

SANYO Japan
FAMILY SIZE MICROWAVE OVEN
35.9 & 27.1 LITRE OVEN CAPACITY
Free Recipe Book
Transfin Trading Ltd.
Tel : 815307-10, Fax : 813062

The Daily Star BUSINESS

DHAKA, MONDAY, MARCH 15, 1999

JET Wash Action
SANYO Japan
New Jet Wash technology.
Micro-computer controlled fully
Automatic Washing Machine.
Transfin Trading Ltd.
Tel : 815307-10, Fax : 813062

WB chief economist says at CPD dialogue

Bangladesh has huge potential for entrepreneurship development

Star Business Report

The visiting senior Vice-President and Chief Economist of World Bank Professor Joseph E. Stiglitz yesterday said there is a great potential for entrepreneurship development in Bangladesh, provided it is adequately backed up by a disciplined monetary and fiscal regime.

He was speaking at a dialogue on "The Outcomes of the Privatisation Policy and the Performance of the State-Owned Enterprises" organised by the Center for Policy Dialogue (CPD) at a city hotel.

Focusing on the role of the government, he said that there was a growing consensus on avoiding excessive governance.

"Rather focus should be on improving weakness in governance. There should be an effective coordination between the government, private sector, NGOs and the civil society in the development process," Joseph added.

He said "You can't spend money that you do not have. Expenditure has to be limited through imposing a high degree of revenues."

Participating in the discussion, State Minister for Planning Moinuddin Khan Alamgir said agencies like the World Bank (WB) and IMF are setting the standards for lowering subsidies and tiering down the tariff levels are concerned.

"When the developed countries give subsidies in agriculture they do not object but when the LDCs offer such subsidies, they question its witness."

Replying to this point, Joseph said that there was a high level of hypocrisy in the preaching that comes from the Washington DC.

However, in case of internal credit flow, it must go to productive activities instead of political rent-seeking activities.

On the increase of internal savings, he said that LDCs could try to mobilise private savings through postal banks, as was being done in Japan under its sound financial control system.

The dialogue was moderated by Prof. Rehman Sobhan, Executive Director of CPD. The theme of the dialogue was "Policy Reforms: The Need for a New Consensus."

Rehman Sobhan said that WB should evolve a creative process for relocating assets of member countries.

Former Chairman of the World Bank Board of Directors and ex-finance minister Saifur Rahman said that previously the human angle in policy-making used to be fully ignored by the IMF and half ignored by the WB.

He said "now it is heartening to see that human, social and political considerations are

highly featuring in WB agenda.

Citing the example of Mexican collapse, he asked "Is WB still fundamentally in its own structure, as remedies prescribed by it is back-firing in so many countries?"

The former finance minister also said: "Both WB and IMF emphasize on democracy and good governance. But can the weak democracies with feeble institutional basis comply with the standards set by WB?"

As far as corruption is concerned WB and the IMF are also a party to the corruption in most Asian economies, Saifur Rahman said, adding that half of the credit given by these institutions to such countries go for loan purchase.

He also raised question about the logic behind allowing free movements of capital and at the same time opposing free movement of labour.

President of Bangladesh Economic Association (BEA), Wahiduddin Mahmud, said the quality of fiscal adjustment is often overlooked due to over-emphasis on fiscal deficit.

Focusing on this point, Joseph said the long-term plan of an economy should be to become a nation with fiscal surplus side by side overcoming fiscal deficit.

Talking about the Central Bank's focus, he said that it de-

not been made public by the governments of those countries.

About good governance, John Williams of World Bank, said: "As a public institution we have to go by certain set criteria. But we also do commit mistakes as we have to take hard decisions in presence of looming uncertainties in many countries."

In his speech, Grameen Bank Managing Director Prof. Mohammad Yunus said if the WB is determined to push the pro-poor agenda, then it must create a micro-credit fund with the extra interest it gets.

Dr Nasreen Khundker of Dhaka University said the Bank takes a conflicting stand when recommending trade liberalisation on one hand and advocates full employment on the other, because liberalisation itself gives rise to unemployment.

In this regard, Joseph said liberalisation and full employment go hand in hand without affecting the safety nets if there is good monetary and fiscal policies.

Sharif Alal Hossain, President of Bangladesh Chamber of Industries, said that until and unless there was a manifesto growth in the manufacturing and productivity sectors, no policies would become beneficial.

Former finance minister M Saifuddin Zaman said that excess private sector borrowing was the main cause of the East Asian debacle.

In this regard, Joseph said that the East Asian countries were not more vulnerable to crisis than other nations. Bad practices by the western banks were to a great extent responsible for the debacle. But this has

DCCI blames political unrest for economic slowdown

Business leaders yesterday blamed political unrest, deteriorating law-and-order situation and premature trade liberalisation for the country's economic slowdown despite various corrective steps, reports UNB.

