

# Star BUSINESS

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## Feasibility study report on 3rd Karnaphuli Bridge handed over

STAR BUSINESS REPORT

A feasibility study report on the third Karnaphuli Bridge was delivered to the Roads and Highways Department on Wednesday with a proposal of a four-lane bridge over the river Karnaphuli partially funded by European governments.

The Dutch Ministry of Economic Affairs commissioned the feasibility study for the third Karnaphuli Bridge at the request of the government, according to sources.

Royal Haskoning of Nijmegen in Holland with the input from the Dutch contractor Interbeton carried out the study. Haskoning has been working in Bangladesh for the last 35 years while Interbeton had earlier worked in a project in Chittagong.

## Lafarge forms joint venture with Korean company

Lafarge has formed a joint-venture with Tong Yang Major Corporation, a Korean cement company, says press release.

The new company will be called Tong Yang Cement Co. Ltd.

Under the terms of the joint-venture, a Korean associate of Lafarge will own 25 per cent of total shares, through an investment of USD 100 million, and Tong Yang Major Corporation 75 per cent of the shares by way of in-kind contribution and business transfer.

Lafarge's shareholding in its associate is 40 per cent through USD 40 million contribution.

The newly created company has a cement production capacity of 11 million tonnes per year, in one cement plant. This strategic alliance will allow collaboration in every field of cement business including export and domestic sales, production and mine development.

Bertrand Collomb, Chairman and Chief Executive Officer of Lafarge, stated: "Through this investment, Lafarge is increasing its presence in the promising Korean market."

Established in 1957, Tong Yang Major Corporation is the oldest as well as the second largest producer of cement in Korea and operates cement and cement-related products.

Lafarge is the leader in Korea in the gypsum wallboard sector with plants in Yosun and Ulsan.

Lafarge is the world leader in building materials. It has 85,000 employees in 75 countries.

## S'pore Dy PM working on new growth blueprint

AFP, Singapore

The man being groomed to be Singapore's next prime minister is working on a new blueprint to restore economic competitiveness and identify future growth areas as the city-state goes through its worst recession since independence.

Deputy Prime Minister Lee Hsien Loong is now the undisputed economic tsar as finance minister, chairman of the Monetary Authority of Singapore (MAS) and head of a committee assigned by Prime Minister Goh Chok Tong to map out a plan to overhaul the economy.

"How to restructure the economy domestically and buy itself a share in growth outside the region. Those are the two key issues facing Singapore," Sanjeev Sanyal, a regional economist at Deutsche Bank, told AFP.

Before the 1997 regional crisis broke out, resource-poor Singapore had always been able to ride on the back of the booming economies of its larger neighbours by successfully promoting the island as a gateway into Southeast Asia.

As those halycon days of robust growth fade into the distance, economists said Lee and his policymakers must map out a new game plan that allows the island to retain its lustre in a region that has ceased to be the darling of foreign investors.

At the same time, Lee has to manage the delicate task of how his country should respond to the economic challenge from China without jeopardising its commercial and trade opportunities in the world's fast-rising trading giant.

The 49-year-old Lee's performance will have a direct impact on his rise to the top. Goh, 60, in power since 1990, has declared plans to step down as prime minister in two or three years, but only if the economy is back on the growth path.

## SIA comes with holiday package to explore slumping market

STAR BUSINESS REPORT

In the wake of recession in the global aviation industry, Singapore Airlines yesterday announced two new packages to woo Bangladeshi passengers.

Its first package Fly and Stay Free in Singapore offers a passenger three-night free accommodation for purchasing a return economy class ticket to Singapore.

"The accommodations will also include free airport transfers in Singapore," said Joseph Chia, General Manager Bangladesh, at a press briefing in the city.

The package will be on valid till January 31, 2002.

The second package -- Buy 2 nights, Get One Night Free: SIA Getaway Special -- is targeted at passengers travelling to any five selected destinations offered by the airlines.

Under the package a passenger staying three days and two nights on holiday package at Bangkok, Penang, Lankawi, Manila and Hong Kong will get an additional night of hotel accommodation. This offer will remain open

till March 31, 2002.

