

S'pore gains ground as new venue for WTO meet

AFP, Paris

Singapore gained ground Thursday as an alternative to Qatar to host a key World Trade Organisation conference next month, as WTO members fretted about security in the Gulf emirate following the September 11 attacks in the United States.

"Consultations (among WTO members) are taking place," European Union Trade Commissioner Pascal Lamy told journalists at a breakfast meeting here.

"This question was widely discussed last week-end in Singapore," where a small gathering of World Trade Organisation ministers took place.

"Whoever looks at the map can see that Doha (the Qatari capital) is in a luke warm region that could become hot.

"It is logical that that in such cases the idea of bringing together four or five thousand people means certain precautions need to be taken."

Lamy said that Singapore Trade Minister George Yeo "had made no secret" of his country's interest in hosting the conference, set to take place November 9 to 13.

But Lamy added that Geneva, headquarters for the 142-member WTO, was likewise a possibility.

In Shanghai Yeo said that the city state was on stand-by to host the meeting if the WTO decided to change the venue.

US grants \$50m in aid to Pakistan

AFP, Washington

President George W. Bush on Wednesday ordered the provision of 50 million dollars in economic aid to Pakistan, further cementing US support for Islamabad after it agreed to back the new US war on terrorism.

Bush directed Secretary of State Colin Powell to provide the money, saying it was "important to the security interests of the United States."

The president can make such provisions under the Foreign Assistance Act whenever he deems it necessary for US national security.

Details of how the grant will be spent were not immediately available but the White House said a similar 50 million dollar grant last month was intended to support Pakistan's battered economy.

Bush cleared the way to assist Pakistan last month when he waived sanctions also slapped on India after the two arch rivals conducted nuclear weapons tests in 1998, sparking fears of a South Asian atomic arms race.

The measures barred US investment, economic assistance and arms sales to Pakistan.

Islamabad's economy has been staving off bankruptcy and the sanctions waiver represented a substantial boost as it allowed Washington to back aid to Pakistan tendered to organizations like the World Bank and Asian Development Bank.

Shanghai mayor vows to stop software piracy

AP, Shanghai

Bill Gates and the mayor of Shanghai announced the creation of a joint venture Thursday, and to mark the occasion the mayor said the government would stop using pirated software.

Gates, the Microsoft founder, returned the favour by saying he planned to invest more money in the booming Chinese city.

Both Mayor Xu Kuangdi and Gates declined to say how much the deal was worth. The new company will offer "support services" for Microsoft and other software companies.

Xu said the Shanghai government would stop using pirated software and buy authentic copies "to set an example for all of China."

He did not say what kind of pirated software the Shanghai government was using. Knockoff movies and software are easy to find in Shanghai and other parts of China. Windows XP, which will soon sell for about \$199 in the United States, can already be bought on the streets of Shanghai for about 20 renminbi (\$2.40).

Chinese officials allowed journalists to take photographs of Gates and Xu and to watch their signing ceremony, but pushed the media away from their discussion.

Lack of projects, country rating stymie private infrastructure investment

INAM AHMED

Absence of projects and lack of a sovereign country rating that blocks the private sector's access to international debt are two main factors deterring private sector investment in infrastructure projects, according to bankers and entrepreneurs.

According to the World Bank standard, a least developed country should invest seven per cent of its GDP in infrastructure to sustain a higher growth rate. However, Bangladesh is still lagging far behind this benchmark. With a \$45 billion GDP recorded in FY01, it should have invested \$3.15 billion in infrastructure. But in reality it invested a piffling \$1.1 billion in water resources, transport, communication, physical planning, bridges, housing and water supply, leaving a gap of \$2 billion.

"One of the main reasons for lack of investment in infrastructure is that the government does not have resource to invest," said M Fouzul Kabir Khan, Executive Director and CEO of Infrastructure Development Company Limited (IDCOL), the only financial institution in the country dedicated to infrastructure. "But then, the private sector is also not coming up with any investment ideas and the reason may be that the government and the donors are crowding out the private sector."

