Star
BUSINESS
DHAKA SATURDAY JUNE 2, 2001

Fresh action plan lacks firm steps for LDC bailout

UNB, *Dhaka*

The new Programme of Action (PoA), hammered out in May 14-20 UN conference on LDCs, responded positively to the common needs of poor countries, but set a wish-list of hard prerequisites for them to get those met.

An overview of the rather wishy-washy document show that it is full of good hopes but lacks firm steps to help LDCs graduate form their present status.

More aid and investment, free market access and debt-relief were the common demands of the world's 49 least developed countries to get themselves integrated in the global economy.

The weeklong-UN-sponsored talk-shop in Brussels came out with a long list of actions, which seemed prerequisite for LDCs and optional for developed nations.

Poor nations would have to traverse a long way yet to complete the 'actions' on their part to quality for ODA, FDI, market access and debt relief.

'Actions' have also been set for developed countries, but most of those are either voluntary of just reminder of their unmet pledges.

The PoA, third in a row since 1980s, subtly averted any concrete step to relieve the poor nations from debt burdens that obstruct their development process and effort for helping millions of poor out of the miasma of poverty.

It just softly appealed to the multilateral and bilateral creditors to accelerate the debt-relief programmes for HIPCs, while it handed the debtors a long list of advice to create a conducive national framework to maximise benefits from debt-relief measures.

Inclusion of a monitoring and follow-up mechanism is the only thing that has made the 3rd PoA different from the previous two, which, in their turn, have proved futile in terms of achievement of goals.

Although most LDCs have pursued economic reform programmes set out in previous programmes of action, their development prospect was frustrated by declining flow of ODA, a heavy and unsustainable debt burden and complex trade barriers blocking market access. It is viewed in the new PoA.

It set a target for LDCs to achieve at least 7 per cent growth per annum to make a significant dent in poverty, but did not indicate LDCs any short-cut of debt trap that retarded their growth.

The PoA itself noted since the 2nd UN Conference on LDCs, the total amount of LDCs debt has increased. Debt servicing takes up a large part of scarce budgetary resources of most LDCs.

It acknowledged the need for 'full, speedy and effective' implementation of HIFC initiatives, before LDCs fall back into arrears.

Instead of giving any strong call or setting any timeframe for multilateral and bilateral creditors for debt-relief measures, it rather opted for setting requisites for poor debtors to maximise benefit from debt relief, if offered.

LDCs' requisites include fiscal reforms, sectoral adjustments, enhanced productive capacities, savings and international competitiveness.

For attracting FDI, a major need for LDCs to reduce aid-dependence, the PoA asked LDCs to develop a stable economic, legal and institutional framework.

The programme of action endorsed the ODA need for LDCs, but advised them to improve their aid-effectiveness and auditing and accounting systems.

On the other hand, it reminded the donor countries of their commitments at the second UN conference on LDCs and urged them to maintain their previous commitments or reaffirm those.

Donor countries had pledged to provide 0.20 per cent of their GNP as ODA, but very few of them did so.

PHOTO: NBL

Habibullah, Chairman of National Bank Limited, opens a branch of the bank at Mirpur in the city recently. Khalilur Rahman, Shahadat Hossain Salim, Directors, Sheikh Kamrul Huda, alternate Director, Rafiqul Islam Khan, Managing Director, and Mustaque Ahmed, Deputy Managing Director of the bank, are also seen in the picture.

New cos going public as market shows upturn

M SHAMSUR RAHMAN

Four new companies are hoping to raise Tk 8.5 crore from the capital market, as the bourses are showing signs of improvement with new investors and funds arriving, sources with the Securities and Exchange Commission (SEC) said.

Keya Cosmetics Ltd had already floated its prospectus on Thursday, inviting public participation in the issue. The company hopes to raise Tk 2.5 crore through initial public offering (IPO).

The total size of the issue is Tk 16 crore. Of this, Tk 11 crore has been provided by the company sponsors and Tk 2.5 crore has been raised through private placement.

The subscription of the company, which offered 25,00,000 ordinary shares at Tk 10 each, will begin on June 11, 2001 and end on June 14, 2001.

The other three companies– Bangladesh Online Limited, Meghna Condense Milk Industries Limited and Macro Footwear Limited – are expected to get SEC approval for inviting public offerings this month, according to the sources.

