

## ADB fears rising govt borrowing

### Monetary expansion slows in July

#### STAR BUSINESS REPORT

Despite a slowdown in monetary expansion in the first month of the current fiscal, the Asian Development Bank (ADB) apprehends an expansionary shift in the monetary policy with government borrowing from the banking system growing considerably.

"The monetary policy continues to be marked by expansionary shifts with government borrowing from the banking system growing considerably. However, on a year to year basis, monetary expansion had slowed down from 19.9 per cent in July 2000 to 15 per

cent in July 2001," the ADB said in its latest Quarterly Economic Update (QEU) on Bangladesh.

Government credit (net) growth from the banking system also had shown a downward trend to 21.4 per cent in July 2001 from 32.1 per cent in July 2000, according to the ADB.

However, the ADB mentioned, "During this period, government borrowing from the central bank increased significantly in absolute terms, largely contributing to the growth of reserve money from 9 per cent to 12.2 per cent."

In this context, the ADB cautioned, "There is need to exercise caution in monetary policy,

as sustained high monetary growth will eventually build up inflationary pressure, further imperiling external and fiscal balances."

At the same time, the growth rate in the domestic credit increased to 17.8 per cent in July 2001 from 14.8 per cent in July 2000 against a decline in the net foreign assets of the banking system.

The net foreign assets of the banking system declined by 19.3 per cent in July 2001 against a 26 per cent increase in July 2000, the Manila-based ADB mentioned in its September QEU.

Despite all these, the positive sign in this fiscal is that the credit growth to the private sector increased to 16.8 per cent from 11.9 per cent, "indicating increased activities in the industrial sector," the ADB pointed.

Although inflation rate indicated slightly upward trend, according to the ADB, the rate was still low at 1.7 per cent on a point-to-point basis in July 2001.

"In the face of somewhat rising non-food inflation (3.3 per cent), the overall inflation was contained by low rate of food inflation (0.8 per cent)," the ADB also said.

## Canadian Immigrant Investor Programme eyes businesspeople

### Deal signed with Asianet Bangladesh

#### STAR BUSINESS REPORT

Bangladeshi businessmen can explore investment opportunities in Canada and obtain citizenship under the Canadian Immigrant Investor Programme, launched by the Canadian government.

Marc Audet, Vice President of Desjardins Immigrant Investor Programme, and David Chalk, solicitor and advisor of Immigrant Investment Programme, signed an agreement with Asianet Bangladesh Limited at a city hotel Thursday to provide counselling to the prospective businesspeople so that they get permanent citizenship along with their family members in Canada.

Desjardins, the largest banking institution in the province of Quebec and a member of Canada Deposit Insurance Corporation, will facilitate investment in the province.

Desjardins has been authorised by the government of Quebec to

offer businesspeople a truly unique opportunity for immigration to Canada.

Under the programme, a businessman has to have net assets of at least 800,000 Canadian dollars earned through legal economic activities and has to make an investment of 400,000 Canadian dollars for a five-year term. The money will be locked for the said period and cannot be withdrawn. On maturity, Desjardins will reimburse 400,000 Canadian dollars to the investor. The proceeds will go to Desjardins.

Asianet will also provide necessary counselling and advice with immigration seekers.

Canada, a country of around 31 million people, welcomes 200,000 immigrants a year, of them 51 per cent from the Asia-Pacific region. Four per cent of the total immigrants are businesspeople.

In 1999, immigrant businessmen invested over 418 million Canadian dollars in the country.

## ECB holds rates steady

AFP, Vienna

The European Central Bank held its key rates steady on Thursday, quashing hopes for further rate cuts as a way of boosting demand in the euro zone and helping steer the global economy away from recession.

Nevertheless, economists believed ECB chief Wim Duisenberg was keeping the door open to further moves in the not-too-distant future once the full economic impact of the September 11 terror attacks had become clearer.

At its regular fortnightly policy-setting meeting, held this time in the Austrian capital rather than in the ECB's headquarters in Frankfurt, the central bank governors of the 12 euro-zone countries decided that interest rates were low enough for the time being.

