

Policy dilemmas abound, will the new govt take them by the horn?

Dr Wahiduddin Mahmud on challenges

STAR BUSINESS REPORT

The new government will face several policy dilemmas, featuring economic expediency and longer run implications, Dr Wahiduddin Mahmud, former adviser to the caretaker government and a leading economist has said.

"There are several policy dilemmas. An upward adjustment in the prices of gas, electricity and fuel is now overdue for fiscal reasons and is also part of donor conditionality, but the industrial community will consider this an unwelcome move at this moment," Dr Mahmud elaborated while charting the immediate tasks of the new government.

"While exporters will demand more cash benefits to tide over any impending crisis, the

government is hard pressed to pay even the arrears of the already existing benefits. To meet the fiscal deficit, the government has been raising larger and larger amount of funds through the sale of savings certificates that bear high interest rates. This will make it difficult to lower bank interest rates as demanded by industrialists, especially exporters," he said.

In the recent years, foreign aid disbursements have been on the decline, particularly due to stricter conditionalities imposed by donors. Whether the situation will change will depend on the equation established between the donors and the new government regarding these aid conditionalities, the economist said.

"It will also depend on the extent to which

the government will be willing to draw upon its huge political goodwill to meet some of these conditionalities. The new government will also have to reevaluate the policy of substituting foreign aid by suppliers' credit by looking at the merits of individual projects funded by such credit," Dr Mahmud said.

"Even under an optimistic scenario of aid disbursements, the development expenditure target set for the current fiscal does not appear realistic. Election pledges have been made for expansion of education, healthcare and other social services and also for improved provision of physical infrastructure. But where will the funds come from? Efforts for raising revenue will require not only an improvement in tax administration, but also a great deal of political determination. Under

these circumstances, the challenge lies in getting more mileage from development spending in terms of real outcomes," he said.

"This will require an overhauling of the project implementation procedures to prevent widespread wastage and corruption. No previous government has been able to meet this challenge. Will the new government be up to it?" Dr Mahmud said.

"Above all, establishing rule of law by effectively countering terrorism and illegal toll collection remains the basic precondition for creating a business-friendly environment. This is also interrelated by political analysts as the main mandate for the new elected government. But this is more a matter of political will than of economic management as such," he concluded.

Bank Asia's 2nd foundation course concludes

The certificate awarding ceremony of the second foundation course of Bank Asia Limited was held recently, says a press release.

Syed Anisul Huq, Managing Director of the bank, gave away the certificates among the participants. A total of seventeen Trainee Officers participated in the three-week long training programme held from September 5 to 27.

Quazi Bharul Islam, Consultant, and senior officials of the bank attended the ceremony.

India's Infosys 2nd quarter net profit up 30.5pc

AFP, Bangalore

India's second-largest software exporter, Infosys Technologies Ltd., announced Wednesday that its 2001 second quarter net profit rose 30.5 per cent year-on-year.

Nasdaq-listed Infosys said net profit rose to 2.01 billion rupees (42.61 million dollars) in July-September from 1.54 billion rupees a year earlier. Total income rose 45.74 per cent to 6.5 billion rupees.

Infosys shares jumped 3.5 per cent to 2,500 rupees in response to the better-than-expected results, which were announced before trading on the Bombay Stock Exchange (BSE) began.

"The company results have come as good news and lifted market sentiments. We were expecting a flat sales and profit bottomline," said Arjun Kapur, managing director of Indian brokerage firm ARK Securities Limited.

The benchmark 30-share BSE sensitive index rose 3.6 per cent in trade Wednesday.

Bangalore-based Infosys had cautioned in April that revenue would grow only 30 per cent this year -- after doubling in past years -- because of the slowing economy in its main market of North America.

The same caution was expressed by Infosys chief N.R. Narayana Murthy, who reiterated the company's revenue and earnings growth estimates for the current year but added actual results could be affected by the fallout from the US-led war on terrorism.

"There may be a business impact due to the extraordinary situation arising out of the escalating tension in Afghanistan," said Murthy.



Syed Anisul Huq, Managing Director of Bank Asia Limited, gives away certificates among the participants of the bank's second foundation course at the concluding ceremony of the course recently. Quazi Baharul Islam, Consultant of the bank, is also seen.

