The Daily Star
BUSINESS
DHAKA, SUNDAY, SEPTEMBER 12, 1999

World Bank report says

Liberalisation leaves no adverse impact on majority enterprises

By Inam Ahmed

Trade liberalisation which started in the mid-'80s and gained momentum in the early 1990s as an important component of the structural reforms programme in Bangladesh, had not adversely affected the country's majority enterprises, a World Bank report said.

Rather, the export-oriented industries in the country had started benefiting from the liberalisation process, it said.

The Bank conducted a survey of a number of enterprises to focus further on the question of how important trade liberalisation has been in affecting enterprises and what aspects of the business environment might have affected their performances and capacities.

Of the 74 enterprises that responded to the WB questionnaires about impacts of trade liberalisation, some 30 per cent found trade it helpful, 14 per cent considered it harmful (mainly import-competing firms in the rubber, soap or detergent and metal works sectors), while the majority indicated no significant impression from it.

"The group that responded in the positive, included some readymade garments, which had started benefiting from trade liberalisation much earlier under the enclave arrangements," the survey said.

With respect to the key constraints in doing business in Bangladesh, only four per cent of the respondents considered competition from imports as the primary obstacle to carry out their business activities.

On the other hand, 21 per cent of the respondents saw lack of business support services, such as assistance in finding or using new technologies and product design as well as instrument calibration, productivity improvement advice and quality-control testing, as the foremost problems.

This is followed by access to credit (20 per cent), inadequate supply of infrastructure (13 per cent), corruption, theft and toll collection (18 per cent). Shortage of skilled labour was also stressed as another important tumbling-block, the survey said.

Evidences from the sick firms and new enterprises surveyed also suggest that trade liberalisation has not caused extensive hardships.

Of the 12 ailing firms that could be traced (out of a small sample of 23), only the import-competing ones (five out of six) recognised trade liberalisation as having adverse effect on their performances. But none of the firms interviewed hinted at the liberalisation process as the sole reason for their sickness.

Non-availability of finance and working capital, technical production problems, natural disasters, increased domestic competition, and managerial inexperience are among the factors held responsible for their ailment.

