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2 Star BUSINESS

DAKHA MONDAY, MAY 7, 2001

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BB gov says current growth impetus irreversible

CCIFB luncheon meet focuses on country's problems, prospects

STAR BUSINESS REPORT

Bangladesh Bank (BB) Governor Dr Mohammad Farashuddin yesterday said that the country's growth momentum has picked up and it is now poised for irreversible development.

The BB governor was speaking on "Problems and prospects of Bangladesh economy in the medium-term" at the monthly luncheon meeting of the France-Bangladesh Chamber of Commerce and Industry (CCIFB).

Giving a brief background of the country's growth, Dr Farashuddin said that GDP growth in the last three decades was four per cent on an average. It picked to an average five per cent in the 1990s.

"In the second half of the 90s, the average GDP growth was a bit over 5.5 per cent, and this year we are expecting about 6 per cent growth," he said.

Dr Farashuddin lauded the agriculture sector achievements, saying that food grain production recorded a 270 per cent growth in the last three decades from a mere volume of 10 lakh tons in the early 70s to 27 lakh tons this year.

He also said this has been achieved in spite of the depleting arable lands and an irrigation coverage of only 50 per cent land.

While making comments on the country's future economy, Dr Farashuddin mentioned three areas - agro-processing, information technology (IT) and ready-made garments (RMG) - where Bangladesh has better prospects.

Hailing the achievements

made so far in the RMG sector, Dr Farashuddin, with a note of caution, emphasised development of the backward linkage industry for survival in the future.

He said the worrisome factor is a low 20 per cent value addition in the RMG sector. "Of the US\$ 5 billion export receipts from this sector, we have to spend about 75 per cent of it to import raw materials."

Refuting analysis of some in-

ternational agencies that Bangladesh doesn't have the comparative advantage to have backward linkage industry, Dr Farashuddin said.

"We can't move forward without it."

He also observed that export earnings from frozen fish could be tripled if the items were processed to over 50 per cent and enter the fashion market.

Mentioning the country's narrow export base with about 90 per cent of its export earnings coming

from only five items, the governor said agro-processing and IT are the two promising sectors that can help diversify the export basket.

He also felt that the RMG sector should increase its value addition if the items were processed to get higher value.

French Ambassador Michel Lummaux and CCIFB President Michel Follet also spoke on the occasion.

Refuting analysis of some in-



Bangladesh Bank Governor Dr Mohammad Farashuddin speaks at the luncheon meeting of the France-Bangladesh Chamber of Commerce and Industry (CCIFB) at a local hotel yesterday. Picture also shows (from L to R) French Ambassador Michel Lummaux, CCIFB President Michel Follet and Director of CCIFB Dr Rifat Rashid.

Africa to see modest growth in 2001, but risks remain

AFP, Washington

If global protesters are counting on native Hawaiians to help them send a strong message to the Asian Development Bank when it meets here this week behind towering glass walls, they may not get much more than a big, warm "aloha!"

Violent protests such as those that marred previous world financial meetings would be a shock in a city that thrives on tourism and a reputation for friendliness.

"We are concerned that ADB protesters not be able to use native Hawaiians as a shield for their protests," said Walter Heen, a former state appeals judge who is a leader judge who is a leader of the Hawaiian advocacy group Aha Ho'ikele Hulaiua.

"In addition, Africa would suffer from a steeper than expected global slowdown, particularly as a result of falling commodity prices."

Still, the report said debt relief efforts by international lenders for some of the poorest countries "has helped to improve the environment to achieve sustained growth. This is an important beginning but African countries continue to face enormous development challenges."

"This pickup will, however, depend on the implementation of sound macroeconomic and structural policies, as well as a significant improvement in the security situation in many countries," the report said.

"Recent improvements remain fragile," the IMF said, citing the rapid deterioration in Zimbabwe.

In Nigeria, the economic reforms taken after the democratic regime took office in 1999 have so far failed to produce a sustainable recovery, the IMF said.

Growth in Nigeria is expected to slip from 2.8 per cent in 2000 to 1.7 per cent this year and increase to 2.5 per cent in 2002.