Japan economy continuing to deteriorate: Key report

AFP, Tokyo

The government maintained a bearish view on Japan in a key economic report Wednesday with corporate activity still weak, but warned of further trouble ahead as the war on terrorism unfolds.

"The economy continues to deteriorate," the Cabinet Office said in its September assessment, where an overall view of the economy was unchanged from the past two months.

However the economic impact of the September 11 suicide attacks in the United States coupled with the US-led retaliatory strikes on Afghanistan remained to be seen, it warned.

"As for short-term prospects, concerns have intensified with the adverse effects of the series of terrorist attacks in the US on the global economy," the report said.

Cabinet Office economist Haruhito Arai said initial fears of a global financial meltdown following the attacks were unrealised.

"We did not see serious confusion or collapse of the global capital markets, which were our initial concerns, thanks to policy coordination of each country.

"But, from now on, we need to

pay a closer attention to how actual economic activity will fare, US consumer spending in particular," he added.

Japan's export-powered economy could suffer in particular as people stop spending in the US, Arai warned.

"Exports have fallen considerably in recent months. So it is hard to think that the pace of decline will accelerate further," he said. "But,

the sluggish economic performance in the US will certainly delay any rebound of export activity in Japan."

Overall a continued slump in Japan did not appear to have gathered pace, the economic assessment found.

"While the economic activity continues to deteriorate, the pace of ongoing deterioration has not gained stronger momentum," said the Cabinet Office economist.

S'pore faces deepest economic slump

AFP, Singapore

Recession-plagued Singapore faced its worst ever downturn Wednesday after the economy contracted a record 5.6 per cent in the third quarter and the government forecast a fall of 3.0 per cent for the full year.

The outlook was bleak, conceded Trade Minister George Yeo.

Hopes of an early recovery evaporated with last month's terrorist attacks against the United States and the economy is likely to continue shrinking into the first half of next year, Yeo said.

The worst ever year-on-year quarterly contraction in the three months to September followed a 0.7 per cent second quarter gross domestic product (GDP) fall. On an quarter-on-quarter basis, GDP declined at an annual rate of 9.9 per cent.

"The appalling attacks on September 11 and the resulting train of events have probably tipped the global economy into a recession," Yeo said.

A key factor in the sharp third quarter contraction was the global downturn in the electronics industry, a crucial element of Singapore's trade-driven economy. As a result, output of the goods producing sector fell 15 per cent, the trade ministry said in a statement.

Yeo said manufacturing output tumbled 21 per cent from a year earlier in August alone -- the sharpest fall since the 1985 recession. He predicted the unemployment rate would swell from 4.0 per cent now to 4.5 per cent by year-end with more than 20,000 jobs lost over the year.

Singapore, which experienced a growth boom of 9.9 per cent in 2000, started the year forecasting a

growth rate of 5-7 per cent. Before today's minus 3.0 per cent forecast, the island-state expected 0.5-1.5 per cent growth for the year.

Yeo said with the impact of the US war against terrorism hard to predict, "the near-term outlook for the Singapore economy is therefore bleak. The outlook for next year is highly uncertain.

"In view of the sharp economic decline in the second half of 2001, year-on-year growth in the first half of 2002 is likely to stay negative."

The de facto central bank, the Monetary Authority of Singapore (MAS) immediately announced it would allow greater flexibility in the exchange rate to cope with volatile market conditions.

Finance Minister Richard Hu said this "reduces the need for them (MAS) to intervene to support the currency."

The Singapore dollar is managed in a trading band against a basket of currencies of major trading partners.

It weakened against the US dollar to 1.8042 from 1.7986 on Tuesday in reaction to the weak GDP figures.

Stock prices also fell with the key Straits Times Index closing 1.2 per cent lower to 1,365.56 points.

Despite the government's cautious projections of an upturn in the second-half of next year, economists were less certain.

The outcome of the US-led war on terrorism is still far from certain and "nobody really has an idea what the rest of the months will be like," said Song Seng Wun, a regional economist at GK Goh brokerage.

"From the data so far, it certainly describes the economy is in a far worse shape than it has ever been."

Japan-S'pore free trade talks begin

AFP, Tokyo

Japan and Singapore launched a three-day series of discussions in Tokyo Wednesday, aimed at achieving Tokyo's first bilateral free trade agreement.

