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BUSINESS
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Dhaka to get $40m from Kuwait Fund for Ctg power project

Bangladesh will receive 40 million US dollars in loan from Kuwait Fund for Arab Economic Development (KFAED) for implementing the Greater Chittagong Power Transmission and Distribution Project (Phase II), reports UNB.

An agreement to this effect was signed between the Bangladesh government and KFAED here yesterday.

ERD Joint Secretary Md Sayef Uddin and Deputy Director General of Kuwait Fund Hamad Al-Omar singed the agreement on behalf of their respective sides.

Upon completion of the project, the growing demand for electricity in the port city of Chittagong and its adjoining industrial areas, and Cox's Bazar town will be met to a great extent.

BIA advanced course begins today

A week-long "Advanced course for executive development" arranged by Bangladesh Insurance Academy (BIA) will begin at the Academy Bhaban at Mohakhali in the city today, says a press release.

The objective of the course is to familiarise the participants with the insurance activities and pragmatic management for the healthy functioning of the organisation.

The course will conclude on June 19. A total of 18 officers from Sadharan Bima Corporation, Jiban Bima Corporation and other private insurance companies will take part in the course.

Asian debt consolidates

HONG KONG, June 12: Asian benchmark bonds were consolidating around last week's levels in quite trade today with bargain hunting the main market feature, says Reuters.

Dealers reported some buying of the Philippine sovereign bonds on their recent rise in yields, and lingering demand for selected Korean bank debt after last week's sudden rally.

Asian credit spreads generally tightened last week on a better tone to regional equity markets and more strong economic data. Korean subordinated debt deals tightened in by as much as 100 basis points over the week on signs the government was increasing its efforts on financial reform.

"We continue to be overweight on selected Korean bank sub-debt and Hong Kong convertibles, but expect that spreads on Asian credits could remain volatile on thin volumes and muted US investor interest in Asian credits," analysts at Barclays Capital said in a note to clients.

Asian bond market activity was being held in check on Monday by the absence of most European players, and the closure of the Australian market for public holidays.

Traders are also wary about the recent widening in US dollar swap spreads. Swap spreads turned volatile last week amid an onslaught of corporate issuance as well as renewed talk over the potential for a larger US budget surplus and therefore less US Treasury supply.

Although the pace of US corporate bond issuance is expected to be much slower this week, there is more swappable issuance due, particularly in the five-year sector.

The key 10-year swap spread closed at 128-even Friday, down a half basis point from Thursday, but up from 125-even at the close of trading a week ago.

Malaysia's Securities Commission (SC) said it would introduce shelf registration for bond issues later this year in a bid to boost new supply in the local corporate bond market.

The SC will also relax investment rating requirements and formulate guidelines for the issuance of asset-backed securities.

US rating agency, Moody's Investors Service, said it is still reviewing Thailand's Bal long-term sovereign rating and a decision remains some weeks away.

Pakistan, Oman hold talks on trade ties

MUSCAT, June 12: Sultan Qaboos of Oman held talks Sunday with Pakistani President Gen. Pervez Musharraf, who was on his first official visit to this Gulf nation, reports AP.

Qaboos and Musharraf discussed bilateral relations and ways of boosting economic ties through commerce and investment, said sources close to the talks. The leaders also discussed cooperation in the oil and gas fields, including the possibility of private investment in those sectors.

Musharraf emphasized his country's common relations with Oman and expressed Pakistan's desire to strengthen economic relations.

July-April export earnings fall 4 pc short of target

Star Business Report

The country's export earnings fell short of target by 3.93 per cent during the first 10 months of the current fiscal year while it rose by 6.88 per cent over the last fiscal's corresponding period.

The exports fetched US$ 4593.75 million against the target of $4781.67 million fixed for July-April period, showing a shortfall of $187.94 million, according to the Export Promotion Bureau (EPB).

"The export volume increased by 6.76 per cent during the period of the current financial year while the price index rose by 0.12 per cent," said an EPB official.

Although the export volume of primary products increased by 9.72 per cent, the price index for this very segment fell by 5.52 per cent. However, both the export volume and price index of the industrial products recorded positive growths of 6.44 per cent and 0.67 per cent respectively, he said.

Export earnings from knitwear, frozen foods, leather and raw jute surpassed targets but some other major items including readymade garments (RMG), jute goods, tea, handicrafts and chemical products failed to reach their goals during the July-April period of the current fiscal.