The ECB's central "refi" refinancing rate was held at 3.75 per cent and the two other key rates — the deposit and the marginal lending rates — were held at 2.75 per cent and 4.75 per cent respectively.

The bank only recently slashed all three rates by half a percentage point on September 17 in what Duisenberg described as a "prompt, flexible and appropriate response" to the devastating terrorist attacks in New York and Washington a week earlier.

## India's govt borrowing may overshoot \$24.6b target

AFP, Bombay

The Indian government's current year to March borrowing is likely to overshoot the targeted amount of 1.18 trillion rupees (24.58 billion dollars), Finance Minister Yashwant Sinha said Friday.

"There will be slight step-up of borrowings but it will have no impact on the country's fiscal deficit situation," Sinha told reporters in India's commercial hub Bombay.

The government will hold an 80 billion rupees bond auction next week to raise 80 per cent of its targeted borrowing.

## Aziz Khan made BECA President



A nine-member executive body of Bangladesh Energy Companies Association (BECA) has been elected with Chairman of Khulna Power Co Ltd and Summit Group, Muhammad Aziz Khan, as its president.

The election was held at the first meeting of the executive body of BECA held at the conference room of summit centre in the city recently, says a press release.

Azam J Chowdhury, Managing Director of Surma Oil Co Ltd, and Tajul Islam Faruque, Chairman of Westmont Power (Bd) Ltd, were elected Vice Presidents.

Tanvir Nawaz Khan is the Secretary General of the Association.

BECA is duly registered with the Director of Trade Organisations (DTO). It is also an "A" category member of FBCCI.

The formation of BECA has brought together companies and other business entities engaged in the business of extraction, transmission and distribution of gas and petroleum, the production and distribution of petroleum products, and the generation, transmission and distribution of electricity.

BECA proposes to function as a collective body in maintaining useful contacts, pursuing and promoting common benefits, and making representations of genuine and rational interests before government and any other concerned regulatory forums and bodies for formulation, amendment and repeal of policies and measures with direct or indirect bearing on the businesses of its members.



Mohammed Lakiotullah, Managing Director of EXIM Bank Ltd, and M H Samad, Managing Director of National Housing Finance and Investments Limited (NHFIL), sign a credit facility agreement for the NHFIL on behalf of their respective organisations on Thursday.

## EXIM Bank gives credit facility to Nat'l Housing Finance

Export Import Bank of Bangladesh Limited has sanctioned a credit facility to National Housing Finance and Investments Limited (NHFIL).

A credit agreement to his effect was signed by Mohammed Lakiotullah, Managing Director of EXIM Bank Ltd and M H Samad, Managing Director of National Housing Finance and Investments Limited on behalf of their respective organisations in the city on Thursday, says a press release.

Alamgir Kabir, FCA, Advisor of EXIM Bank, was present on the occasion.

Md Fazlur Rahman, VP, SAVP Messer's Humayun Kabir, Mohammed Ismail, Shah Md Abdul Bari, Bashirul Islam of EXIM Bank Ltd and Shabbir Ahmed, Vice-President (Head of Operation), Qudrate Khuda, Vice-President (Head of Finance & Company Secretary), Jadab Malakar, Manager (Finance & Accounts of National Housing Finance and Investments Limited, were also present on the occasion.

The credit line will be utilised in financing for construction or extension of existing houses or purchase of new houses or flat of the individual customers.

## IFIC Bank joins shared ATM network

IFIC Bank Ltd and ITC Ltd have signed a shared ATM network participation agreement.

Ashaf Ud Daullah, Senior Executive Vice-President of IFIC Bank, and Dr K S Munir, CEO of ITCL signed the agreement on behalf of their respective organisations at the head office of IFIC Bank in the city on Wednesday, says a press release.

The signing ceremony was held in presence of Ataul Haq, Managing Director of IFIC Bank Limited and Kutubuddin Ahmed, Chairman of ITCL and president of BGMEA.

Executives and senior officials of IFIC Bank were also present on the occasion.

In the process, the bank has joined a group of local banks for introduction of shared ATM network. Automated Teller Machine (ATM) with electronic device located at the bank branches or other convenient public locations extends 24 hours access to cash and other banking facilities to the customers without requiring to enter the branch or to wait in queues for cash withdrawal.