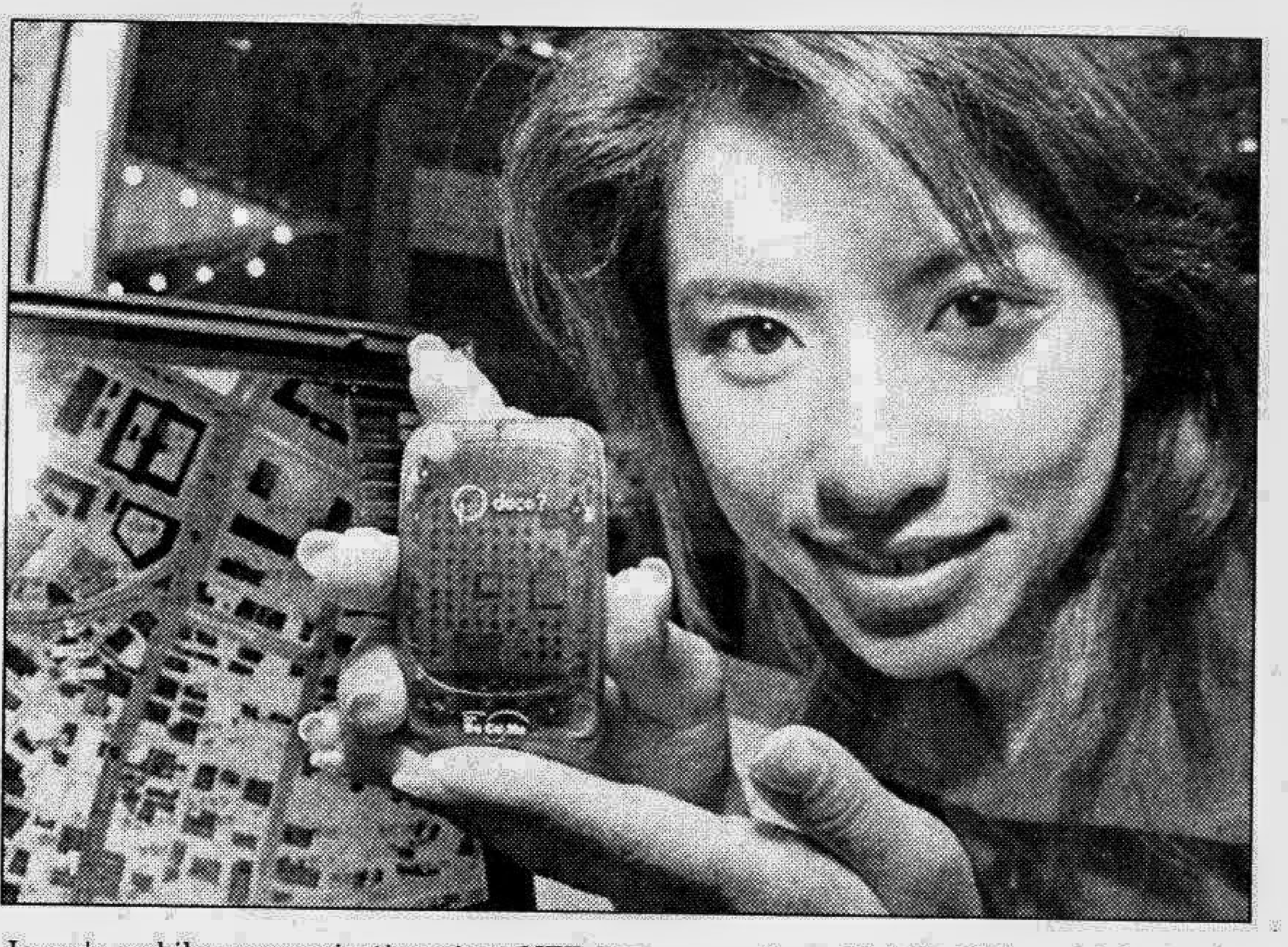
The 26 new entrants interviewed (10 export-oriented and 16 import-competing) regarded trade liberalisation as helpful for their businesses, noting duty reductions on raw materials and capital goods.

The export-oriented firms were generally more optimistic about their future, while import substitute producers stayed increasingly cautious.

However, they all pointed to the above-cited business environment constraints as the major hurdles faced in carrying out their businesses.

Faster improvements in the areas of infrastructure, financial sector reforms, business support survices, customs administration, law and order situation and reform of the state-owned enterprises sector would have undoubtedly helped in reaping stronger benefits from the gradual removal of trade barriers, the survey said.

Addressing these business environment problems will be the most essential undertaking that the government can do to boost industrial development, economic growth and poverty reduction, it suggested.



Japan's mobile communication giant NTT Docomo employee Makiko Kobayashi displays a small electronic gadget "Doco?", meaning "where?", which enables to point out the holder's position in the digital map through the mobile phone network yesterday at Asia's largest PC convention World PC EXpo '99 in Makuhari, suburban Tokyo. The NTT Docomo developed the Doco? for children, aged persons and pets who loose their way home.
—AFP photo

Finance Minister inaugurates Computer Show at IDB Bhaban

Call for taskforce to help embrace e-commerce

Star Business Report

Finance Minister SAMS Kibria and Adviser of the National Committee on Software Export and former adviser of the caretaker government Professor Jamilur Reza Chowdhury inaugurate the Computer City at IDB Bhaban in city yesterday. Bangladesh Computer Samity President Aftabul Islam is also seen in the picture.
—Star photo

Advisor of the National Standing Committee on Software Export and former adviser of the caretaker government Professor Jamilur Reza Chowdhury yesterday called upon the government to form a taskforce immediately with a view to embracing e-commerce in Bangladesh.

He said that about US$ 100 billion worth of businesses are nowadays conducted globally through e-commerce, which will rise to $1300 billion by the year 2003.

"Our banking system should be changed to adopt e-commerce," Chowdhury said, while speaking as special guest at the inauguration of the BCS Computer Show '99 at city's IDB building yesterday.

He also called for quick implementation of the recommendations of the taskforce report on software export for tapping the opportunities in the information technology (IT) sector.