Talking to journalists, Singapore Airlines Bangladesh General Manager Joseph Chia said the aviation industry all over the world is going through a tough time following the terrorist attacks in the US.

"Several aviation companies have collapsed following the attacks. Even we were not spared from the turmoil," Joseph Chia said.

He said unlike other airlines, Singapore Airlines is in a better position as it has a substantial market in South Asia.

"Our balance sheet is comparatively stronger," he said, adding that the airlines clocked 30 to 40 per cent revenue growth to the USA and Europe during the first six months starting from April 1, 2001.

"November also proved 15 per cent passenger growth from Dhaka compared to November last year," he said.

Chia however said the airlines may record loss at the end of the current six-month period ending in March, 2002.

"So, all our efforts are aimed at minimising loss and also exploring the Bangladesh market with holiday packages," he said.



PHOTO: UCBL

Muhammad Sajid ul Haq, Managing Director of United Commercial Bank Ltd, speaks at the bank's Dhaka area branch managers' conference held at the head office of the bank on Sunday. Hamidul Huq, Addl Managing Director, Salauddin Gazi and BH Chowdhury, Deputy Managing Directors, are also seen in the picture.

## UCBL Dhaka area managers' confce held

The Managers' Conference of Dhaka area branches of United Commercial Bank Ltd (UCBL) was held at the bank's head office in the city yesterday, says a press release.

Speaking on the occasion, Muhammad Sajid-ul-Haq, Managing Director of the bank called upon the managers to continue relentless efforts for revamping the operational activities of the bank.

The conference evaluated overall activities of the branches and formulated new action programme.

Hamidul Huq, Additional Managing Director, and Salauddin Gazi and B H Chowdhury, two Deputy Managing Directors, Divisional Heads and Incharge of Dhaka area branches, attended the conference.

## India's exports go down by 7.39 pc in Oct

XINHUA, New Delhi

The aftermath of September 11 terrorist attacks in the United States coupled with global economic slowdown had a cascading effect on India's exports, which plunged 7.39 per cent in October compared with that in the same month last year.

Official statistics published here on Saturday showed that India's exports went down to 3.444 billion US dollars in October from 3.718 billion dollars in the same month in 2000.

Impact of depressed international market conditions was equally reflected in the provision export data for the first seven months of the current fiscal year which began on April 1 this year.

Exports declined by 2.88 per cent at 24.382 billion dollars in the period against a level of 25.104 billion dollars during the same period last year, an official press release said.

However, the figures showed, imports went up by 3.12 per cent, or from 29.617 billion dollars from April to October in 2000 to 30.542 billion dollars in the same period this year, leaving the trade deficit to 6.156 billion dollars compared to 4.513 billion dollars in the first seven months last year.

The good news for Indian economy is in foreign currency reserves, which increased by 162 million dollars to 46.613 billion dollars till November 23.

According to weekly statistical report released by the Reserve Bank of India, the central bank of the country, foreign currency assets were also up by 162 million dollars at 43.689 billion dollars.

The special drawing rights and gold reserves remained static at five million dollars and 2.937 billion dollars respectively.

## Russian PM to meet oil barons on output cuts this week

REUTERS, Moscow

Prime Minister Mikhail Kasyanov said on Saturday he would meet Russia's oil barons next week to discuss output cuts in the first half of next year.

Kasyanov also said Russia's finances would remain solid even if world prices for oil, the country's key export earner, fell to a yearly average of \$12 a barrel from around \$18 currently.

It was "necessary to work out a consolidated position for the first quarter of next year" with the oil firms, Kasyanov said in comments broadcast on Russian television.

The meeting would also discuss the outlook for the second quarter, he said without elaboration. It was not clear when the gathering would take place.

## IT'S BUSINESS...

### Interest rate reduction and private commercial banks

MAMUN RASHID

In view of the overall lull situation in the country's economic sector, the government has lowered bank rate by one per cent and wanted the commercial banks to lower their interest rates on lending. In reality, in a semi-closed economy like Bangladesh, bank rate does not influence day to day deposits or lending rates, unless commercial banks go for refinancing from the central bank because of their excess lending.