This will establish the bank's commitment for valued customers to bring a new era in banking services.

Under this new facility, IFIC Bank will install few ATMs at its branch premises in Dhaka city.

Similarly few more units of off-site ATMs will also be installed in some prominent public places in the city by the syndicate partners.

## Japan, Singapore reach basic agreement on free trade

AFP, Singapore

Singapore and Japan have reached basic agreement to launch a bilateral free trade accord (FTA) which they expect to sign by the end of the year, a joint statement said Friday.

Negotiators "have now succeeded in concluding negotiations in all but a few issues and are in a position to bring back to their respective governments the results of their negotiations and seek approval by the two prime ministers," the statement said.

It said the few remaining issues would be resolved before Singapore Prime Minister Goh Chok Tong and Japanese Prime Minister Junichiro

Koizumi meet at the annual Asia-Pacific leaders' summit in Shanghai next week.

"Both sides will then finalise the legal documents of the JSPA (Japan Singapore Economic Partnership) for signing by the end of the year," said the statement issued by the ministry of foreign affairs here.

Earlier Friday, a Japanese government official said in Tokyo a basic accord had been reached after three days of talks in the Japanese capital, the fourth round of negotiations.

"We have reached a basic accord," the government official said, without elaborating.

Details of the accord were not immediately available, but Japanese media reports during previous talks said the trade pact would eliminate almost all tariffs except those on agricultural products.

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).

"Since this will be Japan's first (free trade) accord, it is very good," Takeo Hiranuma, minister of economy, trade and industry, told reporters in Tokyo.



Ashaf Ud Daullah, Senior Executive Vice-President of IFIC Bank, and Dr K S Munir, CEO of ITCL, sign a shared ATM network participation agreement at the head office of the bank in the city on Wednesday. Ataul Haq, Managing Director of IFIC Bank Limited (standing 4th from left), Kutubuddin Ahmed, Chairman of ITCL (standing 5th from left), and senior officials were also present on the occasion.

## WTO road to Doha strewn with pitfalls

### 22 trade ministers gather in S'pore this weekend

AFP, Tokyo

As trade ministers from 22 countries gather in Singapore this weekend ahead of the World Trade Organisation (WTO) ministerial round in Doha next month, the road before them is strewn with pitfalls from the implementation of previous pacts on the thorny issue of agriculture.

The ministers, from industrialised and developing nations, will spend two days going over a seven-page compromise document drawn up by Hong Kong's ambassador Stuart Harbinson, chairman of the WTO's ruling general council.

While other major conferences have been shelved following the September 11 terrorist attacks in the United States and the US-led coun-

ter-strikes against Afghanistan, the WTO has no intention of being put off course.

"There is no alteration to our plan," Canada's International Trade Minister Pierre Pettigrew said during a stopover here on his way to Singapore.

"Clearly, now more than ever, the global economy needs the stimulus a new round of multilateral negotiations would provide," he said, repeating an argument heard several times since September 11.

According to one senior European official the Singapore talks should unlock a number of trade-offs and provide hope for successful talks in Doha. Everyone "is in a negotiating frame of mind, not an obstructive one," he said. Harbinson's document, a rela-

tively short and balanced paper, has generally been well received by negotiators.

"While this draft text is by no means perfect, it provides a sound basis for launching expanded negotiations at Doha," said Pettigrew.

"One clear virtue of this text is that it is 42 paragraphs long, compared to the 34-page text we had in Seattle."

Even before the failed Seattle round in December 1999, the interminable paragraphs and clauses in the draft document, because of disagreements over the wording, were a drawback to negotiations.

The failure to even agree on an agenda two years ago served as a lesson to prepare a document that looked for and did not prejudice a

final result.

But, in spite of his skillfulness, Harbinson was not able to avoid the trap when drafting a proposal on agriculture, by far the most controversial issue.

The Europeans feel the reference to "phasing out" export subsidies goes way beyond what they will accept.

"We speak English well enough to understand that phasing out and elimination have the same meaning," would be the reaction of European Trade Commissioner Pascal Lamy, according to a European official.