Chowdhury said that lack efficient manpower and requisite infrastructure facilities was hindering the growth of the sector.

"Like our neighbouring countries, the government should give incentives to create skilled human resources," Chowdhury said.

He also said the telecommunications infrastructure of the country, which is in pretty bad shape, is hindering the growth of this sector.

The Internet users in our country pay more money and spend much of their time in downloading information.

These facilities need to be upgraded and brought in line with our neighbouring countries to make the local IT offerings cost-effective, he observed.

Chowdhury said that an inter-ministerial meeting last month discussed possible steps to bring down the Internet charge to Tk 0.40 per minute.

He said that such government moves would encourage and accelerate software export from Bangladesh as it will be cost-effective.

Chowdhury also called upon the software exporters to get their export figures registered with the government in order to help assess Bangladesh's position and remove the existing loopholes.

Kibria pledges software technology park at IDB

Speaking on the occasion, Finance Minister Shah AMS Kibria said that the government was going to set up a software technology park in the IDB Bhaban to facilitate software export from the country.

While inaugurating the BCS Computer Show and Computer City, the minister said the "Software Technology Park (STP)" will be built on 10,000 square feet.

The minister also said that the government had taken up many initiatives to remove the barriers blocking the development of the IT sector.

The government has withdrawn taxes on computers and introduced Intellectual Property Right (IPR) to safeguard interest of the software producers, he said.

"The cabinet has given its consent to a draft IPR. An ordinance to this effect will soon be placed before the Parliament for enacting a law," Kibria said.

Kibria also said that he was happy to see many foreign investments and joint venture training institutes for developing skilled manpower for the IT industry.

IT products at competitive prices

BCS President Abtabul Islam said the main objective of this year's show was to create public awareness and interest in computers and the IT-related issues.

He said that the response to last year's fair was dramatic and 'it was huge success'. "It is precisely the overwhelming success of that very fair, attended by some 300,000 people from all walks life, which inspired the BCS members in moving to a permanent place with its member firms."

He said that the Computer City was very something 'special' as it will provide the first-ever permanent venue for the total IT-related sector, facilitating one-stop marketing, sales, software development, IT training, Internet service and electronic commerce and bringing the end-users under a single roof.

Abtab said that the venue was something with a difference as far as the traditional concept of a marketplace is concerned, as "it will go beyond the realms of sales and marketing operations through holding regular seminars, symposiums and exhibitions to inspire IT awareness among the masses."

"Besides, it will immensely benefit the end-users by offering them computers and IT products at competitive prices. Here, the element of business competition will strongly come in to play, as the end-users will be able to compare and choose from multiple sources at the same time.

Pak team arrives today to talk more tea imports

A high level delegation from Pakistan arrives here today to discuss the prospect of buying more tea from Bangladesh, reports UNB.

The 14-member delegation will be headed by M Hanif Janoo, chairman of Pakistan Tea Association, which is a major buyer of Bangladesh tea.

During its 5-day visit, the members of the delegation will see for themselves the development of tea industry that has taken place during the last 10 years, said a press release of Bangladesh Cha Sangsad.

It said the main purpose of the delegation is to explore possibilities or opportunities of increasing import of Bangladesh tea.

Foreign banks still heavily exposed in Indonesia

PARIS, Sept 11: The crisis in East Timor and threats of an interruption of foreign aid pose a problem for foreign banks still heavily exposed in Indonesia at a time when the economy was showing signs of a turnaround, reports AFP.

Private foreign banks' outstanding loans to Indonesia totalled 50.9 billion dollars at the end of March, up from 50.5 billion at the end of December last year, according to the latest figures from the Basel-based Bank for International Settlement (BIS).

Japanese banks are the most exposed, with outstanding loans totalling 16.4 billion dollars at the end of December, the last month for which detailed figures are available, followed by German banks with 5.6 billion.

British and US banks have outstanding loans to Indonesia of more than 3.5 billion dollars.

The debt levels have come down since the height of the Asian financial crisis, when foreign bank exposure totalled some 62.8 billion dollars, but have fallen less sharply than those of other crisis-hit countries in the region.