Ahmad joined the erstwhile Civil Service of Pakistan in 1962.

During his tenure of over 33 years in the Civil Service, he worked as Divisional Commissioner of Rajshahi, Chairman of Bangladesh Tea Board and Bangladesh Petroleum Corporation, and Secretary of the Government of Bangladesh in the ministries of Home Affairs, Energy, Agriculture (Forest Division) and Relief.

Overall, the region has failed to benefit from global trade and economic integration, the report said, noting that real GDP per capita in Africa has fallen over one per cent a year in the past 25 years.

While this performance reflects a variety of factors, such as unfavourable geography, poor



Azimuddin Ahmad, former Secretary has joined the Board of Directors of BOC Bangladesh Limited, a subsidiary of the UK based global company The BOC Group plc, says a press release.

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He also worked as Chairman of the Ansar and VDP Bank for a number of years.

The International Monetary Fund says global growth this year should slow to 3.2 per cent, compared with 4.8 per cent last year - in part because the US economy, the world's largest, is expected to grow by only 1.5 per cent.

For Asia, one result has been falling stock and currency markets, a painful reminder of the 1997-1998 Asian financial crisis. Before it was over, the crisis had plunged two-fifths of the world into recession and required \$100 billion in rescue packages for countries such as South Korea, Indonesia and Thailand.

Today, countries such as Indonesia continue to struggle.

That's one reason why the annual ADB meeting that begins Wednesday in Hawaii may not be pessimistic in outlook, even though financial markets across the Asia-Pacific have been rattled by the US downturn.

Dhaka Electric Supply Authority Tender Notice

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India and China. For years, they have been considered textbook examples of two classic problems suffered by Third World countries: overpopulation and widespread poverty.

So what's all this talk about their phenomenal economic growth?

The Asian Development Bank, an international lending agency based in the Philippines, predicts that China and India, which make up half the total economy of developing Asia, will continue to grow strongly, despite the global slowdown.

That's one reason why the annual ADB meeting that begins Wednesday in Hawaii may not be pessimistic in outlook, even though financial markets across the Asia-Pacific have been rattled by the US downturn.

be one of the world's fastest-growing areas this year. Despite a slowdown in growth to 5.3 per cent from 7.1 per cent in the year 2000, the bank said the region will rebound to 6.1 per cent in 2002.

One reason is the strength and resilience of China and India.

The two nations will hardly feel the economic troubles in the United States, the ADB said - unlike Hong Kong, Singapore and Taiwan, which depend heavily on technology exports and the US market.

In fact, after anti-globalisation protesters turned the World Trade Organisation meeting in Washington state into a fiasco in 1999, the United States changed the venue of this year's ADB meeting from Seattle to the more out-of-the-way Honolulu.

This year's US delegation will be led by Treasury Secretary Paul O'Neill.

India, which also was comparatively immune from the Asian contagion, enjoyed growth of 6 per

cent in 2000, making it one of the best performing economies in the region that year. The ADB predicted 6 per cent to 7 per cent growth for 2001 and 2002.

Of course, that good news doesn't mean the ADB meeting in Hawaii, which runs from Wednesday to Friday, will escape the kind of disagreements and outside demonstrations about globalisation that have strained other international economic meetings.

Since then, Asian countries have proposed bilateral currency swap deals that would allow them to help protect each other's currencies from sudden declines in the world's chaotic financial markets.

In 1999, the ADB began focusing on eliminating poverty in the region, and for good reason.

The United Nations has estimated that 1.2 billion people in the world live on less than one dollar a day, and the ADB says that

900 million of them are in Asia.

The ADB recently announced that it approved \$5.85 billion in loans in 2000, a 17.5 per cent increase over the previous year. It said 40 per cent of the loans directly targeted the poor.

Of the 22 developing member countries that received such loans, the largest went to India, China, Indonesia and Pakistan.

But not everyone agrees on how poverty should be fought.

The World Bank recently criticised rich countries such as the United States for giving too little foreign aid, making it difficult for developing countries to combat poverty.

And during last year's ADB meeting, the United States said it should use its money better, make loans more selectively and work more closely with the World Bank in choosing and funding projects.

