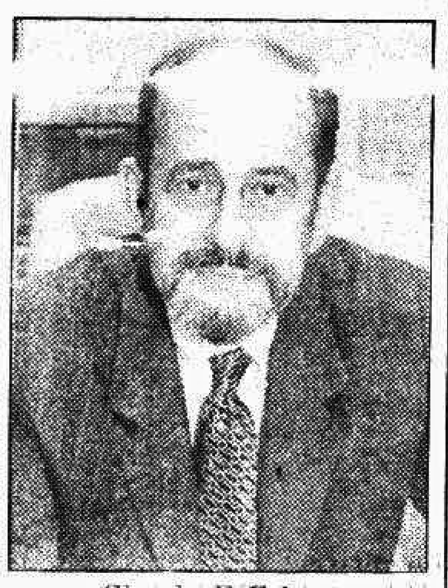
Building on a lubricants and aviation fuels commercial partnership with Padma Oil Company Limited that has spanned over 30 years, the new company is also set to carry the relationship forward into the new millennium.

Managing Director of Shell Bangladesh Marketing Limited, James Ashworth said: "We are delighted, once again, to be in Bangladesh downstream oils. Working closely together with our long-standing partner, Padma Oil Company, we will bring the latest world leading lubricants technology as well as a wide range of other products and services to our customers. We are also committed to addressing urgent concerns such as vehicle pollution and industrial machinery reliability by providing additional technical expertise and know-how."

In his comment, Shell Bangladesh Marketing Limited Chairman, Roger Moulding said:

"This is another milestone in the Shell Group's long and happy association with Bangladesh. We are confident that Shell will continue to play a positive role in supporting development within the country."

Padma Oil Company recently celebrated the 50th anniversary of its long relationship with Shell in aviation refuelling.



Claude E Erbsen

Vice-President of AP due in city today

Claude E Erbsen, Vice-President and Director of World Services of Associated Press (AP), will arrive in Dhaka today on a two-day visit, says a press release.

A distinguished journalist, Mr Erbsen will come at an invitation from Enayetullah Khan, the Chief Editor and Managing Director of United News of Bangladesh (UNB).

Since its inception in 1988, UNB is a partner of AP, a leading news agency having network across the globe, in exchange and dissemination of news and photos.

During his stay in the capital, Erbsen will visit UNB and discuss matters of closer cooperation between the two agencies.

Erbsen joined AP in 1960 at its New York bureau, and later served in Miami, Key West, FL and Washington.

In 1970, he joined as business manager and administrative director of AP-Dow Jones in London, a financial information service jointly operated by the two companies. He returned to New York in 1975 as deputy director of World Services.

Erbsen was elected an AP vice-president in 1980 when AP-Dow Jones was established as a separate department which served as the operating arm of the AP-Dow Jones/Telerate and AP-Dow Jones/Quotron joint ventures until AP and Dow Jones sold their stakes in those partnerships in 1987.

In 1983, Erbsen became Chairman and CEO of the AP-Dow Jones/Telerate partnership. He became Director of World Services in 1987 when AP-Dow Jones was folded back into the World Services department.

Mahbubur Rahman, President of International Chamber of Commerce (ICC) Bangladesh, addresses an ICC business dialogue on Sub-regional Economic Cooperation: Problems and Prospects at a city hotel yesterday. Latifur Rahman, Vice President of ICC-Bangladesh, and A K M Shamsuddin, President of Foreign Investors' Chamber of Commerce and Industry, are also seen on his right and left respectively. — ICC Bangladesh photo

ICC-B dialogue on sub-regional cooperation

Complementary investment, trade suggested

Speakers at a business dialogue held here yesterday said the much talked-about sub-regional economic cooperation can be made meaningful by making trade and investment among the concerned countries complementary, not competitive, reports BSS.

They stressed the need for drawing a convergence of political and social aspects along with economic ones to materialise the newly conceived perception of sub-regional cooperation for bringing about socio-economic uplift for millions of people in Bangladesh, India, Nepal and Bhutan.

The business dialogue on 'Sub-regional economic cooperation: problems and prospects' was organised by the Bangladesh chapter of International Chamber of Commerce (ICC), a world business organisation.

Presided over by President of ICC-Bangladesh Mahbubur Rahman, the dialogue was participated by former deputy prime minister Jamal Uddin Ahmed, Parliament Members SM Akram, M Morshed Khan and Amir Khosru Mahmud Chowdhury, former SAARC secretary general Abul Ahsan, President of Independent University Dr A Majeed Khan, Chairperson of international relations of Dhaka University Dr Meghna Guha Thakurta, economist Dr Debapriya Bhattacharya, President of Foreign Investors' Chamber of Commerce and Industry AKM Shamsuddin, ICC-Bangladesh Vice-President Latifur Rahman, Chairman of BIMSTEC Business Forum and former DCCI president ASM Quasem, Editor of the financial Express AHM Moazzem Hossain, ICC Bangladesh members Mir Nasir Hossain and M Ghazi ul Haque, ICCB Secretary Mohiuddin Babar and FBCCI Director Abdul Huq.

