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Telecom sector deregulation soon: Kibria

Bid to remove software export bottlenecks, create jobs

Star Business Report

Finance Minister Shah AMS Kibria yesterday said that the telecommunications sector would soon be deregulated to remove the software export bottlenecks.

"I have talked to experts, officials of the Bangladesh Computer Council and software producers on the changes needed. I have their proposals in hand. Within a month or two, I will sit with the T&T minister to remove the existing hurdles in the sector," the minister said.

Kibria was speaking at the inaugural ceremony of a three-day follow-up meeting on Public-Private Partnership (PPP) projects in Bangladesh jointly organised by the Board of Investment (BOI), United Nation's Economic and Social Commission for Asia and the Pacific (ESCAP) and Economic Commission for Europe (ECE) at the Bangladesh Institute of Administration and Management (BIAM) auditorium.

The minister said that Bangladesh was in a good position to export software. "We have a large unemployed youth force who could be employed in the software sector like in India."

"I am optimistic that given the right policy and framework we will march ahead," Kibria said.

Talking about foreign partnership with local companies, he said this is now happening in the telecommunications and energy sectors.

The minister said foreign investors have already set up some independent power plants following the formulation of the private sector power generation policy in 1996.

The minister said the power sector was in a critical state when the present government came to power. With the new policy in place, private power plants are now coming up, which will meet the country's total demand in two to three years.

Kibria said that the liberalised economic policies were generating interests among the foreign investors. "But these interests are lost due to political violence and terrorism."

He mentioned that a car of International Monetary Fund (IMF) Country Director came under attack by processionists on Saturday.

"Should we protect these terrorists who resort to such destructive activities in the name of fundamental rights?" the finance minister asked. "I condemn such attacks."

Speaking on the occasion, Dr M Rahmatullah, ESCAP Director of Transport, Communications, Tourism and Infrastructure Development Division, recalled the earlier meetings held in October last year which identified several areas that need to be improved to promote PPPs in Bangladesh.

These areas include: improving legislative and regulatory environment, formulation of build-operate-transfer (BOT) laws, development of new sectoral laws especially in the areas of ports, roads and highways and railways, improving dispute settlement and arbitration system and setting-up of 'one-stop-shops'.

At the same time, the capabilities of civil servants need to be strengthened and red tapism be removed.

He said even if many of these improvements are made, it may still be difficult to attract the private sector to develop infrastructure unless special packages are offered.

Dr M Rahmatullah said one of the main reasons for less private sector participation in transport sector is the low return on investment. "In such cases, the government can ascertain the volumes of traffic and fare levels and specific packages may be offered to make them attractive," he said.

"In case of low traffic, the government may consider supporting the project until a viable traffic volume builds up. In such cases there is a scope for public-private partnerships where the government would provide subsidies to make up the revenue shortfalls," he added.

Many countries have gone for such partnerships with private sector involvement ranging from 40 per cent to 70 per cent. Alternatively, the public sector could also guarantee payment of compensation to the extend of loss being incurred by the private sector, which gradually reduces as traffic and demand build up, Rahmatullah said.

He also suggested specific measures to create an environment conducive to private sector involvement in projects.

These include commitment of the government as well as of a broad spectrum of political and civil society to private sector involvement, recognition that the government and the private sector need to share risks based on a transparent analysis of the type of risks, the availability of efficient infrastructure services and the availability of skilled and disciplined manpower at relatively low cost.

Speaking on the occasion Mokammel Haque, Executive Chairman of BOI, said Bangladesh has been making continuous efforts to make itself an attractive location for foreign investment. Beside initiating economic reforms, it has been improving the regulatory frameworks for investment.

State minister for Foreign Affairs Abul Hassan Chowdhury also spoke at the inaugural session which was followed by two technical sessions on Legal Framework for Public and Private Partnership (PPP) projects in Bangladesh and Strengthening the Negotiating Capability of Civil Servants for PPPs.

Working session on public-private partnership told

Lack of legal framework blocks FDI

Star Business Report

Participants at a discussion have observed that the government's special incentive packages to attract foreign investment are not giving results as its policies are not backed by proper legal frameworks.

They also said enforcement of laws is important to attract investment.

They were speaking at a working session on legal framework for public -private partnership projects of a three-day meeting on 'Negotiating Platform for Public-Partnership Projects' yesterday.