Bangladesh Online Ltd will be the second Internet service provider on the market when it goes public. The sponsors will have a stake of Tk 11.5 crore while Tk 3.25 crore will be raised from investors.

Of the investors' amount, Tk 1.25 will be raised from foreign investors and the rest Tk two crore will come through direct IPO. The company is also raising 11.25 crore through debentures from foreign investors.

Meghna Condense Milk Industries Limited is coming up with an issue size of Tk 16 crore. The sponsor shares will be of Tk eight crore while Tk six crore will be raised through private placement and rest Tk two crore will be offered to public.

Macro Footwear Ltd is coming with an issue size of Tk 10.5 crore. Of the amount, sponsors shares will be Tk seven crore, Tk 1.5 crore will come through private placement while Tk two crore will be collected through IPO.

Until recently the companies were reluctant to go public fearing their issues would be under subscribed.

NZ wants APEC meet to focus on world trade round

AP, *Wellington*

Trade Negotiations Minister Jim Sutton is hoping a meeting of APEC trade ministers in Shanghai next week will focus on kick-starting a successful World Trade Organisation (WTO) trade round later this year.

Sutton said Friday his focus at the Shanghai meeting will be the WTO meeting in Doha, Qatar in November.

He hoped a stalled multilateral trade round, which includes agriculture, could be restarted there.

"World growth has been driven by trade liberalization in manufactured goods, hundreds of millions have been lifted out of poverty due to that," Sutton said.

"The other half of the equation is food and agriculture, and freeing up this would have the same effect."

The APEC meeting would see 70 per cent of the world economy around one-table and "getting consensus there could be of great assistance," Sutton said.

He said world agricultural trade has to be freed of tariffs and other barriers to lift the rate of economic growth and living standards. The next chance to do that was in Qatar, he added. New Zealand's economy relies heavily on agriculture and other primary commodities.

Sutton said easing tensions between China and the United States was the key to a successful APEC meeting and could lead to a successful WTO round.

After the APEC meeting, Sutton will lead a trade delegation through western China.

NBL opens branch at Mirpur

National Bank Limited has opened a branch at Mirpur in the city.

With this, the total number of branches of the bank comes to 68, says a press release.

Habibullah, Chairman of the Board of Directors of the bank, formally inaugurated the branch.

Rafiqul Islam Khan, Managing Director of the bank, Alhaj Khalilur Rahman, Abdul Awal Mintoo and Shahadat Hossain Salim, all directors of the bank, spoke on the occasion.

Sheikh Kamrul Huda, Alternate Director of the bank, Senior Executives and a good number of elites and businessmen of the locality, were present on the occasion.

Pubali Bank holds regional, corporate branch heads' confce

The 2nd conference of regional heads and heads of corporate branches of Pubali Bank for the year 2001 was held at the bank's head office building recently, says a press release.

Managing Director Khondkar Ibrahim Khaled presided over the conference which was attended by Chairman of the Board of Directors Sheikh Wahidur Rahman as chief guest.

Ahmed Shafi Chowdhury, Giasuddin Ahmed, Moniruddin Ahmed and M.A. Rakib, Directors of the board spoke at the conference. They called upon the regional heads and heads of corporate branches to improve customer service.

The chief guest urged them to take effective steps to recover classified loans in the private and public sectors. He hoped that bank would be able to meet shortfall provision and capital inadequacy soon.

ECB has no foreign exchange target: Duisenberg

REUTERS, *Vienna*

European Central Bank (ECB) President Wim Duisenberg repeated on Thursday that the ECB did not have an exchange rate target and said the exchange rate would pose a problem only if it did not support the ECB's inflation target.

"I'll have to repeat myself. The euro's exchange rate is not a target for us," Duisenberg said.

"It only becomes important when it would no longer supports our inflation target in a serious way... and that's not the case," he added.

Duisenberg was answering journalists' questions following a speech at a conference of the Austrian national bank.

UK agency downgrades Indian sovereign ratings outlook

Rupee, bond prices drift lower

AFP, *New Delhi*

The Indian rupee and bond prices drifted lower Friday after London-based rating agency Fitch revised the country's sovereign ratings outlook to negative from stable, blaming the slow pace of economic reforms.

Fitch cited concerns over fiscal policy, privatisation and a deterioration in the foreign investment climate as reasons for the downgrade.