Discussants at the meeting were unanimous in finding out a rational definition of sub-regional cooperation first in order to identify the areas of prospective cooperation.

They observed that any kind of economic integration would primarily need to ensure value addition to the products and services.

They opined that sub-regional cooperation should be beneficial if it encompasses a wide spectrum of economic activities including trade, investment, banking, insurance etc.

However, they maintained that such cooperative endeavours could be fruitful through equitable or rational terms and practices in cognizance of the geo-economic realities.

They felt that the concept of 'sub-regional economic cooperation' or 'growth quadrangle' has so fare been highlighted in the context of transportation of goods or transit facilities only.

The discussants were unanimous in saying that such transit issues or transportation facilities, as it is being recently dubbed, alone will not operate any sub-regional cooperation.

They were of the opinion that this would not benefit all the concerned countries as they differed much in their economic productivity.

The export potentials of each country under the proposed economic umbrella should be strengthened to greater extent through investment relocations and ensuring optimum openness and liberalisation.

Bid to remove trade barriers

Bangladesh-Meghalaya private sector body to be set up

A private sector coordinating body will be formed to recommend Bangladesh and Meghalaya governments remove barriers to exploiting bilateral trade and tourism potentials between Bangladesh and the northeastern Indian state, reports UNB.

The decision was taken at a joint meeting of Bangladesh's apex trade body FBCCI and Meghalaya Exporters' Chamber of Commerce (MECC) with the state government officials at Shillong in Meghalaya on Friday.

Deputy Chief Minister of Meghalaya D D Laping chaired the meeting that came up with a four-point recommendation including removal of cross-border trade barriers.

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) president Abdul Awal Mintoo led a 24-member business delegation at the talks while MECC president Don S Wahlang led the home side.

During the talks, the deputy chief minister of Meghalaya saw tremendous prospect of growth of economic relationship with Bangladesh. "We want to share our economies," Laping said.

Speaking highly of the potentials of tourism, he felt that a Dhaka-Sylhet Meghalaya-Assam-Calcutta air link should be established.

Laping said official trade between Bangladesh and Meghalaya, estimated at 80 crore rupees, should be multiplied.

Finance Minister of Meghalaya A H Scott Lyngdoh said there are lots of commodities to be exchanged. "We have a lot of things to offer to Bangladesh," he added.

Lyngdoh stressed the need for eliminating all trade barriers to facilitate the two neighbours to share a better economy. He felt the necessity of improving infrastructures in both sides to promote trade and tourism.

FBCCI president Abdul Awal Mintoo said there is enormous scope for enhancing trade and investment between Bangladesh and Meghalaya.

"We should continue to have more frequent and intensive interaction among the businessmen to explore the opportunities," he added.

Thai Senate approves reform bill

BANGKOK, Mar 12: The upper house of Thailand's Parliament, under pressure to pass legislation considered crucial for economic reforms, on Friday approved a draft bill to streamline foreclosure procedures, reports AP.

The Senate was racing through a packed agenda Friday in a bid to complete consideration of a vital bankruptcy act.

The foreclosure bill will cut short procedures in the liquidation of the assets of debt-ridden defendants.

India's *basmati* rice exports fall

NEW DELHI, Mar 13: Rising demand for India's non-*basmati* rice exports is expected to more than offset an anticipated fall in *basmati* rice exports in 1998/99 (April-March), trade officials said yesterday.

Gurnam Arora, President of the All-India Rice Exporters Association (AIREA), told Reuters *basmati* exports in 1998/99 would be slightly less than 1997/98 levels of 580,000 tonnes.

"Our *basmati* rice exports would be somewhat less than last year's, said Arora, who is also joint managing director of Satnam Overseas Ltd, makers of Kohinoor brand *basmati* rice.

"We have been outpriced by Pakistan in the recent months."

Arora said Indian *basmati* prices had risen to about 1,100 dollars a tonne in January and February, prompting Pakistan to take advantage of the situation and capture some of the Indian markets.

Commodity: Weekly Roundup

Brazil's real rise proves a boon for sugar, coffee

LONDON, Mar 13: White sugar prices rose slightly after a rebound in the value of the Brazilian real currency against the dollar, which in turn held out the prospect of lower exports from Brazil, reports AFP.

August contracts on the London market rose to 204.8 dollars a tonne from 195.90 dollars.

Prices had hit a 5-1/2 year low last week.

Sugar prices won back lost ground on bargain-hunting and technical trades after the sharp losses seen during the previous week.