RMG export fetched $2478.24 million, which is 4.07 per cent short of the $2583.33 million target, but 3.35 per cent higher than that of the corresponding period of the previous fiscal.

During the period, knitwear worth $1003.52 million were exported, exceeding the target by 0.35 per cent and posting an increase of 20.33 per cent over the corresponding period of the last fiscal.

Frozen foods fetched $250.25 million, surpassing the target by 1.45 per cent during the period.

Jute goods worth US$ 228.66 million were exported against the $258.33 million target. The earnings figure is 11.49 per cent less than the target and down by 9.46 per cent from last fiscal's corresponding period.

Leather worth $158.30 million was exported during the period, which is 5.53 per cent up from the target and 13.32 per cent higher than last fiscal's same period.

Raw jute valued at $63.92 million was exported during the period against the target of $60 million. This showed a 6.53 per cent increase from the goal and 13.94 per cent rise from last fiscal's corresponding period.

Tea export from the country during the July-April period nosedived with 11.67 million kg of tea worth $16.44 million exported against the target of $33.33 million. This is a huge 50.68 per cent short of the target and 56.20 per cent less than last year's same period.

The price of tea in the international market dipped by 17.54 per cent during the period while Bangladesh's export volume declined by 46.83 per cent.

Export earnings from handicrafts amounted to only 84.17 million against the 88.33 million target. This also shows a big 49.94 per cent decline from the target and 21.76 per cent slump from the corresponding period of FY '99.

During the period under focus, chemical products worth $65.31 million were exported against the goal of $80 million, dipping by 18.36 per cent from the target and surging by 6.68 per cent from last year's corresponding period.

The United States remained the major market for Bangladeshi exports, which accounted for $1792.84 million or 39.03 per cent of the total exports. Other major markets for Bangladeshi products include Germany 11.78 per cent, United Kingdom 8.81 per cent, France with 6.19 per cent, The Netherlands 5.02 per cent, Italy 4.35 per cent and Belgium 4.07 per cent.

Budget silent on deficit reduction, says FICCI

BCI blasts provision for govt borrowing

The Foreign Investors' Chamber of Commerce and Industry (FICCI) has observed with surprise that the proposed budget for fiscal 2000-2001 is silent on reduction of deficit, reports UNB.

Instead, the budget has sought to increase the government borrowing from the banking system without looking into its negative implications on the national economy, the Chamber observed at its meeting held on Sunday.

The meeting reviewed the new budget and assessed its potential implication on business in Bangladesh.

The FICCI, however, called the duty reduction on industrial raw materials and intermediaries a "welcome step in the right direction."

Creation of a special Equity Development Fund for development of software, food and agro-processing industries is a positive measure, it said, adding that the management of the Fund should be vested with appropriate professional expertise.

The FICCI meeting appreciated the measures proposed for revitalising the capital market. "Imposition of higher duty on the import of two-stroke engines and HDPE, and reduction of duty on CNG-driven engines are environment-friendly measures," it said.

Higher allocation for education and health sectors, the Chamber felt, would benefit the society. "However, higher allocations in the unproductive sectors, if not matched by higher revenue earnings, will lead to move deficits and result in more government borrowing from the banking sector."

It said that extension of tax holiday facility was a positive step towards industrialisation. But it suggested that the facility be made available for five years instead of two years.

The FICCI said that allowing undisclosed income to be legitimised through payment of 10 per cent tax is an "unjust proposition" when honest taxpayers are subject to higher rates.

It expressed dissatisfaction that VAT has not been made a sales-based tax, as in most other countries. VAT should be based on simple "output minus input" concept without leaving any room for subjective conjectures, the chamber suggested.

Another report says: Bangladesh Chamber of Industries (BCI) has hailed the proposed budget but criticised the provision for government borrowing from the banking system.

The government should not borrow from the banking system through budgetary declaration, said a meeting of the BCI Board of Directors held on Sunday with its president Khondokar Mosharraf Hossain in the chair.

The meeting suggested that the government remain alert so that the business and industry by no means face hindrance to get loan.

BGMEA seeks strong lobbying for quota-free access to US

Association expresses anxiety to Jalil

Apprehending a major setback in Bangladesh's garment export as the American Congress has passed the Sub-Shaharan African Bill, BGMEA urged the government to vigorously lobby for quota-free access to US market prior to the prime minister's visit in October, says UNB.