It was jointly organised by the Economic and Social Commission for Asia and the Pacific (ESCAP) and Economic Commission for Europe (ECE) at the city's BIAM auditorium with a view to assisting the policymakers in creating an investment friendly- environment in Bangladesh.

Dr M Rahmatullah, Director of ESCAP, chaired the session. Salauddin Ahmed, Consultant, ESCAP/ECE-BOT, presented the keynote paper. Executive Chairman of Board of Investment (BOI) Mokammel Haque and The Daily Star Editor Mahfuz Anam were the discussants at the session.

They said that Bangladesh was one of the countries which offer the best incentive packages to investors, but it failed to draw any significant amount of investment.

The speakers also said judges are not always familiar with commercial disputes and observed that they need to be trained to deal with such cases.

Some of the participants also pointed out that judges are often burdened with huge number of cases resulting in delays in judgement.

Salauddin Ahmed in his keynote paper highlighted the importance of a market-friendly legal environment which minimises investors' risks. He said investors should have a clear idea of the existing laws.

He also stressed enforcement of the regulations, settlement of conflicts by impartial bodies and procedures to revise inappropriate rules for attracting investments.

Salauddin Ahmed said the shift from a state dominance to a market economy requires substantial changes in laws such as the intellectual property rights.

He sought laws which cover all the aspects of build-operate-transfer (BOT) projects.

"The existence of such a law would reduce the uncertainty inherent in a host of issues that concern investors".

BGMEA Vice President Anisul Huq appealing to the opposition to exempt the garments sector from hartals at a press conference yesterday. —Star photo

EC wants Dhaka to build national consensus on economic issues

Ambassador and Head of Delegation of the European Commission Antonio de Souza Menezes on Monday underlined building a national consensus on key economic issues of Bangladesh for greater interactions between the two sides, says UNB.

He came up with this observation at a meeting with the President and the Directors of Dhaka Chamber of Commerce and Industry at the DCCI auditorium.

DCCI President Aftab-Ul-Islam presided over the meeting. First Counselor of the EU Commission JV Ketelson also attended.

The EU Head of Delegation told the DCCI leaders that the EU Commission would extend all help to Bangladesh in resolving the problem now being faced by the country. "However, the initiative has to emerge from Bangladesh side," he said.

The meeting also reviewed the whole gamut of bilateral issues concerning the European Commission and Bangladesh in the context of globalisation, functioning of the World Trade Organisation (WTO) and United Nations Conference on Trade and Development (UNCTAD).

In his speech the envoy particularly referred to the cooperation arrangement currently being worked out between EU Commission and Bangladesh.

A Task Force will be formed shortly and all relevant issues relating economic development addressed.

The Ambassador said the general environment is for enhanced cooperation between the Commission and Bangladesh and the situation is quite favourable.

JV Ketelson, first counsellor of EU Commission, referred to GSP facilities now available for Bangladeshi products for having market access in European countries.

He pointed out the ongoing World Bank-financed project for modernising industrial units in Bangladesh. Currently, there is facility of having investment from EU community under ECIP for setting up industrial units, the counselor informed the DCCI directors.

Earlier, the members of the Board of Directors briefed the Ambassador on the trend of Bangladesh economy.

They told him that as the single-biggest trade partner of Bangladesh the European Community could easily contribute in diversification of exports from Bangladesh. Particularly EEC can extend cooperation in the development of infrastructure.

They said that in order to meet the challenge of globalisation under WTO concept, Bangladesh needed assistance and cooperation especially from EU nations.

DCCI directors observed that Bangladesh had liberalised economy along with enabling rules and procedures but the country is in trouble to meet the threat of massive imports from the developed countries. They sought EEC's techno-financial assistance in improving the infrastructure of Bangladesh.

Branch Managers' Conference-2000 of Dutch-Bangla Bank Limited, held in the city on Sunday. — Dutch-Bangla Bank photo

Analysts say

Sri Lanka's budget investor-friendly

COLOMBO, Feb 15: Sri Lanka's budget for 2000 may encourage opening up of the capital markets and lure foreign investment, but liberalisation of the banking sector seemed over ambitious analysts said Tuesday, reports AP.

"We didn't see any big surprises," Amal Sandaratne, head of research at Jardine Fleming HNB Securities Ltd, told Dow Jones Newswire.

