

## Low forex reserve, falling exports major concerns for next govt

DCCI-CCCI seminar told

### STAR BUSINESS REPORT

Dwindling foreign exchange reserve and deteriorating export earning would be some of the major challenges for the next finance minister. Besides, taking hash measures against corruption and improving the quality of development projects at lower costs have been identified by speakers at a seminar as prime challenges for the next government.

Successive governments have failed to curb corruption and control expenditure. In the face of declining foreign aid, the immediate past government increasingly took suppliers' credit which may prove risky, they said.

The seminar on 'Terrorist Attacks in USA: Impact on Bangladesh Economy' was jointly organised by the Dhaka Chamber of Commerce and Industry (DCCI) and the Chittagong Chamber of Commerce & Industry (CCCI) at the DCCI auditorium in the city yesterday.

Professor Wahiduddin Mahmud, former Advisor to the caretaker government, attended the seminar as chief guest while Dr Hafiz GA Siddiqi, Pro-Vice Chancellor of North South University, presented a key-note paper on the subject.

With DCCI President Benajir Ahmed in the chair, BGMEA President Kutubuddin Ahmed, Chairman of Chittagong Stock Exchange and newly elected BNP lawmaker Amir Khosru Mahmud Chowdhury, economist Hossain Zillur Rahman, Director (Textile) of Export Promotion Bureau (EPB) GM Toufique Hasan, CCCI President Farid Ahmed Chowdhury, among others, spoke at the seminar.

In his speech, Wahiduddin Mahmud said although there is no imminent crisis right at the moment, there is an apprehension of a possible crisis. Apart from exports, the country's remittances may decline if the present global crisis intensifies. The country has to take an integrated preparation to face this crisis, he said.

Drawing attention to some dismal performances of the economy, he said the government's internal borrowing has gone up in the first two months of the current financial year.

Existing cash incentives for the exporters are not being provided, he mentioned, and suggested reduction of dependency on import. "We have to think about how we can keep investment on the right track."

Prof Mahmud said the country has to take some immediate steps to diversify its export

basket and expand its market to other countries.

BGMEA President Kutubuddin Ahmed said 45 per cent of the country's total readymade garment items are exported to the US market where consumers spending has decreased by 20 per cent.

Asking for immediate incentives, he said the new government has to address this problem very intelligently.

Apart from pursuing duty and quota-free access to the US market, lots of other things can be done domestically, he said, suggesting that the bank charges can be reduced to increase competitiveness.

Amir Khosru Mahmud Chowdhury said channeling fund of the NRBs into Bangladesh can be a way of stimulating the economy. He said bank loans are expensive because of high interest rates on savings certificates.

"This must be lowered. Cost of such borrowing is reflected in the budget," he went on.

Annisul Kabir, a non-resident Bangladeshi, said NRBs should be given scopes to invest in the country.

GM Toufique Hasan recommended for reducing bank rates to increase competitiveness and lower production cost.

## Attacks in US, bleak aman outlook to pull down GDP growth this year

ADB suggests strong policy actions to avoid impact

### STAR BUSINESS REPORT

With an unfavourable global climate as a fall out of the terrorist attacks in the USA and a bleak outlook for Aman crop, the Asian Development Bank (ADB) has forecast a GDP growth lower than that of FY01's 6 per cent.

"In view of the adverse developments, GDP growth rate during FY02 is currently projected at a rate lower than 6 per cent achieved during FY01," the ADB said in its latest Quarterly Economic Update (QEU) on Bangladesh released yesterday.

In this context ADB suggested strong policy actions and responses in a coordinated manner to contain the adverse impacts of deteriorating external environment.

"The new government would need to exercise fiscal prudence, contain monetary expansion, improve external competitiveness and address infrastructure bottlenecks hampering exports," ADB

Bangladesh Resident Mission said in the QEU for September.

Deteriorating external environment has considerably undermined the country's near to medium-term macroeconomic prospects. The global slowdown is likely to be deeper and longer than expected with adverse impact on regional economies including Bangladesh.

During the first quarter (July-September) of FY02, pressure on the country's external balance further heightened as reflected by the sliding reserve level. Somewhat bleak outlook for summer paddy crop is also worrisome. There are indications that the standing Aman crop may be affected in the northern districts due to drought that prevailed in large part of the crop areas until early September.