While conveying their anxiety to Commerce Minister Abdul Jalil at EPB auditorium on Sunday, the leaders suggested that the government should conduct a survey by any world-class consultant to assess the impact of the Bill on Bangladesh's apparel export.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Anisur Rahman Sinha and its executive directors pointed out various impediments facing the sector and discussed possible ways out.

They felt the urgency of increasing the efficiency of port management and customs to raise the competitive edge of exports from Bangladesh.

The BGMEA leaders claimed there was no instance of quota fraud in garment export to USA after introduction of Elvis system and promised the government of all possible help to stop corrupt practices in garment export.

At the same time, they also urged the government to make it sure that no exporters face punishment and lose business before allegations against him or her proved.

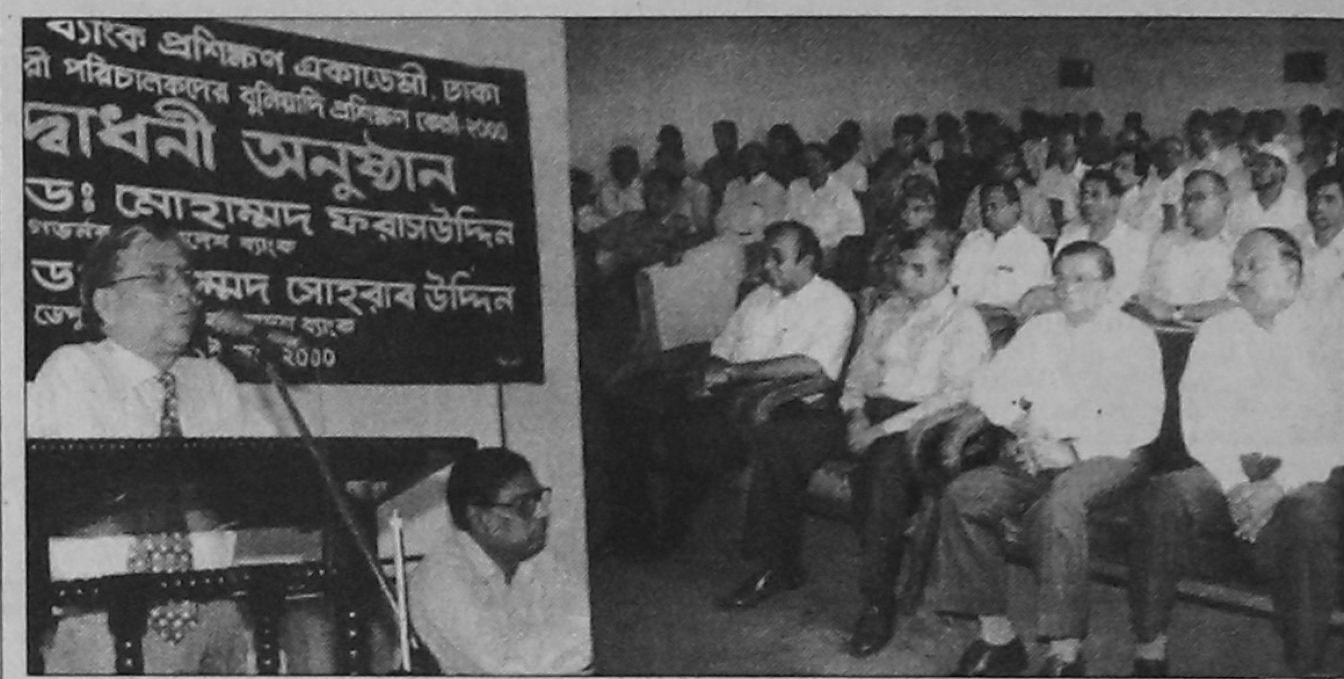
The leaders of the country's biggest export-earning sector said the BGMEA was working hard to get prepared to face stiff global competition stemming from quota-free regime beyond 2004.

In response, the Commerce Minister assured continued government support to ready-made garment sector that fetches the lion's share of the country's export earnings.

"The government is taking all-out steps both internally and externally to ensure that Bangladesh gets all the facilities in export trade as an LDC," he said.