"Success of the government steps mainly depends on national consensus on economic development through bringing political stability," Dhaka Chamber of Commerce and Industry president M H Rahman told newsmen.

Former DCCI president Abdur Rab Chowdhury, senior vice-president Sajjatz Juma and vice-president Nasir Hossain were present at the press conference at the chamber of commerce.

Rahman said the country's economic development and facing the challenges of globalised market in the 21st century are possible only if alternative political means to meet the demands could be devised through mutual discussion.

"Neither the opposition nor the ruling party can avoid responsibility for the political unrest and law and order," he said, the business leader venting his community's anguish over the scenario.

Pointing to dropping key economic indicators, he said the import of food-grain and other consumer goods increased in the fiscal year while exports, investments and foreign currency reserves declined.

The investment volume declined one per cent to 16.3 per cent in 1997-98 from the previous fiscal. The figure may shed further in 1998-99.

The country's foreign exchange reserves also showed downturn, he observed. The re-



President of the Dhaka Chamber of Commerce and Industry (DCCI) M H Rahman speaks at a press conference organised by the DCCI at its auditorium yesterday. DCCI Senior Vice President Sajjatz Juma and Vice President Nasir Hossain were also present.

serve till February 1999 was 1753.85 million US dollars.

"Investment-friendly environment is very essential," he said, adding the private sector, expatriate Bangladeshis and foreign entrepreneurs, not at all, will be interested to invest here in an unstable and adverse situation.

"Political leaders irrespective of their party affiliations will have to realise the truth, otherwise they will have to be accountable to the future generation," the businessman said.

Bypassing a question — if businessmen are also to blame for the declining trend of the economy — he said the government was taking its own course through existing legal frame-

work against the wrongdoers.

"DCCI never encourages them," he told the journalists in response to questions about malpractice like loan default, share scam and so.

The chamber president put forward recommendations for rescuing the country's economy.

Those are infrastructure development for industrial growth, easy financing to industry, determining alternative to devaluation, rationalisation of tariff system, providing incentives to agro-based industries, export diversification, improving traffic congestion and rescheduling weekend holiday to one day.



World Bank Senior Vice-President and Chief Economist Joseph E Stiglitz speaks at a CPD-sponsored dialogue on privatisation policy at a city hotel yesterday. — Star photo

Tofail wraps up 5-day London trip

'Govt keen to expand pvt sector role in industrialisation'

Commerce and Industries Minister Tofail Ahmed returned home yesterday concluding a five-day official visit to the United Kingdom to woo foreign investments into Bangladesh, reports UNB.

During the trip, the minister addressed the potential investors of Britain and other EU countries and Bangladeshi nationals living there in various business meetings and seminars.

Bangladesh-British Chamber of Commerce in London, Department of Trade and Industry of UK and Euro-Bangladesh Investment and Trade Promotion Bureau arranged the parties.

European entrepreneurs who have already invested in Bangladesh and those who made up their mind to invest in Bangladesh in infrastructure and other trust sectors participated in the meetings.

The minister in the gatherings had urged the investors to enjoy a wide range of fiscal and non-fiscal incentives and other facilities offered by the government to attract foreign direct investment.

The government is keen to expand private sector efforts to boost country's industrialisation and exports, he told the meetings.

Elaborating government efforts in strengthening the democratic institutions of the country, the minister said, "We are trying our best to make the parliament as the focal point of all national activities."

Besides, the country has established a good image outside the country and its overall relationships with the neighbouring and regional countries have improved a lot.

He elaborated on different economic policies taken by the present government under the leadership of Prime Minister Sheikh Hasina to expedite country's development drive.

Expressing concern of LDCs,

Bangladesh being one of them, the minister told them that most of the LDCs had further marginalised with the twin processes of integration.

But Bangladesh has taken those as a challenge, he said, adding: "We have formulated policies to convert these challenges into opportunities."

He said people of all walks of life are united to march the nation toward prosperity and thus they overcome the effects devastating floods.

Bangladesh High Commissioner to UK, A H M Mahmood Ali, and other dignitaries were present at the functions.

UNCDF executive secy due in city today

Poul Grosen, Executive Secretary, United Nations Capital Development Fund (UNCDF) will arrive in Dhaka today on a five-day official visit, an UNDP press release said today, reports BSS.

During his visit, Grosen will meet ministers and senior government officials, donors, diplomats and heads of UN agencies in Bangladesh.

His visit will also include field trips to the CDF supporter projects in Bangladesh. The total current UNCDF portfolio in Bangladesh amounts to approximately 17 million US dollars.