It currently rates India's foreign debt obligations at BB+ and local debt at BBB-.

At 11:30 am (0600 GMT), the 11.40 per cent 2008 Indian treasury bond was trading at 110 rupees against Thursday's close of 110.27 rupees.

The rupee hit a low of 47.08 in inter-bank trade, close to a record low of 47.10, before dollar sales by a large foreign bank helped partially erase losses.

It was quoted in later deals in a 47.03-47.06 range, weaker than Thursday's close at 47.01.

"Sentiment was dampened due to the rating downgrade and, with the rupee also falling, bonds are lower by around 0.20-0.30 rupees from Thursday's levels," a dealer with a local brokerage said.

Dealers said the volumes were nominal and a further sharp fall in prices was not expected.

"The rupee seems to be holding now at around 47.05 levels as the Reserve Bank of India is seen to be supporting the local unit. We do not see further selling pressure on the bonds either," he added.

India's central Reserve Bank of India is normally swift to intervene through large state-run banks to ensure there are no major swings in the Indian rupee.

Analysts say India's sweeping economic reforms launched in 1991 have slowed due to a widening fiscal deficit, a moribund power sector and a lack of political will to privatise loss-making state-run firms.

China speeds tax rebates payment to bolster exports

REUTERS, *Beijing*

China has accelerated payment of tax rebates to help bolster exports this year as the global economy slows, state media reported Friday.

"Export tax rebates are always a very important policy for encouraging expansion in exports," Deputy Foreign Trade Minister Zhou Keren said.

"Therefore, stabilising the policy of export tax rebates and resolving the insufficient quotas and delayed payments is the key issue in expanding exports this year," he said.

Tax authorities have paid a total of 187.5 billion yuan ($22.65 billion) in tax rebates to exporters between 1998 and 2000.

China's annual export growth dived to 0.5 per cent in 1998 from 21 per cent in 1997 during the Asian economic crisis, prompting the government to raise tax rebates several times.

Exports rose an annual 6.1 per cent in 1999 due part to the regional economic recovery and gained more momentum in 2000 by surging 27.8 per cent.

The average rebates had been raised to 15 per cent at the present from 8.3 per cent in 1997, the newspaper said.

Most products are subject to a standard 17 per cent value added tax, but exporters can get back part of the tax paid after exporting the goods.

The People's Daily quoted State Councilor Wu Yi as urging the trade and tax departments to beef up concerted efforts to support exporters.

"China's exports are facing many difficulties affected by the changed situation of the world economy, it will be a arduous task to achieve this year's export target," she said.

Chinese trade officials have forecast exports could rise eight per cent this year despite a global economic slowdown, caused mainly by slowing US economic expansion.

Exports rose 13.2 per cent year on year to $81.76 billion in the first four months of this year, while imports jumped 17.8 per cent to $76.37 billion, official figures show.

Tax officials had examined 55,379 firms involved in trade and discovered 88,000 fabricated tax receipts that could defraud 8.649 billion yuan in taxes from the government.

Japan drafts new reform plan to revitalise economy

AFP, *Tokyo*

Japan's government is set to tackle a plan to create five million jobs and revitalize the moribund economy after a decade of drift, a minister said Friday.

Draft guidelines presented to a cabinet committee Thursday are to be fleshed out by the end of this month to help realise Prime Minister Junichiro Koizumi's pledge to bring about structural reform and return the world's second biggest economy to a sustainable growth path.

"We are shifting from a brainstorming phase to putting (the guidelines) together," said Heizo Takenaka, state minister for economic and fiscal policy.

Takenaka presented a blueprint of the reform plan to the 11-member economic and fiscal policy council, a cabinet committee chaired by Koizumi.

The draft seeks to make government spending more effective and to look at privatisation of some loss-making government bodies.

It pledges to create five million jobs over the next five years, many in the services sector.

Issuance of government bonds would be capped at under 30 trillion yen (250 billion dollars) under the plan.

A mountain of bad loans held by banks must be cleared, the blueprint said, although no details were given on how this would be done.

Tax grants to local governments were also to be reviewed, with the draft guidelines urging regions to generate their own revenue through raising local taxes instead of relying too heavily on subsidies from Tokyo.