The budget was presented by President Chandrika Kumaratunga in parliament on Monday.

"It's a reasonably investor-friendly budget; and we should see some positive reaction in the market," said Nouzab Fareed, chief strategist at Mercantile Merchant Bank.

President Kumaratunga said foreigners will be allowed to invest in the local debt market and that foreign-ownership rules in brokering services will be liberalised to provide 100 per cent equity ownership.

Currently, foreign equity stakes in banks are capped at around 40 per cent and the government grants permission for such investments only on case-by-case basis. The budget boosts these levels to 60 per cent.

Fareed said banking and insurance sector stocks are likely to see increased buying activity.

However, Rajiv Casie Chitty, an equity strategist at stockbrokers CT Smith, said the liberalisation of the banking sector seemed over ambitious and he doubted the government's resolve to implement it.

The government also said it will impose a goods and services tax on cement, timber and all meat products. But its impact on revenue was expected to be marginal.

The government forecast a budget deficit of 95.9 billion rupees ($1.33 million), or 7.6 per cent of the gross domestic product, for 2000 as compared with expected deficit of 89 billion rupees ($1.23 million) in 1999.

Fighting against Tamil separatists since 1983, the government would spend 52.4 billion rupees ($731 million) on defence in 2000, compared with 48.1 billion rupees ($ 688 million) last year.

It slammed the existing 5.5 per cent defense levy on most services, excluding electricity, water, hotels, government agencies, educational institutions and health.

The budget announced some relief by abolishing television and radio license fees and stamp duty on forward sale contracts in the agricultural industry.

The budget proposals hinted strongly at long-term disinvestment of key government assets, including the Ceylon Electricity Board and state banks.

Sri Lanka is aiming at 7-8 per cent GDP growth by 2010 and control inflation around 3 per cent.

ILO chief warns of backlash against globalisation

BANGKOK, Feb 15: The head of the International Labour Organisation hit out today at what he called the international casino economy and said trade and financial policies had to be geared to meet the needs of ordinary people, says Reuters.

Such tailoring of policies would stave off a politically dangerous backlash against globalisation, said Juan Somavia, the Chilean director-general of the Geneva-based ILO.

Unless developing countries saw that new technologies and free markets were delivering jobs and social progress, the assumption that ever-closer global economic integration is inevitable would be called into question.

"This idea that globalisation is untouchable is not true," Somavia told a summit of the UN trade and development agency, UNCTAD.

More than 3,000 delegates from 190 countries are attending the week-long meeting which ends on Saturday.

"Policies can be changed and I would say more: policies need to be changed. If policies are not changed ... this model of globalisation will not continue for the very simple reason that it is not delivering the goods for enough people," he said.

"I find the situation frankly worrying and even dangerous politically."

Technological progress was opening new economic vistas but was also creating a digital divide that risked fuelling a backlash by the poor and unemployed.

"It's the lack of that consensus that can bring the whole damn house down," Somavia said.

He said the task for international institutions was to put job creation and social issues at the heart of the policies they design for developing countries.

Monetary policy could be more growth-oriented to spur investment and jobs.

"I would like to see the international organisations dealing with financial matters giving much more importance to productive capital, which produces goods, creates jobs, etc, than to a casino economy that has financial flows moving all over the place," he said.

Nor was there any reason why budgets had to be balanced on the backs of the weak of society by cutting social expenditure.

Somavia said it was obvious that developing countries were not benefiting from global trade rules either.

A report published by UNCTAD this week said the world's 48 poorest countries had seen their share of world trade drop by 40 per cent between 1980 and 1997.

The fact is that for the large, large majority of developing countries this trading system does not deliver for them the possibility of including yourself in the global economy in ways in which you can develop decent work at home," Somavia said.

The ILO head, who sidestepped the controversial issue of whether labour standards should be enshrined in the next round of global trade talks, said he was not calling for revolutionary changes to the world economy's order.

Rather, it was a question of making changes so free markets were made to work for everyone.

"Unless market fundamentals respect the fundamentals of the life of people, this model of globalisation will not continue," Somavia said.

Iraq renews threat to cut oil exports

BANGKOK, Feb 15: Iraq today issued a fresh warning that it will reduce oil exports if its requests to buy humanitarian supplies and spare parts for its oil industry under a deal with the United Nations continue to be blocked, reports Reuters.