However, this time, the Ministry of Finance with a view to influence the commercial banks to go for reduced rate lending to textiles/garments, agro-manufacturing and allied sector has agreed to refinance the commercial banks at bank rate against their lending to these sectors to facilitate export and investment. But the commercial banks find it tough to execute the ministry's decision mainly because of (a) higher deposits rate, (b) high non-performing loans, and (c) lack of prudent assets and liability management. And above all it is pinching their profitability by reducing the spreads between deposits and lending.

With the passage of time, private banks are taking increasing role in the country's trade and investment.

However, their funding/deposit cost is pretty high, higher than the government's as well as foreign banks'. Private banks do not have access to government funds like the NCBs, nor can they attract much of retail deposits/transaction banking because of lack of strategic direction or total value offer.

**The Daily Star has introduced a new column titled "It's Business" which appears on this page Mondays. This column will deal with current business issues**

While the cost of fund for a foreign bank is around 4 to 5 per cent, it is around 7 per cent for private banks (even higher among the new generation private banks).

While for the foreign banks time deposits are less than 30 per cent of the total deposits, it is more than 65 per cent for the private banks and around 50 per cent among NCBs. Therefore, it is evident that private banks have problems in mobilising transaction deposits or low cost deposits in current, savings and call accounts.

In order to change this situation, the private banks must encourage more and more individuals to use their services for day to day transactions, come up with package offers

i.e. a wide range of products and services. Besides, befitting information technology platform for efficient transaction processing and service delivery has also become imperative.

While people are putting their time and term deposits with private banks, it is not a matter of trust any more. It is rather an issue of attracting more business houses and individuals for routing their transaction banking to private banks. This has something to do with the image of "neighborhood bank". Banks also have to come out of traditional trade and corporate banking and concentrate on consumer banking or finance where risk is lower and return is high. They have to have proper processing and monitoring platforms.

More transaction banking and consumer finance will also help these banks maintain lower cost of funds, less classified loans (record shows that individuals are more credit worthy than the corporate bodies) and maintain healthy growth through higher margins (margins are higher in consumer lending).

## 6 Asian sates adopt 10-yr strategy for Mekong river area co-op

AFP, Manila

Six countries bordering the Mekong river have adopted a 10-year strategy to boost cooperation within the region, the Asian Development Bank (ADB) said in a statement

issued here Saturday.

Cambodia, Laos, Myanmar, Thailand, Vietnam and China's Yunnan province adopted the strategy at a ministerial conference held in Myanmar under the assistance of the ADB, the bank said in a

statement issued from its headquarters in the Philippine capital.

As part of the strategy, Cambodia, Laos, Thailand and Vietnam signed a cross-border agreement to facilitate the movement of people and goods. China and Myanmar are expected to join the agreement in the near future, the ADB said.

The strategy includes a detailed action plan for the next three years that involves 10 flagship projects that will require 900 million dollars in investment financing and 30 million dollars in technical assistance, the ADB said.

Among the identified projects are economic corridors spanning the entire region, a telecommunications backbone, a regional power interconnection and trading arrangement, enhanced private sector participation and competitiveness, human resources development, flood control and water management and a strategic environmental framework, the ADB added.

The multilateral institution said it would form a "GMS Donors Coordination Meeting" and encourage more private sector participation to raise these funds.

The strategy also includes further cooperation by setting up a policy environment and infrastructure linkages that will expand cross-border investment, tourism and trade.

To ensure that the development process is equitable, GMS countries were advised to fully respect environmental and social concerns in implementing the strategy, the ADB added.

The GMS program started in 1992 with the assistance of the ADB which helped build up trust and confidence among the members through conferences and joint initiatives.



PHOTO: AFP

A model displays jewellery studded with artificial diamonds during a fashion show in Madras late Saturday. The show featured jewellery from a leading international merchant of genuine and synthetic machine-cut gemstones who opened first retail counter in Madras in a bid to capture a share in India's large jewellery and gold market.

## Australian treasurer warns of tough times

AFP, Sydney

Australian Treasurer Peter Costello warned his countrymen Sunday to brace themselves for the impact of the global economic downturn.

Costello said even though the Australian economy appeared to be the stand-out performer among industrialised nations, it could not quarantine itself from the downturn in global commerce.