But Pettigrew, on the other hand, does not believe the text is as ambitious as it should be.

"It is sheer folly to maintain that kind of level of subsidies around the

world," he said.

"It costs a fortune to the taxpayer and deprives the consumer of food at a price he can pay."

Agriculture, and especially farm export subsidies, may be one of the thorniest issues on the agenda but it is not the only one.

Differences on trade and the environment, and on setting out rules for competition and investment will be narrowed but not resolved in Singapore.

The aim is to make sufficient progress that agreement is possible in Doha.

Deeds as well as well-chosen words will be indispensable if the gap between rich and poor nations, the main cause of the Seattle failure, is to be overcome.

## US economic activity picking up: O'Neill

REUTERS, Washington

US Treasury Secretary Paul O'Neill Thursday cited stronger October auto sales as one sign among several that US economic activity was picking up after the shock of the Sept. 11 attacks.

"I think we're moving our way back and the market seems to be saying if you believe it's a prognosticator of the future that the future is looking pretty good," O'Neill said during an interview on CNBC television.

He was speaking shortly after stock markets closed, with the Dow Jones Industrial Average posting a solid 169.59-point gain to end at 9,410.45 and the Nasdaq composite index ahead 75.21 points to 1,701.47.

The Treasury chief commented said "housing continues to be good" and air traffic was "markedly

improved" since airports were reopened after being shut down for two full days after the devastating attacks by hijackers who slammed airplanes into the World Trade Center and the Pentagon.

O'Neill said it remained important that Americans carry on with their day-to-day lives, resuming their normal routines while they regain their optimism about the future.

"You want to know the single most important thing to a resumption of strong economic growth? It's a sense of confidence," he added.

Asked about the Bush administration's call for speedy congressional action on a package of fiscal stimulus measures to help the economy, O'Neill said he remained hopeful that Republican and Democratic lawmakers can settle their differences and get the measures to the president next week.

## Cathay reduces flights to North America, Asia

AFP, Hong Kong

Cathay Pacific Airways Ltd. said Friday it has suspended four per cent of its flights to some cities in Asia and North America in view of falling demand since the September 11 terrorist attacks in the United States.

The airline said it was cutting flight frequencies to Bangkok, Kuala Lumpur, Manila, Los Angeles, and Vancouver as "part of a review of its network."

However, the flights to Bangkok, Kuala Lumpur and Manila will be reinstated during holiday periods, it said.

Tony Tyler, Cathay's director of corporate development, said in a statement, "although we are suspending a number of flights, Cathay Pacific has no plans at the moment to reduce staff numbers."

"This airline is not immune to the pressures on the industry, but any staff reductions would only be implemented as a very last resort," he said.

With the suspension, the Hong Kong-based airline will operate a total of 32 flights per week to Bangkok, 17 flights to Kuala Lumpur, 28 to Manila, 11 to Los Angeles and 12 to Vancouver.

## Singapore to distribute \$1.5b state stocks to citizens

AFP, Singapore

Singapore will distribute government shares worth 2.7 billion Singapore dollars (1.5 billion US) to citizens next month as part of a relief package to ease the worst recession since independence.

Deputy Prime Minister Lee Hsien Loong told parliament the New Singapore Shares, worth one dollar each, are part of a broader stimulus package totalling 11.3 billion dollars to help boost the economy.

The novel wealth redistribution scheme was announced by Prime Minister Goh Chok Tong during the National Day rally in August, but no details were given at the time.

Citizens would earn dividends for five years from 2002 to 2007 at a guaranteed minimum rate of three per cent per annum on top of bonus dividends depending on gross domestic product growth.

Lee said distribution to qualified recipients from November 1 will be "specially weighted in favour" of poorer Singaporeans. The elderly and national servicemen will receive bonus shares.

Lee gave details of the scheme in a speech announcing the multi-billion dollar package to help the trade-dependent country cope with its worst ever recession spawned by the United States-led global economic slump.

## US retail sales slump in Sept

AFP, Washington

US retail sales slumped 2.4 per cent in September, the month of the terror attacks on US targets, government figures showed Friday.