Trade Minister Mohammed Mehdi Saleh told Reuters that Baghdad did not want to cut back its exports. But if the committee monitoring Iraq's oil-for-food deal with the UN refuses to approve contract requests, it made no sense to maintain current export levels.

"If they don't approve the contracts, then there will be really a reduction," Saleh said on the margins of a summit of the UN trade and development agency, UNCTAD.

Saleh said the extent of any reduction would be determined by Oil Minister General Amir Muhammed Rasheed, who said last Friday that the cut could amount to at least 250,000 barrels a day. Iraq's exports, which have fluctuated in recent weeks, fell to 1.4 million bpd in the week ending January 28 from 1.86 million the week before.

Of $22 billion worth of oil that Iraq has sold in the past three years under the UN exchange, 34 per cent has gone into a Gulf War compensation fund and to pay UN expenses in Iraq, while $8.3 billion is tied up in an escrow account in New York because of the refusal of the sanctions monitoring committee to approve Iraqi procurement requests.

As a result, Iraq has been able to buy food, medicine and other humanitarian goods worth only $6 billion, said Saleh, who put Iraq's complaints on Saturday to UN Secretary-General Kofi Annan.

"We told Mr Annan that the programme of oil-for-food has become a programme for covering the expenses of the United Nations and for compensation and it is not in the interests of Iraq," Saleh said. "So what is the reason for exporting more?"

Iraq blames the United States in particular for blocking contracts.

EU Commissioner for Development, Humanitarian Aid due Feb 20

European Commissioner for Development and Humanitarian Aid Poul Nielson arrives on February 20 on a three-day official visit to Bangladesh, says UNB.

Nielson, former Development Minister of Denmark, will call on Prime Minister Sheikh Hasina, Foreign Minister Abdus Samad Azad and Finance Minister SAMS Kibria.

Issues relating to EU-Bangladesh development cooperation are expected to dominate Nielson's talks with the government leaders.

The visit of the EU Commissioner is seen important as it takes placer at the heel of the Prime Minister visit to Brussels and talks with EU president Prof Romano Prodi early this month.

Nielson will also visit an EC aided project in Rangpur.

Silk Foundation signs MOU with TMSS

A Memorandum of Understanding (MOU) for $12.99 million was signed yesterday between the Bangladesh Silk Foundation (BSF) and the Thengamara Mohila Sabuj Sangha (TMSS) at BSF head office in the city, a BSF press release said yesterday, reports BSS.

Under the MOU, the two organisations agreed to implement the different sub-components like training, extension, chawki rearing, product promotion and development under the Silk Development Project (SDP) of BSF, started in March 1998.

Of the $12.99 million project, $11.35 million would be provided by International Development Association (IDA) and $1.21 million by the Government of Bangladesh (GOB). Rest of project money would come from other financial institutions.

The prime objectives of the five-year project are to assist in increasing the incomes of small-scale silk producers, most of whom are poor women, by introducing modern technology and creating institutional and policy improvements designed to encourage sustainable development of the silk sector of the country.

Prof. Hosne Ara Begum, Executive Director of TMSS and Dr S A Hossain, Managing Director of BSF, signed the MOU on behalf of their respective organisations, the release added.

Orion Aviation made ANA GSA

All Nippon Airways (ANA), a Japanese private sector carrier and one of the top ten airlines, has appointed Orion Aviation Ltd the General Sales Agent (GSA) for Bangladesh, said a press release yesterday, reports UNB.

It said formal launching of the GSA will be held through a reception at Sonargaon Hotel on Saturday. ANA executives from Tokyo, India, Thailand, Malaysia and Singapore will attend the ceremony.

Dutch-Bangla Bank managers' confce held

The annual conference of the branch managers of Dutch-Bangla Bank Limited was held at the bank's training centre in the city on Sunday.

Mohammad Shahabuddin Ahmed, Chairman of the Board of Directors of the bank inaugurated the conference.

Directors, managing director, deputy managing director, other senior executives of head office and branch managers were present in the conference.

Speaking on the occasion, the chairman expressed satisfaction at the profit earnings of the bank.

He said profit is not the goal rather the bank is more interested in activities which will uphold and augment the development activities of the community and society at large in particular.