Foreign banks' outstanding loans to Thailand, for example, were down to 50.4 billion dollars in March from 79.6 billion at the end of 1997, while those of South Korea were at 74.7 billion dollars in March, compared with 103.9 billion in December 1997.

The Indonesian economy was showing signs of recovery earlier this year, and after a general election in June IMF officials were urging foreign investors to return.

But the formation of a new government was delayed because of disputes over the result of the vote, and then violence erupted in East Timor after the territory voted for independence.

IMF officials were talking about positive economic growth this year only a few months ago, but the latest forecast is for the economy to shrink 1.0 per cent this year after contracting more than 13.0 per cent last year.

The government is still talking about 2.0 per cent growth, down from earlier forecasts of 4.0 per cent.

Frozen foods team to visit European countries

A 10-member delegation of Bangladesh Frozen Foods Exporters Association (BFFEA) will leave Dhaka tomorrow on a 12-day visit to a number of European countries to explore and develop market for frozen foods, reports BSS.

Led by Association President Kazi Shahnewaz, the team will visit Belgium, Holland, Denmark, Germany, Switzerland and United Kingdom.

During its tour, the delegation will meet government officials and importers to discuss business interest and visit fish processing plants and super markets.

The members of the delegation are: Ferdous Alam, Azizur Rahman, MMA Salam, Quazi Monirul Huq, M Faruk, Mahabubur Rahman, M Saiful Islam, M Masadur Rahman and Syed Abu Asfar.

Sick industry owners demand

Amend default loan realisation laws

Owners of the country's sick industries have demanded immediate deletion of the provisions in laws relating to realisation of default loans that are contrary to the Constitution, reports UNB.

"The amendments to the existing laws are essential as certain provisions denied self-defence by a defaulter," said Alauddin Ahmed, the convenor of Inter Association Sick Industries Rehabilitation Council (IASIRC).

Addressing a press conference in the city yesterday, he said the court use to declare a defaulter bankrupt and or order auction of his properties hearing only the complainants.

"It can't be ... it shouldn't be. There are many cases that the entrepreneurs became defaulters and their industrial units turned sick due to bureaucratic tangle of the banks. The Court should also listen to the grievances of the defaulters before giving the verdict," he said.

Ahmed, himself owner of a sick industry, further said there should also be provision so that one can go to the higher court against the verdict of the lower court. "Even a murderer has the right of appeal to the higher court."

The IASIRC convenor, in this regard pointed to the existing law pertaining to Artha Rin Adalat, Bankruptcy, BSB/BSRS, PDR and demanded amendments to those to ensure justice.

Raising six other demands to overcome the problem of industrial sickness, he said they were optimistic that the present government would resolve the problem.

The demands included suspending cases against sick industries with approval by Parliament, expanding capacity of interest waiving committee in the backdrop of free market economy and reinstating the committee to rehabilitate sick units.

Commodity: Weekly Roundup

Oil surges to the highest since '97

LONDON, Sept 11: Crude oil prices surged to the highest level since early 1997 to more than 23 dollars a barrel as the market expected producer countries to stand by output constraints well into next year, reports AFP.

Strong demand saw oil stocks in the key US market fall far more sharply than had been predicted, raising some concern that the northern hemisphere could see a supply shortfall this winter.

Brent North Sea crude on the International Petroleum Exchange rose by 1.86 dollars to 22.90 dollars late Friday. Brent had touched its highest level since February 1997 Thursday at 23.19 dollars.

On the New York Mercantile Exchange (NYMEX), light sweet crude for October delivery touched 23.20 dollars per barrel.

Prices gained from growing conviction that prior agreements by producer countries to rein in production would be ratified at a meeting of the OPEC cartel on September 22.

Producer countries agreed last March to reduce global production by more than 2.1 million barrels per day. Of this, OPEC members agreed to reduce output by 1.7 million barrels.

About 90 per cent of the cutbacks have been respected, market-watchers say.

Renewed growth of the global economy, notably in Asia and Europe, has increased demand for oil.

The thirsty US market continues to guzzle more gas than analysts had predicted.

Official US stock figures this week showed that reserves there fell by 5.97 million barrels to 311.7 million. This was far higher than market predictions of a one-million-barrel decline.

