

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

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 stage for privatising subsidies and tiering down the tariff levels are con-

cerned.

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 semi-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 policymaking used to be fully ignored by the IMF and half ignored by the WB.

Now it is heartening to see that human, social and political considerations are

highly featuring in WB agenda. Citing the example of Mexico, 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.

Citing Russia as an example, he added: "Increasing efficiency and releasing resources is an ideal pro-poor intervention. Wrong methods for carrying out the privatisation process could backfire."

Emphasising the launching of a financial and regulatory process, strong bankruptcy act and corruption-free public sector, Joseph said: "We are looking for development from a much greater perspective than the World Bank did some 20 years ago."

Former finance minister M Saiduzzaman 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 extend responsible for the debacle. But this has

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.

Emphasising the launching of a financial and regulatory process, strong bankruptcy act and corruption-free public sector, Joseph said: "We are looking for development from a much greater perspective than the World Bank did some 20 years ago."

Former finance minister M Saiduzzaman 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 extend responsible for the debacle. But this has

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

DCCI blames political unrest for economic slowdown



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 Sajiduzzumma and Vice President Nasir Hossain were also present.

— DCCI photo

serve till February 1999 was 1753.85 million US dollars.

"Investment-friendly envi-

ronment 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.

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 cur-

rency reserves declined.

The investment volume de-

clined one per cent to 16.3 per cent in 1997-98 from the previous fiscal. The figure may shed light on 1998-99.

The country's foreign ex-

change reserves also showed

downtrend, he observed. The re-

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 resuscitating the country's economy.

Those are infrastructure de-

velopment for industrial growth, easy financing to in-

dustry, determining alternative to devaluation, rationalisation of tariff system, providing in-

centives to agro-based indus-

tries, export diversification,

improving traffic congestion and rescheduling weekend hol-

iday to one day.

Reforms shouldn't be pushed beyond capacity: Kibria

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 of the 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 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 lucas 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 has 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

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 par-

leys.

European entrepreneurs who have already invested in Bangladesh and those who made up their mind to invest in Bangladesh in infrastructure and other thrust 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.

Expressing concern of LDCs,

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."

But Bangladesh has taken some 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 overcame the effects devastating floods.

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

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 some 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 overcame the effects devastating floods.

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

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 pol-

icy 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.

Jagmohan's decision to keep in abeyance the TRAI's proposals was apparently an attempt 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.

Last year, the 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 committees 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.

The 30-share sensitive index on the Bombay Stock Exchange (BSE) was up 53.75 points, or 1.5 per cent to 3,70