During the first two months (July-August) in FY02, exports suffered a major setback with a 6.3 per cent decline in earnings from the corresponding period of the preceding

year. While workers' remittances had rebounded sharply during the first two months, showing a 13.2 per cent increase over the same period in the previous year, this was unable to arrest the declining trend in the foreign exchange reserve that amounted to only US\$1.25 billion or less than one and a half month's imports at the end of August. The foreign exchange reserve level further declined to US\$1.15 billion at the end of September.

Although revenue increased by 4.5 per cent during the first two months in FY02, it was 3.9 per cent lower than the set target. "Any slippage in projected revenue (9.8 per cent of GDP for FY01) will further strain the fiscal situation that is already under considerable pressure because of the general election," ADB said.

On the other hand, the monetary policy, according to ADB, continues to be expansionary with government borrowing from the banking

system growing considerably. "Inflation rate, although indicating slightly upward trends, was still low at 1.7 per cent on a point-to-point basis in July."

The September 11 terrorist attack on the USA has added considerable uncertainty to an already weak global economy and if the adverse effect sustain for a longer period, "there will be a severe disruptive impact on many country including Bangladesh."

"Any slippage in exports (14 per cent of GDP) and workers' remittances (4 per cent of GDP) following terrorist attack in the US and its aftermath would seriously affect, particularly country's external balance and industrial growth. The terrorist attacks in the US have aggravated the fragility of the garments industry, which is already showing downside trends because of slowdown in the growth of the economies in major markets, in particular US," ADB said.



PHOTO: DCCI

Hajo Provo Kluit, Commercial Secretary of Royal Netherlands Embassy in Bangladesh, addresses the inaugural ceremony of a workshop on 'Software Project Management' held at DCCI Business Institute (DBI) on Monday. Benajir Ahmed, President of DCCI (R-3), Michael K Nathan, GTZ Project Coordinator, BAS Project (R-2), L Klucs, CBI Consultant (L-2), Md Emdadul Haque, Acting Executive Director of DBI (E-R), and Shahazada Basunia, Deputy Secretary (E-L), were also present on the occasion.

## DCCI workshop on software project management ends today

A 3-day workshop on Software Project Management which began in the city on Monday will end today, says a press release.

Organised by DCCI Business Institute (DBI) under DCCI-GTZ partnership programme with the technical support of CBI, the workshop was inaugurated by the Commercial Secretary of Royal Netherlands Embassy in Bangladesh, Hajo Provo Kluit.

DCCI President Benajir Ahmed presided over the opening session.

GTZ Project Coordinator, Michael K Nathan, CBI Consultant and Facilitator, L Klucs, DBI Acting Executive Director Md Emdadul Haque, and DCCI Deputy Secretary, Shahazada Basunia, attended the workshop.

Speaking on the occasion, Hajo Provo Kluit underscored the need for promoting software sector as a step towards diversifying export basket of Bangladesh.

DCCI President Benajir Ahmed said Bangladesh stands out distinctly as a potential software-exporting nation considering the analytical and technological ability of its people.

In all, 20 software companies attended the workshop.

## Arrest warrant issued against MH Garments for dividend default

M SHAMSUR RAHMAN

A court on Sunday issued warrant of arrest against three directors of a publicly traded company for failure to pay dividends to its shareholders.

The court of General Certificate Officer asked the officer in charge (OC) of Motijheel Police Station, directing him to produce the accused persons before the court, or report within a month in case of failure to do so.

The accused persons are: ABM Kamaluddin Khan, Ms Yasmeen Kamal and Minhaj bin Kamal.

Sources said the company M Hossain Garment -- declared 15 per cent dividend against its share face value of Tk 100 in December 1996, but failed to disburse the money within the stipulated 60-day time.

The Investment Corporation of

Bangladesh (ICB) complained to the Securities and Exchange Commission (SEC) in July 1999 that it had only received Tk 3.63 lakh dividend and the company defaulted to make another Tk 15.44 lakh payment.

Following the ICB complaint, the SEC on February 10, 1999 directed the company to settle the payment.

After the SEC move, sources said that the company issued four cheques in favour of ICB, but all of them bounced, forcing ICB to file a case against the company.

The SEC then slapped Tk one lakh fine on the company and imposed another Tk 10,000 fine for each day of default.

But as the company still did not pay the money, the SEC filed a certificate case against the company on April 4, claiming Tk 26.20 lakh.

After a number of hearings, the court issued a final notice under section 77 of the Public Demand Recover (PDR) Act on September 5, asking the company directors to explain why they should not be arrested for the failure.

But the company could not come up with any satisfactory reply, and the court on Sunday last decided to issue the arrest warrants against the accused directors of the company.