"But for access to external lenders, the first and foremost necessity is to have a sovereign credit rating done by one of the recognised agencies such as 'Standard and Poors,'" he pointed out. "Such rating

represents an assessment of each government's capacity and willingness not only to repay external debt incurred by itself but also to provide the foreign exchange needed by private firms to repay their debts as well. When a foreign lender wants to take exposure on an economy, the first thing it wants to assess is the individual country's credit rating."

An earlier approach to the finance ministry to have the country rated by an international rating agency in 1998 was not successful. It was then estimated that Bangladesh would be rated "B", not a bad result, considering that Pakistan was rated "CCC-" and Turkey had "B" at that time. But the government did not subscribe to the idea as it felt that such rating could become a double-edged sword politically.

But the reality is absence of rating may contribute in the future to the reluctance of international lenders in extending credit to viable privately-owned and operated infrastructure projects.

When a private investor approached Bank of America for loans recently, it wrote that,

"With respect to your inquiry in Bangladesh, Bank of America can not participate in this project at this time due to various country-related risks. Moreover, to the best of our knowledge, the appetite for Bangladesh risk within the commercial bank market is essentially non-existent at this time." ABN-AMRO, the huge Dutch bank, made a similar observation on another project.

On the other hand, to make room for private participation, Kabir said it is easily possible to identify a num-

ber of projects from the annual development programme (ADP) to be reserved for private sector investment. But even then, a major problem accounting for investor reluctance is that the private sector neither has equity nor access to cross-border lenders for debt.

"For infrastructure investment, you must have projects with robust cash flow," Kabir explained the basics of infrastructure investment. "We don't look to the assets of an investment proposal for a recovery of our loans, but rather how much cash is generated by those assets. A second important aspect in infrastructure development is transparency in project tendering, without which projects become politically risky and lenders remain shy."

"The government can easily identify 20 projects from the ADP and reserve them for private sector investment," he said. "To avoid the external debt trap, at least some of the projects should generate foreign currency so that repayment of loans does not pose a problem."

Country rating also plays a major role in setting the pricing of loans. The lower a country's sovereign credit rating, the higher the margin that it, or its residents, have to pay for their loans over London Interbank Offer Rate (LIBOR). LIBOR is an interest rate index which fluctuates daily and measures the rate that prime US, European and Asian banks are willing to offer to their customers for their deposits. As such, the rate is a proxy for the "riskless rate." The margin over LIBOR that a given borrower pays for its loans represents the perceived creditworthiness of that borrower, along with that

of the host country in which the borrower resides.

But what could be the political risk of having the country rated? It will require that once the rating is done, the country follows strict economic discipline and any slip will lead to deteriorating rating. But the benefits are plenty, say financial experts, and the country can benefit considerably over the long-term from access to credit and better terms thereby. However, such an approach to rating agencies may be made only after stabilisation of the macro-economic situation.

Private participation in Bangladesh infrastructure offers significant potential to hasten the pace of development in the country, IDCOL CEO said.

"Modernizing and upgrading Bangladesh's infrastructure could lower the cost of doing business for, and improve the competitiveness of, many firms such as manufacturers and exporters," Kabir said. "For this reason, it is often held that increased investment in infrastructure stimulates investment in other sectors of the economy, creates jobs and expands the tax base. Moreover, increased private investment in infrastructure displaces public investment, freeing up public resources for alternative utilisation in social sectors such as education, health care and poverty alleviation activity."

"The government has recently constituted five committees, headed by secretaries, to bring about improvements in designated sectors. Accepted recommendations will be implemented within the new government's first 100 days in office. A similar approach may be taken with infrastructure development," Kabir said.

Commerce delegation to visit US for market access

SHAHRIAR KARIM

The commerce ministry is embarking on a massive diplomatic bid to boost the country's exports to developed as well as regional markets.