Grosen is also expected to sign a US dollars 7 million project document on the Sirajganj local governance fund, initiated by UNCDF under its local development funds (LDF) programme and co-financed with US dollars 1.7 million UNDP fund, the press release said.

'Bank holiday on Wednesday

Bangladesh Bank and all scheduled banks will remain closed on Wednesday on the occasion of the birthday of Bangladeshhu Sheikh Mujibur Rahman, said a press release yesterday, reports UNB.

BB T-Bills auction held

The 28th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year Treasury Bills were held yesterday, reports UNB.

Taka 212.50 crore, Tk 40.50 crore, Tk 33.00 crore, Tk 72.00 crore and Tk 85.90 crore were offered respectively for the 28-day, 91-day, 364-day, and 2-year Bills, said a Bangladesh Bank press release.

Of these, Tk 177.50 crore, Tk 20.00 crore, Tk 22.00 crore, Tk 43.00 crore and Tk 14.90 crore of 28-day, 91-day, 182-day, 364-day and 2-year Bills were accepted respectively.

Reforms shouldn't be pushed beyond capacity: Kibria

Finance Minister Shah AMS Kibria yesterday said that the reforms programmes should not be pushed too hard beyond the strength of a nation to avoid the possibility of unstable situation, reports BSS.

The finance minister was speaking at the concluding session of a public lecture on 'Have Recent Crises Affected the State-market Debate?' by chief economist and senior vice president of World Bank Joseph E Stiglitz at a city hotel.

The public lecture was organised by Bangladesh Economic Association (BEA). BEA President Dr Wahiduddin Mahmud and General Secretary Dr Sajjad Zahir also spoke on the occasion.

Kibria said the present government was making all-out efforts to implement the banking and financial reforms pro-

grammes and trying to transform a relatively weaker economy of the past into a stronger one.

He said we have achieved success in our vigorous campaign to motivate strong public opinion against bank loan default culture and positive results have been coming up."

The minister said the willing loan defaulters now at least feel the fear of facing court for not paying back bank dues in time.

He said that as a result, the case of new bank loan default had come down remarkably. The minister hoped that the situation would continue to improve amid the amendment and tightening of laws relating to recovery of willing default bank loans.

The minister suggested for disbursing 'directed bank loans'

in some cases for the benefit of the people.

He cited the example of the such directed bank credit like the agriculture loan for the benefit of the flood stricken rural people.

Kibria said such loans have revitalised the rural economy which was hard hit by unprecedented floods recently.

The minister hoped to achieve six to seven per cent growth in near future with the present rate of economic progress.

The days are not far away when we will be attacking poverty and hunger with more stronger economic capability," the minister said.

Meanwhile, the World Bank chief economist, Joseph E Stiglitz, advocated for striking "balance" between the role of state and market in attaining desired economic development.

While making a public lecture on "have recent crises affected the state-market debate?" organised by Bangladesh Economic Association (BEA) at a city hotel, Stiglitz said "There is no simple formula, no single recipe, but the analysis... made clear that what is required is balance. The state should have more than a minimalist role, but less than an all encompassing role, a role in which the government focuses on areas of relative strength, and where there are well-known lacuna in the market... the private sector still should be the locus of development with the government providing the appropriate institutional infrastructure."

Stiglitz termed this new approach for economic development as "third way" which has been developed with the experience of East Asian economic crises.

The WB chief economist said the crisis have not altered the need for balance. The crisis has re-emphasised the need for the state to focus on certain specific areas where its role is essential, such as financial regulation.



Begum Farah Elahi, wife of Pakistan High Commissioner and president of Pakistan Women's Association (PWA), presents a cheque for Taka one million to Prime Minister Sheikh Hasina for PM's flood relief fund at her office recently. PWA collected the money from the Mina Bazar and musical programmes organised by it. — PWA photo

Phone tariff row exposes confusion in Indian govt

By Paranjay Guha Thakurta

NEW DELHI, Mar 14: The decision by India's Communications Minister Jagmohan to "keep in abeyance" the revision of telephone charges proposed by an ostensibly independent statutory body has exposed the utter confusion prevailing in the government about the country's telecom policy.

Various wings of the government, including the Prime Minister's Office (PMO), the Department of Telecommunications (DOT) and the Ministry of Information and Broadcasting, are currently at loggerheads with one another over a range of policy issues.

These include the licensing system for private firms offering fixed and mobile phone services and the introduction of direct-to-home (DTH) television broadcasting using high frequencies.

The controversies surrounding these issues and the hectic lobbying by various interest groups are unlikely to subside till the government is able to come out with a new set of policy guidelines for the telecommunications sector which, until recently, was a monopoly of the federal government and government-controlled corporations.