Meeting for the fourth round of negotiations, both sides hoped to finalise various issues still left on the table, such as deciding which items should be exempt from an agreement to eliminate tariffs.

Officials from the two nations said last month they were on track to conclude a comprehensive free trade agreement by the end of the year.

In a joint statement, after the previous round of talks that ended on September 5, the two governments said the atmosphere had been constructive and friendly and that differences had been narrowed substantially.

The FTA would be the first such agreement for Japan, the world's second largest economy, which had previously favoured multilateral pacts in bodies such as the World Trade Organisation (WTO).

Singapore, the most affluent nation in Southeast Asia, has already inked an FTA with New Zealand and is in the midst of working out similar agreements with the United States, Australia and Mexico.

Pubali Bank course participants get certificates

The certificate awarding ceremony of a training course on computer management in branch banking organised by Pubali Bank Training Institute was held at bank's Training Institute recently, says a press release.

Managing Director of Pubali Bank Limited Khondkar Ibrahim Khaled was present at the function as chief guest.

Khaled called upon the participants to render better customer services through technological facilities.

He also urged the branch managers to reduce classified loans and advances to 25 per cent by December next.

M A Jilil, DGM and Principal of the Institute also spoke in the function.

S'pore, NZ to review free trade pact

AFP, Singapore

Singapore and New Zealand will review next month their nearly one-year-old free trade agreement with the aim of introducing improvements, the trade ministry said here Wednesday.

The accord, which took effect on January 1, was the first by Singapore, which has embarked on negotiations for similar agreements with the United States, Japan, Canada and Mexico.

Between January and August, bilateral trade grew at an "encouraging rate", the trade ministry said in a statement, but did not give volumes.

"In November 2001, we will be having the first ministerial review of the agreement. In this review, Singapore and New Zealand will be considering how selected elements of the agreement can be improved or refined," it said.

The ministry sent out a questionnaire to Singapore-based businesses to get feedback.

HK-based firm offers internet service thru' satellite

MUSTAK HOSSAIN

SpeedCast, a Hong Kong based Internet service provider (ISP), is offering high-speed Internet service through satellite, which is 50 times faster than any regular modem, a company official said.

"SpeedCast is now offering services in Bangladesh directly from Hong Kong and through local ISP Agni Limited and Bangladesh DotCom," Carl Suarez, SpeedCast Business Development Director, told The Daily Star by e-mail.

He said SpeedCast is looking for synergistic partners in the region for joint business opportunities to launch new services.

The company will also offer three more products including FileCast for distribution of files, VideoCast for

distribution of video, and OmniStream for content delivery.

Suarez said the service will help local businesses in many ways. If a small software company needs to download a programme needed to finish a project due in 24 hours and it has no access to expensive fibre broadband or DSL, SpeedCast can provide this small company access to the file to be downloaded in minutes and for less than \$12 using its pre-paid system.

"SpeedCast is the only broadband enabler that provides Satellite Broadband Pre-paid cards or broadband through CATV," he said.

In Bangladesh, download speed is low due to dialing through telephone. But the SpeedCast service will enable end users very fast speeds up to 1.5 mbps (Megabytes

per second), Zia Shamsi, a Director of Agni Limited told The Daily Star.

Subscribers would need a dish antenna and a receiver to get the service for which they have to pay Taka 17,000 for the package.

Unlimited usage charge per month is 30,000 and the minimum usage charge is 2,160 per month, which offers 200 megabyte free downloading.

He said Subscribers of SpeedCast broadband would enjoy a maximum download speeds of up to 1.5 Mbps.

The service was specifically designed for corporates, cyber cafes, educational institutions, distributed manufacturing and sales sites, as well as hotel and resort chains.

ADB seeks ways to help Asia deal with Sept 11 attack impact

AP, Manila

Asian Development Bank officials are assessing economic impact on Asia of the Sept 11 terrorist attacks in the United States and how the bank can help the region cope with the fallout, a bank official said Wednesday.

ADB has also begun discussing how it could help Asian countries cope with the spectre of terrorism, possibly by helping fund projects to improve security, said Gunter Hecker, ADB's country director for the Philippines.

"There is discussion to see what effects these have on developing countries," Hecker said of the terrorist attacks and the subsequent US-led strikes in Afghanistan.