The plan also identifies a need to encourage free competition, reform the tax system and deal with Japan's aging population.

HSBC Securities (Japan) Ltd. economist Peter Morgan was said the plan could add new deflationary pressures to Japan's beleaguered economy.

"Less visible policy changes could lead to even larger cutbacks in regional government expenditures," he said in a report.

"This would significantly raise the overall deflationary impact of the combined central and local government budgets," Morgan said.

Concrete details have yet to be decided on, said Takenaka.

He added he hoped to have "something with more substance" on paper before Koizumi leaves Japan at the end of the month to meet US President George W. Bush on June 30 at Camp David, the presidential retreat in Maryland.

The cabinet committee would work with government agencies and politicians to draft a final version of the reform plan, which would be included in the government's budget for the year to March 2003.

The government has also placed some 77 special public corporations under review to weed out unnecessary projects.

It hopes to cut overall government spending by shedding inefficient public operations, said Nobuteru Ishihara, state minister in charge of administrative reform.

The comment follows a report in the Asahi Shimbun newspaper that Koizumi told two heads of the ruling Liberal Democratic Party's office for promotion of administrative reform, to come up with ways to trim one trillion yen from the budget for government corporations.

BGMEA running eight worker welfare projects

BSS, *Dhaka*

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has been operating eight projects to ensure medicare and social security for an estimated 15 lakh workers of its 3,000 member units.

Talking to BSS Friday, BGMEA President Kutubuddin Ahmed said that besides implementing the ongoing projects with assistance from the government and some global organisations, the association is constantly monitoring safety measures and enforcing the right of the workers through relevant watchdog committees.

The ongoing BGMEA projects include four health centres, child labour elimination project, earn and learn programme, BGMEA-BRAC annual health check-up programme and the family welfare and reproductive health education and services project.

In addition to BGMEA's own resources, the UNICEF and ILO have been providing financial assistance for implementing the child labour elimination project, while the UNFPA is providing technical support for the family welfare and reproductive health education project. BRAC and GSS, two local NGOs, are also coordinating some BGMEA projects.

Kutubuddin Ahmed said said two more BGMEA health centres will start functioning soon. The association has recently signed a Memorandum of Understanding (MOU) with two US-based organisations – Management Science for Health and Technical and the Assistance Inc. – for establishing four base clinics and eight mini clinics for the garment workers.

He said over 100,000 garment workers have so far received primary medicare, and advocacy services including free medicines from the BGMEA health centres located in Dhaka, Chittagong and Naryanganj.

Another 100,000 workers, mostly women, from 175 selected garment factories till today got reproductive health education project services being implemented with the help of the UNFPA, he said.

The BGMEA President said over 20,000 workers and their partners have been benefited so far from the BGMEA annual health check-up programme being executed with the help of the BRAC.

He said the ILO report on March-2001 shows the BGMEA has achieved 97 per cent success in eliminating child labour from the garment sector.

He said the success attained with the help of the ILO and UNICEF has brightened the image of the country internationally.

The child labour elimination project having education, skills training and rehabilitation components is in its second phase. It was taken up in 1995 and the BGMEA signed the second MOU with the same partners in June 2000.

Kutubuddin said more than 741 former child labourers over 14 have been employed by different garment factories under the project, "Earn and Learn", launched by the BGMEA in 1998.

In reply to a question, he said the BGMEA Safety Measures Cell is enforcing the work place safety regulations in factories through raising awareness among the workers and the management. The cell has given training to 5,225 officers and employees of 525 garment factories on fire prevention and safety till March 2001.

He said the Standing Committee on Labour, Bilateral Committee and the Conciliation and the Arbitration Committee have been constantly looking after interest of both the labourers and the factory owners.

He said a harmonious workers-management relation is prevailing in the garment sector. Whenever any dispute arises between the workers and any particular factory management, the BGMEA responds immediately to solve the problem along with the labour representatives of the registered trade union federations of the sector, he said.

Weekly Currency Roundup

May 27-May 31, 2001

The local interbank market was slightly calm but the market picked up from the middle of the week. The market has already adjusted to the new dollar Taka exchange rates. On May 24, Bangladesh Bank adjusted exchange rate of Taka (BDT) against the US dollar (USD) downward by 5.5 per cent i.e. the mid rate of USD was raised by BDT 3 from BDT 54 to BDT 57. Central bank's USD rate has been revised to BDT 56.50 and BDT 57.50 band. Taka was last adjusted downward against USD in August 2000.