The managing director initiated the day's business by inviting the participants to surface their problems and possibilities.

The conference reviewed the operational performance of last year and adopted new business goals and action plans by setting branch-wise performance targets for the year 2000.

EU may nominate German minister for top IMF post

BRUSSELS, Feb 15: European Union finance ministers plan to proposed Germany's deputy finance minister as the EU's candidate for the top post at the International Monetary Fund, the EU presidency spokesman said Tuesday, reports AP.

Manuel Meneses, spokesman for the Portuguese EU presidency, said the 15 EU foreign ministers agreed to back Deputy Finance Minister Caio Koch-Weser during a meeting Monday.

The consensus was reached after France withdrew its opposition to the German candidate, Meneses said.

Dhaka for managed globalisation for LDCs

BANGKOK, Feb 15: Bangladesh has proposed managed globalisation arrangements for the LDCs till such time as they are able to participate effectively in open global market, reports UNB.

To that end, Dhaka, the spokesman for the least developed countries, place a nine-point programme before the UNCTAD conference here for implementation which will help the integration of LDCs in the mainstream of world economy.

The programme proposals are eradication of poverty, balanced implementation of the WTO agreements, simplified accession to WTO for LDCs, free access of exports from LDCs, their capacity building, decisive reduction in their debts, enhancement of ODA, incentives for FDI flows to LDCs and financial architecture.

Commerce Minister Abdul Jalil mooted the programme in his country statement on the second day of the UNCTAD conference being held in this Thai capital from Feb 12.

"Countries like LDCs need special protection if they are to benefit from this process of globalisation," he told the UN Trade and Development Agency's meet.

He emphasised that LDCs must get zero-tariff and quota-free access for their products to the developed world.

Speaking about Bangladesh, the minister stated that the present government had achieved commendable progress in the field of literacy, family welfare, economic growth and micro-credits.

ROK to raise investment in Sri Lanka

COLOMBO, Feb 15: South Korea, encouraged by its economic recovery, will make more investment in Sri Lanka, especially in infrastructure projects, the South Korean ambassador was quoted as saying Tuesday, reports AP.

Song Young-oh told the state-run Daily News that with the South Korean economy picking up several companies have re-launched their expansion programmes and South Korean investors will look for new business in Sri Lanka.

South Korean companies have plans to participate in infrastructure projects such as highway, power and construction.

South Korea remains one of the largest foreign investors in Sri Lanka with more than $200 million in 130 projects, providing 65,000 jobs.

The export products of these companies also account for 9.6 per cent of Sri Lanka's total export.

The ambassador said economic and trade ties between the two countries have moved into diversified areas and trade has been growing.

Two-way trade in 1998 was $480 million with the trade balance in favour of South Korea because of the import of raw materials to produce various export items.

Japan's current account surplus falls in '99

TOKYO, Feb 15 : Japan's broadest measure of trade shrank in 1999 for the first time in three years as the strong yen depressed demand for Japanese products overseas, the government announced Monday, says AP.

The current account surplus, measured before adjustment for seasonal factors, fell 22.7 per cent from 1998's record high to 12.197 trillion yen ($111.9 billion), the Finance Ministry said.

The current account measures trade in merchandise, services, tourism and investment. It's calculated by determining the difference between Japan's income from foreign sources against payments on foreign obligations. It is calculated by determining the difference between Japan's income from foreign sources against payments on foreign obligations. It excludes net capital investment.

A huge surplus has been a constant source of friction with the United States and other trading partners. They have been urging Japan to boost its economy to stimulate imports. Japan is struggling to emerge from its worst economic downturn in 50 years.

In 1998, Japan's trade surplus surged 38.7 per cent to a record high of 15.86 trillion yen ($139.18 billion).

During 1999, however, the yen's 10 per cent increase against the dollar made Japanese products, such as steel and computers, more expensive in the United States and Europe, such as steel and computers, more expensive in the United States and Europe, thus hurting exports.

Higher oil prices also dented the surplus as Japan had to pay out more for its energy imports.

The US dollar started 1999 at 113.86 yen but ended weaker at 102.08 yen.

For the month of December, Japan's current account surplus fell a greater-than-expected 39.9 per cent from the year-earlier month to 871.5 billion yen ($7.99 billion), the ministry said.