Demand strengthened as countries such as Iran, which purchased 30,000 tonnes early in the week, bought up fresh supplies.

VEGETABLE OILS: Warmer. US soya prices rose on technical factors and hopes that a sustained recovery of the real would make US exports relatively more attractive to international investors.

The latest US figures showed that soya oil exports last month fell to 2.205 billion pounds from 2.55 billion.

On the Chicago Board of Trade (CBOT) soya prices rose by seven cents to 4.78 dollars per bushel for May delivery.

COFFEE: Stronger. Coffee prices rose in line with the stronger Brazilian real, which reduced exports from the world's leading Arabica producer.

Dealers also took heart from a truckers strike in Colombia that analysts said would interrupt the flow of supplies to ports for export.

In addition, Colombian plantations were hit by storm damage at a critical moment in the development of this year's crop.

But dealers warned that prices might fall soon on profit taking and predictions that Mexico will reap a record harvest this year.

May Arabica contracts on the New York market rose to 106.3 cents per pound from 103.40 cents one week earlier.

In London, May robusta contracts rose to 1,587 dollar a tonne from 1,575 dollars after a slowdown in supplies from Vietnam and Cote D'ivoire.

TEA: Strong. Prices in the Mombasa auction houses rose amid strong demand this week, according to the London Tea Brokers Association.

High graded BP1 leaves rose by between five and 15 cents per kilo.

COCOA: Cold. Speculative selling took cocoa prices down to a 5-1/2 year low point on the London market this week.

Contracts for July delivery fell to 846 pounds per tonne from 884 pounds the previous week.

A cocoa analyst at Prudential Bache trading house, Mickey Donovan, said: "There's strong financial pressure on prices at the moment, but it has been there for several weeks now."

Cocoa came under pressure from the strength of the pound sterling, which has made pound-denominated contracts relatively more expensive to international investors.

Oil: Bubbling. Oil prices got a long-awaited lift this week after high-level attempts to negotiate a cut in the glut of world production before OPEC holds its March 23 meeting in Vienna.

Brent North Sea crude prices on the International Petroleum Exchange rose 1.56 dollars to 13.09 dollars a barrel last Friday.

On the New York mercantile exchange, light sweet crude for April ended at 14.31 dollars a barrel, up 96 cents.

Energy ministers from five of the world's biggest oil producing nations — Algeria, Iran, Saudi Arabia and Venezuela, and Mexico — agreed to cut output by two million barrels a day after meeting Thursday and Friday in the Hague.

The accord was announced by Saudi Oil Minister Ali Ibn Ibrahim Nuaimi.

Saudi Arabia called the session in an attempt to forge consensus over new cuts in oil production before the next OPEC meeting in Vienna on March 23.

The Petroleum Desk Manager at Salomon Smith Barney in London, Peter Gignoux, said the difference between the coming OPEC meeting "and the last one in November is that now there're a lot of firm public propositions even before the beginning."

RUBBER: Flat. Natural rubber prices were stable this week in quiet trading. Low demand and abundant supply.

The Kuala Lumpur RSS1 index closed at 2.47 ringgits a kilo, compared to 2.56 ringgits.

The London rubber index was unchanged at 455 pounds a tonne for March and 460 pounds a tonne for April.

GRAINS: Germinating. US wheat prices rose on hopes that the trade embargo against Iran might be lifted in a bid to thaw US-Iranian relations.

Prices were also pushed up by short-covering by investment funds.

Maize prices rose after the Brazilian real gained on the dollar, cutting back exports from Brazil.

COTTON: Fluffy. Cotton prices were higher this week on technical factors.

The cotton outlook index rose to 56.65 cents a pound from 55.90 cent.

Prices were expected to come under pressure in the near future when the US Department of Agriculture announces the surface area planted in 1999-2000.

WOOL: Warm. In Britain, the wooltops index rose 10 pence to 302 pence a kilo.

Over the 13 auctions held in Britain this year two million kilos out of 2.944 million kilos on offer have found buyers, the brokers' committee in London said.

In Australia, Merino wool rose sharply. The eastern index rose 26 cents to 5.28 Australian dollars a kilo.

'Thai rice has bright future in world market'

BANGKOK, Mar 13: Thai rice has a bright future in the world market as long as the global population is steadily increasing while rice fields are decreasing, a senior official from the Thai Agricultural and Agricultural Cooperative Ministry said here yesterday, reports Xinhua.

Anand Dalodom, Director-General of the Department of Agriculture, said rice would remain in the long run Thailand's most significant agricultural commodity, given its nature as basic food in many countries and its reputed quality and taste.

As long as the world population is increasing and while rice fields in many countries are being turned to industrial and resident areas, Thai rice will continue to enjoy a large share of the world market, he said.

His words came after the rice prices in the world market have fallen by an average of 30 per cent this year.