"Definitely, it is not helpful for the fight against poverty because any war, of whatever cause, results in a temporary setback and we have to see what we can do to make it much more bearable," he said.

Hecker spoke to reporters at the sidelines of a three-day ADB conference on poverty and growth that began Monday.

An assessment on economic

impact of the strikes would be made for each Asian country and governments should also inform the ADB how it could help, Hecker said.

For the Philippines, the ADB will lower its economic growth forecast this year and next year because of a continuing drop in exports, particularly of electronic products to the US following the strikes, Hecker said.

Electronics account for more than half of Philippine exports.

The ADB originally projected 3 per cent growth for the Philippines' gross domestic product this year and 3.3 per cent next year. Hecker did not give figures on the bank's new growth forecast.

Replying to reporters, Hecker said ADB personnel and its projects in the solution Philippines are located far from areas with security problems and no changes in those projects would be made.

Government troops are fighting two Muslim separatist groups in the southern region of Mindanao, including the smaller but extreme Abu Sayyaf, which has links with Saudi exile Osama bin Laden, the principal suspect in the terrorist attacks.

The other group, the Moro Islamic Liberation Front, is engaged in peace talks with the Philippine government. Although a cease-fire has been forged between the government and the MILF, sporadic clashes have continued.

During the opening of the ADB conference, Philippine and bank officials signed an agreement to cooperate in fighting poverty, which afflicts more than a third of the country's 77 million inhabitants.

Under the agreement, the government and the bank would set in place a mechanism to review economic performance and focus government activities to meet growth targets.

The ADB will also provide a yearly loan of between \$300 million and \$400 million and a separate \$600 million to \$9 million for a technical assistance programme from year 2002 to 2004. About 40 per cent of the loans should be used for projects to ease poverty, the bank said.

ADB president Tadao Chino said international efforts to halve poverty worldwide by 2015 should focus on Asia, with two-thirds of the poor.



Managing Director of Pubali Bank Khondkar Ibrahim Khaled addresses the certificate awarding ceremony for the participants of a training course on computer management in branch banking held in the city recently.

Roller-coaster ride for Asian auto industry next year

AFP, Kuala Lumpur

Asia's auto industry will experience a roller-coaster ride next year but a recovery can be expected from 2003, according to industry experts at a regional conference here.

"There was general consensus that 2002 is going to be a roller-coaster ride for Asia but the good news is that in 2003, the industry is going to have a healthy recovery," according to a statement Wednesday.

The statement was issued at the conclusion Tuesday of a two-day conference on Asia's automotive industry, attended by more than 120 top executives from across the region.

"Asia's automotive industry is going to get worse before it gets better again but the long-term prospects make the region the most attractive in the world," the statement said.

Graeme Maxton, an economist with London-based consultancy Autopolis, was quoted as saying the main problem currently facing

global economies was over-capacity.

"It is over-investment and the build-up of debt that has led to over-capacity in a hundred different industries. Not until all the excess capacities are cut, will the economies get better," he said.

Although a recovery would begin 2003, Maxton predicted that car sales would only return to levels reached last year in 2005.

He said Asia's "baby boomers" in the auto sector would experience the strongest growth over the next five years such as Tata in India, Tianjin and Chang'an in China, Iran's Khodro and Malaysia's Proton.

Gerald Kania, Ford Motor Co.'s operations president for Southeast Asia, predicted 2003 would be the year of growth once the ASEAN Free Trade Area (AFTA) was implemented.

Under AFTA, tariffs on auto products will fall to between zero and five per cent by 2003 but Malaysia has delayed cutting tariffs

until 2005. Rudolf Schlais, General Motors' Asia-Pacific president, said the company expected eight countries to account for 67 per cent of its global growth over the next decade, of which four are in Asia.

The company's strategy in Asia was to form partnerships, rather than taking up controlling stakes in companies, he said. "We enjoy the same benefits of a full merger but we avoid many of the pitfalls of combining companies and cultures."

The conference agreed China was "the sleeping dragon" in the long-term because significant changes were expected in its auto sector after its entry into the World Trade Organisation later this year.

"The conclusion was one of cautious optimism," the statement said.

"While markets in the region were likely to find the going harder short-term, Asia offered more growth and fewer risks than any other region in the world to carmakers."