Meanwhile, on May 20 this year the ICB again complained to the SEC stating that the MH Garments had once again failed to pay the dividends which were declared in March last year.

"The company has paid us partly against its declared five per cent dividend. It still owes us Tk 3.50 lakh in unpaid dividends," the ICB letter to the SEC said.

## Proton aims to become global brand by 2006

AFP, Kuala Lumpur

Malaysia's national car company Proton aims to be a global brand by 2006 with the help of its British unit Lotus Engineering Ltd., its chief executive Mahaleel Ariff said Tuesday.

Mahaleel said Lotus was strong in technology and earns about 800 million ringgit (210.56 million dollars) a year from consultancy fees alone.

Proton currently had a "bargain basement" brand but "in 2006... we'll have to go global" with Lotus technology, he told reporters on the sidelines of an Asia auto conference here.

Mahaleel said Proton planned to shut down Lotus plant in Coventry as it was a small and non-core operation. "We're not selling, we're closing it," he said, without elaborating.

Proton bought an 80-per cent stake in Lotus in 1997 and earlier this year announced it would jointly produce a high-performance model with Lotus due to be launched in 2003.

Mahaleel said Proton was still conducting studies to revive plans to develop a three-billion-ringgit (789 million dollar) automotive township in Tanjung Malim in central Perak state.

However he said the project, originally conceived as the largest in the region, might be scaled down according to demand for its vehicles.

He said Proton would consider contract manufacturing for other auto companies "if it makes business sense" but added the company could survive on its own without such contracts.

## Swissair to cut 9,000 jobs

AFP, Zurich

The beleaguered Swissair Group announced Monday that it would cut 9,000 jobs, nearly 13 per cent of the workforce, after receiving a billion-dollar bailout from the Swiss government and banks and cutting more than half its flights.

The airline will also offer cut-price tickets in an attempt to lure customers back to flag carrier Swissair, once a proud national symbol but now in crisis.

Chairman Mario Corti said in a statement the group would cut 9,000 jobs worldwide -- out of 72,000 overall -- of which 2,560 were with the core Swissair airline.

"The number of job cuts overall is along the same lines as our initial estimates," Richard Dunkel of Personal Union Swissair Holding (PUSH) union said, after a meeting with Corti.

The airline, already saddled with 10 billion dollars (10.8 billion euros) of debt, was hit hard by the crisis that has affected the airline industry since the September 11 terrorist attacks on the United States.

Last week it was forced to ground its entire fleet after it ran out of cash to pay for fuel, leaving tens of thousands of passengers stranded, and was only able to resume a limited schedule after the Swiss government intervened with a 280-million-dollar loan.

Under the Swissair bid to get people flying again, economy-class passengers can fly anywhere in Europe for 300 Swiss francs (190 dollars), or anywhere in the world with the exception of Japan for 800 Swiss francs. The catch: all travel must be completed by October 27.

## Worldwide airline losses may skyrocket to \$12b

AFP, Hong Kong

The losses of international and US domestic airlines are set to skyrocket to as much as 12 billion US dollars this year after the terrorist attacks on the US, the world airline organisation said Tuesday.

The International Air Transport Association (IATA) said it expected the losses of international carriers alone to rise to seven billion dollars from its earlier estimate of 2.5 billion dollars before the September 11 attacks in which hijacked aircraft smashed into the World Trade centre in New York and the Pentagon in Washington.

"Before September 11, I was going to tell you of a forecast loss this year -- 2001 -- of 2.5 billion dollars on the international scheduled services of IATA airlines worldwide," IATA director general and chief executive Pierre J. Jeannot said at a press conference.

"One scenario we are looking at is a net loss of seven billion dollars on those services if traffic and

capacity are both cut during September-December by 15 per cent."

This would amount to a reduction in international traffic of nearly five per cent for the year, he added.

"To that loss you would have to add, to get a fuller world picture, the three to five billion (dollar) losses of US carriers on their domestic services."

Jeannot said it would take the global aviation industry a year to recover from the crisis stemming from the terrorist attacks.

However, it was too early to say whether or not US military strikes launched against Afghanistan two days ago in response to the terrorist attacks would add to the woes of the industry.

Jeannot said he expected some more fragile airlines would collapse, but believed aggressive management would save most of them.

He drew a parallel with the Gulf War in 1991, when traffic initially fell by 30-35 per cent and was down 15

per cent in following months before recovering.