News analysis

SEC move to stop over-subscription kicks off new controversy

M SHAMSUR RAHMAN

A Securities and Exchange Commission (SEC) move to stop over-subscription of initial public offerings (IPOs) may open new avenues for increased manipulation.

A new clause in a recently floated IPO says: "Notwithstanding anything in IPO rules, 1998 regarding limitations of time on the closing of subscription, the issuer shall direct its bankers to the issue to close the same as and when the subscription money exceeds 100 per cent of the issue amount, provided that such subscription shall have been validly subscribed."

Such a clause makes one to believe that the subscription will remain open until the IPO is fully subscribed. But in reality, an IPO remains open for subscription for a certain time even if it is under-subscribed.

The SEC claims that the objec-

tive of the move was to lessen sufferings of the general investors whose funds remain stuck up for a long time. In case an IPO is over-subscribed, the investors who would not get any share have to wait long for refund of their deposited money.

Another SEC argument is that when a new IPO hits the market, a chunk of the fund from the secondary market is diverted to the issue. This creates a liquidity problem in the market. So, if over-subscription could be stopped, this excess fund would not remain idle for 40 days, the time needed to refund the money to unlucky IPO applicants.

However, many now believe that the SEC could have reduced the refund time or sequence floatation of IPO in such a way that would not have hit market liquidity.

Moreover, such regulations

leave open the scopes for share manipulation by unscrupulous sponsors who can get IPOs subscribed by their own men.

Currently, there is lock-in on sponsors' shares, restricting directors from selling their chunks before a certain period of time. Such a measure was introduced to stop sponsors from selling their shares when prices soar.

But this regulation may no longer be an effective tool, as the sponsors may subscribe shares under fictitious names and sell these by raising prices.

Besides, there are some institutions like banks and insurance companies which need to go public due to legal compulsions. But many of these do not like the idea of opening up to the general public.

Besides, it is also difficult to figure out how the banks will determine 100 per cent valid subscription as many investors pay in cheques, which take at least three days to clear.

scribed by their relatives.

Recently, a company in its prospectus declared that the subscription will remain open from May 10 till May 17 for 25 lakh shares worth Tk 10 each. But on another page, the prospectus reads in smaller fonts that if the subscription exceeds 100 per cent of the issue amount, then it would close doors for further subscription.

Most investors may pretty well fail to notice the new clause which contradicts the subscription closure date and may decide to apply on the last day without knowing that they don't have a chance if the issue is already fully subscribed.

Besides, it is also difficult to figure out how the banks will determine 100 per cent valid subscription as many investors pay in cheques, which take at least three days to clear.

McDonald's faces storm over beefy French fries in India

AFP, New Delhi

A radical Hindu organisation Satyarthi demanded the closure of all McDonald's outlets in India, accusing it of surreptitiously using beef extracts to lace its popular French fries.

The rightwing Hindu Shiv Sena (Lord Shiva's Army) said that fast food giant had insulted the country's religious beliefs by using beef flavouring.

The use of beef in french fries is an attack on the religious sentiments of Hindus, and we don't believe McDonald's clarifications of not using beef extract in its French fries in India," said Jai Bhagwan Goyal, the chief of Shiv Sena's New Delhi chapter.

Cows are revered in India and their slaughter has been banned by law.

McDonald's however denied the allegations and offered to open up its vegetarian options to inspection.

Our vegetarian menu in India does not contain beef flavour and we are ready for testing by inspection agencies," McDon-

ald's-India said from its New Delhi on Saturday.

The Shiv Sena party, which is affiliated to Prime Minister Atal Behari Vajpeyi's ruling Hindu nationalist BJP party, also staged a noisy demonstration in front of the international chain's local

"In a country where 800 million people worship the cow, one cannot go on with this kind of a controversial product," Goyal said in his letter to the premier.

The Vishwa Hindu Parishad (World Hindu Forum), another powerful Hindu organisation, joined the Sena in rejecting McDonald's claims that it did not use beef products.

"Since this company has lied in the United States, there is a possibility of the same being done here," VHP General Secretary Acharya