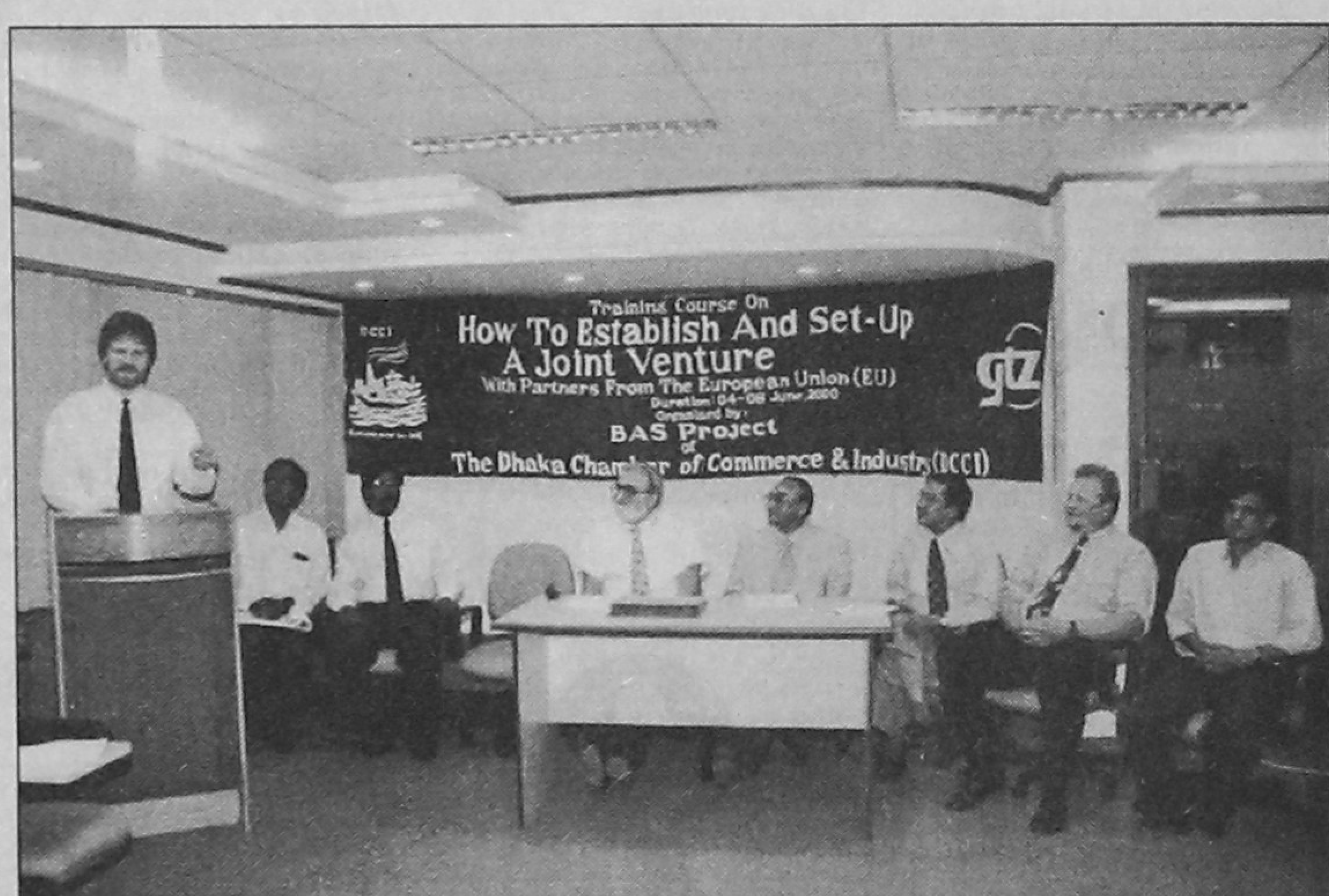
As export is linked with the image of the country of origin, the government is committed to wiping out all sorts of corruption and fraudulence in export business, Jalil said, directing the authorities to complete investigation against the accused export houses.

Commerce Secretary Golam Rahman, Export Promotion Bureau (EPB) Vice-Chairman AB Chowdhury, Economist Dr Debapriya Bhattacharya, BGMEA executive members and commerce and export-promotion officials were present.