Rubber: Flat. Rubber prices rose slightly amid thin market activity ahead of a three-day meeting of the International Natural Rubber Organisation which commences on September 27.

The London rubber index rose to 427.50 pounds per tonnes (for October delivery) from 417.50 pounds.

In Kuala Lumpur, the RSS1 index rose to 2.29 ringgits per kilo from 2.16 ringgits.

The SMR 20 index, which covers rubber used in tyre manufacture, rose to 2.37 ringgits per kilo from 2.20 ringgits.

Cocoa: Rise. Cocoa prices rose slightly in spite of predications that the world's leading producer country, Cote d'Ivoire, will reap a record harvest this year.

On the London market, prices gained one pound to 655 pounds a tonne.

The modest increase came despite a strong rise of the pound against the dollar following a surprise decision by the Bank of England to raise its interest rates.

A stronger pound makes the sterling-denominated contracts relatively more expensive to overseas buyers.

And the market paid little heed to predictions from the International Cocoa Organisation that Cote d'Ivoire would reap a record 1.24 million tonnes in the 1999/2000 season and 1.15 million tonnes in 1998/1999.

Cote d'Ivoire itself said that it expected to produce just 800,000 tonnes during its main October to March season, compared with 952,885 tonnes last year.

Coffee: Weak. Coffee prices were weakened by rainfall that came to ease drought in the key Brazilian growing regions.

The downpours were thought likely to afford ideal conditions for the flowering of coffee bushes there.

Prices on the New York market fell to 87.20 cents a pound (for December delivery) from 94.10 cents.

In London, Robusta for November delivery lost 51 dollars to 1,291 dollars a tonne.

The Brazilian plantations had been parched in recent weeks, leading to a rise in Arabica prices.

Tea: Strong. Demand for tea remained strong in the Mombassa auction houses, the London Tea Brokers Association said.

High quality BP1 (Broken Pekoe) leaves rose by up to 14 cents per kilo.

PE1 (Pekoe Fannings) shreaded leaves gained up to 25 cents a kilo.

Sugar: Sweet. Sugar prices continued to rise on technical trades and speculative purchases.

December contracts on the London market rose to 189.9 dollars a tonne from 188.8 dollars.

Rise in oil price gives Libya temporary respite

TRIPOLI, Sept 11: This year's oil price surge has given Libya's socialist-style economy a respite, but sweeping reform may be needed to create jobs and prosperity for a youthful population set to double in 25 years, reports Reuters.

"The economy is as mismanaged today as it was on April 1," said one European diplomat, referring to the date UN sanctions were suspended after Libya handed over for trial two men wanted by Britain and the United States for the 1988 bombing of a Pan Am airliner over Scotland.

"Sanctions were the great excuse for everything that went wrong. That excuse is now gone," the diplomat said.

He said Libya had done much business with the West even during the seven years when the embargo was in place.

Foreign firms should not get too euphoric about its passing because now, as before, "the cake is not that big."

Oil revenue, accounting for 95 per cent of export income, plummeted to $5.7 billion last year from $9 billion in 1997, according to International Monetary Fund figures.

The IMF puts inflation at 15 to 20 per cent and unemployment at 20 to 30 per cent.

Earnings from oil may recover to around $7 billion this year, with world crude prices now back above $20 a barrel after dipping below $10 in December.

Diplomats say the government reined in spending sharply for the first few months of this years, paying state salaries but delaying projects and holding up payments to foreign suppliers.

It only began to release funds at the end of May to pay for this month's celebrations of the 30th anniversary of Muammar Gaddafi's 1969 revolution and a special Organisation of African Unity summit he called to mark the event in lavish style.

Coloured lights, painted streets

Countless coloured lights and flags were strung over newly painted streets and buildings in Tripoli to welcome delegations from 50-odd African countries. The government bought 350 new Mercedes cars to which them around and hired waiters from Egypt and Morocco to help hard-pressed hotel staff.

A huge military parade featuring ageing Soviet-era planes, tanks and missiles was laid on to impress Gaddafi's visitors.

Diplomats said Libya still owes Russia $2.5 billion for arms, accounting for much of its total debt of $4-5 billion.