As a first effort a delegation led by Commerce Minister Amir Khosru Mahmud Chowdhury is planning to leave for Washington at the end of this month. The team will lobby for duty and quota-free access of readymade garments (RMG). A US-based lobbyist already appointed by the BGMEA will also join the delegation in its effort in Washington.

The ministry is also planning to strengthen effort to get duty-free access for the country's 25-category items to India, an issue pending for long.

"We are going through a crisis in the external sector. We have to rally all our efforts to come out of the situation. As part of such efforts, we are taking steps to get duty and quota-free access of our RMG to the US market," Commerce Minister Amir Khosru Mahmud Chowdhury told The Daily Star yesterday.

Currently Bangladesh exports RMG worth about US\$ 2 billion to the US market, 40 per cent of the total apparel export.

"If we can get free access our exports to the US market will double in a year," Kutubuddin Ahmed, President of the Bangladesh Garment Manufacturers and Exporters Association hoped.

But the commerce minister cautioned that concentration on a single market or a single product would not help the country face the economic crisis. In this context, he feels that penetration into the regional market is vital.

"This is why we have to resolve the export issue with India through diplomatic efforts," Chowdhury said.

The efforts of the commerce ministry also include relaxation of the European Union's (EU) rules of origin for the country's exportable specially the RMG products. Although the EU passed a law last year giving duty and quota-free access of products except arms from all the least developed countries (LDCs), Bangladesh is yet to get the benefit due to the rules of

origin.

According to the EU rules of origin, RMG products of any LDC will be eligible for duty concession if they produce those from local fabric. But Bangladeshi garment exporters are seeking one stage derogation, which means they demand duty-free access of apparels even if these are made with imported fabrics.

According to sources, Pascal Lamy, Trade Commissioner of the European Commission (EC) is scheduled to visit Dhaka on November 20 and the government will take it as a scope to pursue its case. Commerce Minister Amir Khosru Mahmud Chowdhury has already written a letter to Lamy in this regard.

However, the major effort will be to get duty and quota free access of RMG products to the US market as the US-TDA Bill 2000 that gave such access of RMG products of 72 Sub-Saharan and Caribbean countries has already left a negative impact on Bangladesh.

The global recession following September 11 terrorist attacks also dipped exports.



Bazle Mawla, President and Managing Director of Dutch-Bangla Bank Limited (DBBL), presides over the 8th meeting of branch managers of the bank held at its training centre in the city on Saturday.

DBBL branch managers' meet held

The 8th meeting of the Branch Managers of Dutch-Bangla Bank Limited (DBBL) was held at the bank's training centre in the city on Saturday, says a press release.

Bazle Mawla, President & Managing Director of the bank, presided over the meeting.

The meeting reviewed the operational performance of the last month and chalked out specific strategies and plans for plugging the gaps with a view to achieving the yearly targets.

The divisional heads and other senior executives of Head Office and Branch Managers of Dutch-Bangla Bank Limited were present in the meeting.

Regional, corporate heads' confce of Pubali Bank held

The 3rd conference of Regional Heads and Heads of Corporate Branches of Pubali Bank Limited for the year 2001 was held at the bank's head office recently, says a press release.

Managing Director Khondkar Ibrahim Khaled presided over the conference while Chairman of the Board of Directors Sheikh Wahidur Rahman was chief guest on the occasion.

Sheikh Wahidur Rahman called upon the Regional Heads and Heads of Corporate branches to work with devotion and sincerity so that profit target for the year 2001 is achieved.

In his speech, Managing Director Khondkar Ibrahim Khaled emphasised on creation of creative procedure of work, proper utilisation of human resources and stopping of giving unauthorised advance. He stressed upon proper training of new generations appointed in banking profession.

Fujitsu, IBM in tie-up talks

AP, Tokyo

Japan's Fujitsu Ltd and IBM Corp of the United States are in talks toward forming a broad tie-up, a Fujitsu official said Thursday.

"The two companies began discussing the possibility of cooperating in broad areas, including software and hardware," said Naomi Ogawa, a spokeswoman of Fujitsu. Ogawa said no specific deal had yet to be struck.