Dr. Mohammed Farashuddin, Governor of Bangladesh Bank, inaugurates a 3-month foundation course for the newly-recruited Assistant Directors of Bangladesh Bank at its Training Academy in Dhaka Sunday. 40 Assistant Directors are participating in the course. Dr. Mohammed Sohrab Uddin presided over the inaugural function.

—BB photo



Jan Axel Voss, Economic Counsellor and Charge d' Affaires of German Embassy in Dhaka, addresses the closing ceremony of a training course on "How to establish and set up a Joint Venture with partners from the European Union (EU)" held at DCCI Business Institute (DBI) recently. (From left to right) Golam Kabir, Consultant, BAS, Hasanur Rahman Chowdhury, Dy Secretary (Trg), DCCI, Michael K Nathan, Project Co-ordinator, BAS, RM Khan, former President and present director, DCCI, Mirza A Matin, secretary, DCCI, Dr Thomas O. Jenisch, Managing Director, Tom-Consult, Germany, and Shahazada Basunia, Dy Secretary (Trg), DCCI, were present on the occasion. — DCCI photo

Natore pottery industry on verge of extinction

NATORE, June 12: Pottery industry is on the verge of extinction in the district for want of proper patronage and fund, says UNB.

Thousands of families are associated with this industry, but many potters have already given up the profession while others are also thinking to follow their path.

There was a time when this profession was a lucrative one. Thousands of people were engaged in making earthen jars, plates, small cauldrons, toys and various other things to earn their livelihood.

Sources said a total of 3,500 potter families of the district are engaged in this profession at present. Of them, 1,500 are in Lalpur, 100 in Gurudaspur, 500 in Shingra, 100 in sadar, 200 in Baraigram and 200 in Bagatipara upazilas.

A number of potters of sadar said the price of clay, dice, fuel and other necessary things for the smooth operation of the industry has increased many times and gone beyond the purchasing capacity of the potters.

Taiwanese seek to expand trade with Bangladeshis

Call for govt representative offices in Dhaka, Taipei

TAIPEI, June 12: Business leaders of Taiwan seek respective government representative offices in Taipei and Dhaka for facilitating bilateral trade and investment in Bangladesh, reports UNB.

They also want the signing of agreements on investment guarantee, avoidance of double taxation and ATA Carnet Protocol, developing visa facilities for businessmen, establishment of direct air link and exchange of government and business leaders between the two countries.

"None of these has happened yet," leaders of Chinese National Association of Industry and Commerce (CNAIC), the apex body of trade and chamber bodies in Taiwan, said about their desires on economic and investment aspects as an FBCCI delegation paid a visit to Taipei this week.

"Given the high complementarities of our two economies and Bangladesh's favourable business environment, I am convinced there are great potentialities and plenty of room for expanding our bilateral trade and investment cooperation," said Gilbert Bao, Chairman of Bangladesh Committee of the CNAIC.

Without mentioning non-existence of Bangladesh-Taiwan formal diplomatic relations following China's taboo, he said: "As Taiwan's investors, with excellent manufacturing skills and marketing expertise, have already learned the trick of doing business in mainland China, I think the question now should not longer be 'why Bangladesh'?" but rather "why not Bangladesh?".

"Though Bangladesh is still a distant and unfamiliar country to many Taiwanese businessmen, it has been widely regarded as a favourable location for foreign investment in Asia," he told the delegation of Federation of Bangladesh Chambers of Commerce and Industry.

As the FBCCI sought employment of manpower in Taiwan from Bangladesh, the Taiwanese business leaders emphasised government-level interactions, as visa is still a big problem.

The Taiwanese can procure visa on their arrival in Dhaka, but Bangladeshis are to collect it from Bangkok as there are no formal diplomatic ties between the two countries.

About trade, in the 2nd Joint Conference of CNAIC-FBCCI, Gilbert Bao categorically said development of bilateral trade and investment between the two sides had been less than satisfactory although it increased tremendously in the past decade.

In 1993, the total two-way trade turnover was 160 million dollars, which stood at 477 million dollars in 1999 with Taiwan exporting 463 dollars and importing only 12 million dollars worth of goods.

ROK businessmen upbeat about tattered DPRK economy

SEOUL, June 12: South Korean business barons are upbeat about being able to help revive the communist North's collapsed infrastructure after an historic inter-Korean summit set for this week, reports AFP.

But someone has to pick up the tab, and the South's wealthy allies, the United States and Japan, remain reluctant to chip in because of the North's persistent missile and nuclear threats.