In the weekly Treasury bill auction held on Sunday, Bangladesh Bank accepted bid for treasury bills worth of BDT 9315 million. Most of the treasury bills were in 28 day's maturity (BDT 8770 mio-94.19 per cent. Demand for overnight borrowing at call was high throughout the week. The call money rate ranged between 13 and 16 per cent, closing the weekly average at 14 per cent.

The international market was subdued in the beginning of the week as New York and London was closed because of Memorial Day and Bank holiday respectively. In the international foreign exchange markets Euro and other major European currencies came under pressure on reports of weak Euro and economic outlook. The European Central Bank (ECB) was caught between lower GDP growth and higher inflation, which forced the bank to refrain from interest rate cut. Interest rate cut is viewed as a strategy to boost the slowing economy.

On Monday, European Central Bank president Wim Duisenberg reiterated that the value of the Euro is significant in as much as it has an impact on domestic inflation and inflationary expectations and added that foreign exchange intervention remains a weapon of the Central Bank's monetary arsenal.

During the week Japanese economy also had a gloomy outlook. The April jobless rate in Japan rose to 4.8 per cent from 4.7 per cent from the previous month and household real spending rate contracted a massive 4.4 per cent year on year in its first drop in five months.

On Thursday, US stock market moved mainly due to technological shares. Nasdaq closed 4.1 per cent lower while the Dow and S&P 500 fell around one and a half per cent.

Meanwhile US Treasury Secretary O'Neill indicated that the tax cut plan could add 0.5 per cent to GDP growth and the macroeconomic policy should prove a powerful tool for the second half of 2001.

Standard Chartered Bank

Daewoo financial unit sale talks with AIG start next week

REUTERS, *Seoul*

South Korea will begin formal talks with the American International Group (AIG) AIG. N next week over the sale of the Hyundai Group's HYGR. UL-financial units, Hyundai said Friday.

The US insurance group has finished a one-month due diligence review on Hyundai Investment Trust & Securities. It signed a memorandum of understanding on the deal nearly a year ago.

"Full-fledged talks will kick off next week as both the government and AIG finished their due diligence examinations (on Hyundai Investment Trust) separately," said Kim Myun-koo, the company's spokesman.

"They will compare their due diligence results at the negotiations as well as discuss pricing," he said.

The talks will include sale of brokerage Hyundai Securities 03450. KS, the parent company of Hyundai Investment Trust, though its founding family opposes the sale.

"The government is strongly insisting on the sale of Hyundai Securities too," Kim said.

An AIG-led consortium had offered to invest $1 billion in Hyundai's troubled financial units – Hyundai Securities, Hyundai Investment Trust and Securities, and Hyundai Investment Trust Management.

But talks stalled after AIG demanded a government joint investment.

AIG found last year Hyundai Investment Trust has a negative net worth of about 1.2 trillion won ($937.4 million).

Japan to discuss vegetable import curbs with China

AFP, *Tokyo*

Japan and China will meet next week to discuss Tokyo's imposition of temporary curbs on cheap Chinese vegetables which has infuriated Beijing, the agricultural ministry here said Friday.

The two nations are to hold a working-level meeting in Beijing next Monday to discuss the restrictions, which came into force on April 23, the ministry said in a statement.

Japan is to send a team comprising officials from the agricultural ministry, trade ministry and foreign ministry to visit the Chinese ministry of foreign trade and economic cooperation.

The restrictions under the World Trade Organisation's "safeguard" mechanism targeted cheap imports of spring onions, mushrooms and tatami mat rushes, mainly from China, prompting Beijing to threaten retaliation.

"We plan to brief the Chinese side about how we have been implementing the safeguard measures," an agriculture ministry official told AFP.

"We are not clear how China will react, but we hope to explain to them we imposed our measure in line with WTO rules," he said, adding Tokyo planned to table no new specific proposals.

The new tariffs -- of between 106 and 266 per cent -- only affect imports of the agricultural products in excess of the average volume imported for the three years between 1997 and 1999.

The measures are in force for 200 days and were imposed under WTO rules allowing temporary tariffs to be imposed for up to four years to allow specific industries time to adjust to global competition.