The Nihon Keizai business daily reported Thursday that Fujitsu and IBM are negotiating to jointly develop software for corporate clients to cut costs as sagging demand for computers and other hardware hurts earnings.

Oil hits two years low

AFP, London

Oil prices hit two-year low points on Thursday as investors scoffed at OPEC efforts to talk the market up, showing up the sudden impotence of the 11-nation cartel to influence prices by tinkering with supply.

The price of a barrel of Brent North Sea crude for December delivery fell as low as 20.32 dollars in early trading, from 20.99 dollars at the close on Wednesday. London oil prices have not been as low since August 1999.

The New York light sweet crude December contract fell 19 cents to 21.81 dollars a barrel on Wednesday.

Prices have fallen by more than 25 per cent since the September 11 attacks on the United States because of fears that a global economic slowdown will eat away at demand for crude.

Top ministers from the Organisation of Petroleum Exporting Countries (OPEC) have repeatedly tried to talk the market up by murmuring about output cuts and possible alliances with non-OPEC suppliers to rein in volumes so as to avert a supply glut.

Dealers are not impressed. They know OPEC faces an awkward conundrum that has left the 11-nation cartel all but impotent to influence the market.

"People are looking at the OPEC call for the non-OPEC people to help them out as a sign that they don't really know what to do," said London-based oil dealer Richard Bend.

"OPEC are looking like they might be in a little bit of a panic at the moment," Bend told AFP. "They've got to do something big."

For the past year, OPEC has successfully managed supply to keep prices relatively stable within its target range of 22-28 dollars a barrel. In theory, it cuts supply when prices persist below 22 dollars and raises it when they stay above 28 dollars.

But although its own crude price measure has been below 22 dollars for almost four weeks -- on Wednesday it stood at 19.07 dollars -- OPEC knows that it is not as easy as a simple cut.



Sheikh Wahidur Rahman, Chairman of the Board of Directors of Pubali Bank, speaks at the 3rd conference of Regional Heads and Heads of Corporate Branches at the bank's head office in the city recently. Ansaruddin Ahmed, Deputy Managing Director, Khondkar Ibrahim Khaled, Managing Director and AH Ziauddin Ahmed, Deputy Managing Director, are also seen in the picture.

India speeds up reforms in aftermath of US attacks

AFP, Bombay

The US-led military action in Afghanistan has pushed the Indian government to speed up reforms to overcome sagging economic conditions, analysts said Thursday.

The government's decision to permit companies to buy back up to 10 per cent of their equity without prior shareholder approval was made because of fears of a possible lasting negative impact on the domestic economy and the stock market, they said.

Parliamentary Affairs Minister Pramod Mahajan made the announcement on Tuesday and also said firms can issue fresh shares six months following the buy back, compared to the previous rule of 24 months afterwards.

The government has also eased regulations for owners to raise stakes in their respective companies through open market purchases.

"All these and other recent initiatives taken by the government are effects of the new global equations emerging from the conflict which is seen hampering the already weak domestic economy," Gujarat Ambuja Cement Ltd finance controller Anil Singhvi said.

Exports from India have fallen since the September 11 terrorist attacks on the United States and subsequent US-led military action in Afghanistan, the government said Wednesday.

Finance Minister Yashwant Sinha was also quoted as saying Wednesday that the economic outlook was "grim" and said the

fiscal deficit target of 4.7 per cent of the GDP for the year to March 2002 would be overshoot.

"The economic situation was difficult even before the September 11 terrorist attacks on New York and Washington and events after that have made the situation more difficult," Sinha told the Financial Express.

Analysts said the pressure on the government was further compounded by existing issues of falling tax collections, revenue-expenditure mismatch, low industrial growth in the first half of the current year and the expected rise in fiscal deficit.

The Gross Domestic Product (GDP) growth fell to 4.4 per cent during the quarter to August from 6.1 per cent a year earlier.