The government has promised a new telecom policy by the end of March. And nobody has any dispute about the fact that the speedy growth of this sector is crucial for the overall economic development of a country in which only two out of one hundred individuals own telephones and which is trying to leap-frog into the age of information technology.

To some extent, the policy confusion is a legacy of the past, from the time the Congress party government led by P.V. Narasimha Rao was in power and the Ministry of Communications was headed by controversial politician Sukh Ram, who was disgraced after he was accused of corruption.

The nearly one-year-old Atal Behari Vajpayee government has not been particularly successful in cleaning up the

telecom mess despite appointing a series of "high-powered" committees and panels to go into various outstanding issues.

On the contrary, the confusion has been compounded by protracted turf battles among various government departments. S.S. Sodhi, a retired judge who heads the TEAI, has already accused the government of "undermining the authority" of the regulatory body by delaying the revision of local and long-distance telephone call charges and rentals.

Jagmohan's decision to keep in abeyance the TRAI's proposals was apparently on account of opposition from the ruling Bharatiya Janata Party's coalition partners, specifically Mamata Banerjee of the Trinamool Congress.

While Banerjee has claimed the proposed new phone call rates are against the interests of the poor and those not residing in urban areas, Sodhi has sought to refute this claim.

He has pointed that the new rates were proposed after ex-

tensive public consultations and that local call charges have gone up only marginally whereas long-distance charges (for phone calls within the country as well as outside it) have come down substantially.

This is not the first time the TRAI and the government have been at loggerheads. DOT appealed in court against the regulator's complaint that it had not been consulted while allowing the state-controlled Mahanagar Telephone Nigam Limited (MTNL) — which operates phone services in the cities of New Delhi and Mumbai — to compete with private firms offering cellular (mobile) phone services.

A single judge of the Delhi High Court ruled in favour of the government and against the TRAI stating that it was the prerogative of the former to shape policy.

An appeal against this judgement is currently pending before a multi-judge bench of the same court.

The other aspects of the tele-

com policy on which different wings of the government — the DOT and the PMO — reportedly hold diametrically opposite views relate to private telecom companies paying up 20 per cent of the licence fees.

Jagmohan has been upholding the DOT's position that payment of licence fees on time is a contractual obligation.

However, private telecom firms have found supporters for their cause (which is to delay making payments as long as possible, certainly till the new policy is in place) in powerful bureaucrats in the PMO.

In recent weeks, a division has emerged in the ranks of private companies with one section in favour of a less combative, more conciliatory approach towards the DOT.

One of the communist set up — headed by industrialist Ratan Tata — has advocated the need to take into account the fact that technologies are "converging" while formulating the new telecom policy.

— India Abroad News Service

Indian shares set for subdued trade

BOMBAY, Mar 14: Indian shares are set for subdued trade next week after almost two weeks of rises following the national budget unveiled last month, brokers said yesterday, reports AFP.

The 30-share sensitive index on the Bombay Stock Exchange (BSE) was up 53.75 points, or 1.5 per cent to 3,702.81 points at close.

The market is likely to be subdued next week," said broker Ramesh Damani.

The BSE index had risen more than 16 per cent to Friday after Finance Minister Yashwant Sinha announced on February 27 an investor-friendly budget for the year beginning April 1.

The budget offered incentives to capital markets and sectors such as housing, capital goods, pharmaceuticals, computer software, food processing and entertainment in a bid to reverse more than two years of

economic slowdown. Buying interest next week is expected to be limited to pharmaceuticals, computer software and banking stocks, brokers said.

"They said domestic speculators had built up considerable positions and were unlikely to increase them significantly."

"Buying interest is expected in select scrips foreign portfolio investors are likely to continue making selective purchases and domestic speculators will follow them," said Damani.

"The market will be driven by foreign investors and speculators, he added.

Broker Rajiv Storewall said the euphoria that followed the budget was waning.

"The excitement over the budget is less now. Moreover, prices have gone up so much that investors want to wait for them to fall a bit before making fresh purchases."

Lanka remains world's largest tea exporter

COLOMBO, Mar 14: Sri Lanka maintained its position as the world's largest exporter of tea last year, edging out Kenya despite a record harvest in the East African country, says Xinhua.

"Sri Lanka continues as the largest exporter having shipped 271 million kilos to over 40 countries," the official Sunday Observer quoted brokers as saying.

Kenya came second having shipped 264 million kilos and India a distant third with an estimated 205 million kilos of exports, its highest since 1990, the newspaper said.

Sri Lanka's black tea output was a record 280 million kilos while Kenya's crops were 294 million kilos, it said.

India was the world's biggest producer with 867 million kilos but her exports are restricted because of the huge and growing domestic market which absorbed about 650 million kilos last year.