The IATA -- which represents around 275 airlines, virtually all of the world's major airlines -- called for a range of measures to limit carriers from collapse and to nurse the industry back to health.

These included liberalising laws covering airline ownership and takeovers, improving security systems and communications between authorities and reducing insurance premiums.

The IATA called on governments to change ownership laws to make cross-border airline mergers easier to rescue troubled airlines.

Jeannot said the industry would also need to focus on security after the civilian aircraft were turned into guided missiles by the terrorists.

He said the IATA had been actively advocating the introduction of biometrics, which can identify passengers through scanning facial features such as the iris of the eye, which would be more reliable and efficient than fingerprints.

## Indonesia lowers growth forecasts for 2002 by 1pc

AFP, Jakarta

The Indonesian government has reduced its growth forecast for next year in apparent response to an expected deepening of the global downturn after the terrorist attacks in the United States.

Finance Minister Budiono told a parliamentary hearing on the 2002 budget he proposed revising the gross domestic product (GDP) growth forecast to 4.0 per cent from 5.0 per cent.

The assumed rupiah exchange rate for next year would be revised to 9,000 rupiah to the dollar compared to 8,500 previously, the Kompas daily reported.

The rupiah was at 10,040-10,100 in afternoon trade Tuesday.

The assumed world oil price could also be revised to 21 dollars per barrel, one dollar less than estimated in the draft budget presented by President Megawati Sukarnoputri on September 7.

Annual inflation is set at 9.0 per cent instead of 8.0 per cent.

Budiono said the revisions would result in a deficit equivalent to 2.7 per cent of GDP compared to 2.5 per cent in the current 2002 draft budget.

A second scenario, in which world oil prices would still be assumed at 22 dollars per barrel, would also result in a deficit of 2.7 per cent.

Parliament will continue to debate the draft budget which was presented in September and any revision will have to be approved by a plenary session on October 30.

Economists separately warned Tuesday that Indonesia's recovery will be even harder to achieve in the wake of the US terror attacks and the subsequent strike on Afghanistan.

Tubagus Feridhanusyawan, economist with the Center for Strategic and International Studies, said the US strikes will cause greater uncertainty and increase Indonesia's country risk for investments.

## OECD sees uncertain outlook for financial markets

AFP, Paris

The Organisation for Economic Cooperation and Development (OECD) said on Monday that the September 11 attacks on the United States had increased the uncertain outlook for world capital, which had already been gloomy due to worsening prospects for the world economy.

In its report on capital markets, which appears three times a year, the OECD noted the dollar has weakened in recent months as investor sentiment shifted away from the currency and record net inflows into the euro zone also weighed on the dollar.

The Paris-based organisation said that stock markets continue to be hit by disappointing company earnings and economic uncertainties. However, the OECD said that falls in share prices have brought the indexes more in line with funda-

mentals."

Nonetheless, despite declining share prices some US companies still have high price-earnings ratios, which can indicate if a company's shares are overvalued in relation to earnings, because falls in share prices have generally matched declines in earnings, the report said.

The OECD pointed out that the lowering of interest rates in recent months has had a significant impact on bond markets. However, yields on long-term bonds have changed little since earlier in the year, unlike short-term bonds.

The organisation notes: "A steeper yield curve has in earlier recession periods been perceived as a signal of improving economic prospects... but few analysts have drawn similar inferences from recent developments."

As for the corporate bond markets, the OECD said that growing fears about companies' capabilities

to service due to increasingly difficult operating conditions have caused the spread between corporate bonds and benchmark government bonds to widen.

The OECD also said the heavily indebted telecommunications sector remains a cause for concern after companies over-extended themselves in the last few years.

However, the sector's debt problems so far did not pose a serious problem for the banking sector, although the organisation called for the situation to be closely watched.

In regard to the venture capital market, the OECD said that growth continued to slow in recent months.

The organisation said: "While the speculative boom that culminated in 2000 is over, it is unclear at the present juncture whether this merely marks a pause in longer-term expansion of the industry or whether it is the beginning of a structural adjustment towards a lower growth path for the industry."



S A Chowdhury, Managing Director of Sonali Bank, speaks as chief guest at a conference of the managers of all branches under Ramna and BB Avenue Principal Offices in the city on Saturday. Anisa Hamed, Deputy Managing Director of the bank, was the special guest. Head Office General Managers Nurul Islam Mollah, S M Aminur Rahman, Mokhtar Hossain and Nazmus Salehin also spoke on the occasion. The conference was presided over by Md Shamsul Hoque, GM, Dhaka-North.