Five major economic organisations here, having bounced back from the Asian financial crisis of the late 1990s, pledged last week to help marry the South's business acumen with the North's cheap labour.

"The business community does hope bilateral economic cooperation will lead to mutual economic progress, a definite stepping stone to the realisation of peace on the Korean peninsula," they said in a statement.

They called for a focus on infrastructure construction in the North's Stalinist economy hit by acute food and energy shortages due to natural disasters and the collapse of the communist bloc.

In a report last week, the Samsung business group's thinktank said the initial phase of North Korea's infrastructure reconstruction might cost at least 10 trillion won (8.9 billion US dollars).

It said three major railroads will have to be built to link cities on both sides of the peninsula with the Chinese border at a cost of 4.4 billion dollars, the Samsung Economic Research Institute said.

The network would give access to Chinese rail links to Russia and Western Europe, considerably cutting transportation costs for goods shipped from South Korea.

The institute said it would cost around two billion dollars to build roads linking industrial complexes and ports, 1.8 billion dollars to construct power plants and 625 million dollars for communications facilities.

The plans, however, are based on expectations the World Bank and the Asian Development Bank would get involved but they could delay participation as the North remains on the US list of states sponsoring terrorism.

The securities unit of another conglomerate, Daewoo, said some 250 billion dollars would have to be invested in North Korea's infrastructure and private sector this decade.

Samsung's thinktank said 195 million dollars would be available from the South-North Economic Cooperation Fund — raised from private and public sector firms but mainly used for humanitarian aid in recent years as a devastating famine gripped the north.

"This amount is hardly enough," said Samsung researcher Kim Yeon-Chul.

However, the United States for its part has said it would ease an embargo on US exports and investment in North Korea, in place since the 1950-1953 Washington's move came in response to a moratorium on North Korea's missile testing. But sanctions remain on defence-related goods and services.

"It is quite clear that South Korea mostly counts on the so-called Japanese compensation to deliver on its pledge of economic aid for the North," said Pyon Jin-Il, editor of a Tokyo newsletter, the Korea Report.

Analysts said Tokyo might be asked to pay Pyongyang five billion dollars to 10 billion dollars when they normalise ties.

Group of economists puts case for Britain's euro joining

LONDON, June 12: A group eminent economists including former Bank of England Monetary Policy Committee member Willem Buiter today present a strongly argued case for Britain joining the euro, says Reuters.

The group, which also includes former Confederation of British Industry chief Adair Turner and Professor Richard Layard of the London School of Economics, are set to release a pamphlet outlining he benefits of British membership.

The paper, called "The Case for the Euro," argues that outside the single currency the British economy would continue to be buffeted by swings in the value of the pound, would not fully enjoy the benefits of the European single market and would lose influence within the European Union.

The paper represents an attempt by pro-euro campaign group Britain in Europe to seize back the initiative in the battle for the hearts and minds of Britons, which has been dominated in recent months by the anti-euro lobby.

The issue has blown up again in recent days with arguments over whether the country's economy is converging with the euro zone and as evidence has grown that the ruling Labour government is divided about whether to actively promote joining.

"It would be irresponsible to ignore the damage that the over-valued pound is causing the British economy," said Simon Buckby, Britain in Europe's campaign director. "It is important that we explain to the British people why these problems are occurring."

But the group has its work cut out — opinion polls regularly show that nearly two-thirds of Britons oppose signing up to the euro and opposition Conservative leader William Hague has been actively running a "save the pound" campaign which has touched a popular nerve."

The Case for the Euro tries to demolish the main counter-argument to joining the euro — that a one-size-fits-all interest rate means an economic shock to the British economy could not be countered with domestic interest rate changes.

It says as each European country retains control over its own budget, they can use fiscal policy to offset shocks. In any case, it argues, country-specific shocks are not common.

There is also no evidence that Britain's higher proportion of floating rate mortgages makes its economy more sensitive to interest rates changes than other EU countries, it says.

Higher unemployment in some parts of Europe than in Britain does not mean the euro zone is a failed economy. Britain is behind most of its EU partners in terms of productivity and prosperity, and no better in terms of growth.

It also denies that joining the euro is the "thin end of the wedge" in terms of increasing pressure from the rest of the EU over issues like tax harmonisation.