"We're selling our exports all round the world and the world is losing the money to pay for our exports," Costello told the Nine Network's Business Sunday program.

"We're heading into a world where the US is now in recession, Japan is in recession, Europe has stopped, most of south-east Asia is going backwards."

"Australia is probably the stand-out economy but we can't expect to be immune from these developments and they will take a toll on the Australian economy."

In October, Costello revised the government's economic growth estimate for the 2001/02 financial year down to three per cent.

He conceded Sunday that since delivering that assessment, "the world economy has slipped further".

"We are beating the world, but we are not immune from it," he said. Economists here now widely anticipate another interest rate cut to be announced by Australia's central bank on Wednesday.

The board of the Reserve Bank of Australia meets Tuesday to assess its current monetary policy settings, with the key overnight cash rate currently set at a three-decade low of 4.5 per cent.

Commonwealth Securities chief economist Craig James said a December cut was likely because whilst the board is not scheduled to meet in January, the global economy will remain weak into the new year.

"There are much greater risks for the Reserve Bank in keeping rates unchanged in the coming week as opposed to applying further monetary stimulus," James said.

## Nepal economy suffers fresh blow

REUTERS, Kathmandu

Nepal's tourism-dependent economy, already reeling from a palace massacre and a travel slump following the September 11 attacks, has suffered a further blow from an uprising by rebels trying to overthrow the monarchy.

King Gyanendra, catapulted to the throne by a bloodbath last June which wiped out most of his royal relatives, declared a state of emergency last Monday after Maoist rebels unleashed their biggest offensive so far.

"There's no doubt it's going to hit tourism. Tourists are already cancelling their trips and those who are here are cutting short their visits," Suman Pandey, chief of the Trekking Agents Association of Nepal (TAAAN), said.

"Tourism was already down because of the massacre on September 11 and this is only going to make the situation worse," he told Reuters.

Shops are bereft of the usual

crowds in Kathmandu's Durbar Marg, the main road leading to the royal palace, and there are fewer foreigners in the Thamel area, where backpackers stay before heading to the Himalayan mountains.

The impoverished kingdom has eight of the world's 14 highest mountains, making it a longtime popular destination for climbers and trekkers.

Tourism is one of the biggest employers in Nepal, where more than half the population subsists on a less than \$1 a day. It is the third-biggest foreign currency earner after exports and foreign aid.

The rebels, fighting to replace the monarchy with a communist republic, have never attacked tourism targets. But Pradeep Raj Pandey, chief of Nepal's tourism board, cannot guarantee that won't change.

"There is not situation to guarantee that all places are 100 per cent safe," he said.

The US embassy has asked

nationals planning to travel in Nepal to "factor in the potential for continued violence and weigh carefully the need for non-essential travel".

"No particular region (of Nepal) can be considered safe because violence could erupt in any part," a Western diplomat said.

Nepal has sent troops to the west of the country, where the rebellion took hold in 1996.

"I know of people who are dropping out of biking trips which had been planned for this week to the west," said Australian Michelle Sluiser, who arrived two days before the emergency was imposed.

"It's bad news for everyone, for people who want to tour the mountains, for operators, for the people here," said Sluiser. "I am going to stay on and figure out for myself how far I can go."

One attack last weekend which claimed more than 100 lives included an assault in east Nepal where Mount Everest is located.

## Prospect for Taiwan economy brightens after election

AFP, Taipei

The decisive result of Taiwan's general election which made the ruling Democratic Progressive Party (DPP) the largest in parliament, is likely to bring welcome relief to the island's gloomy economy, analysts said Sunday.

The DPP-led administration of President Chen Shui-bian can now work with parliamentary colleagues to push through bills to revive Taiwan's economy, which has sunk to a 26-year low, they said.

They predicted negotiation would replace the squabbling within a parliament previously controlled by the opposition Kuomintang (KMT) which marred Chen's first 19 months in office.

"The ruling party will be able to implement its policies more smoothly with closer cooperation with parliament," said Wu Chung-shu, an economic researcher at the Academic Sinica, a prominent research institute in Taiwan.

"(President Chen's) administration is under tremendous pressure to turn around the economy, as it only has two more years in office to fix the problem.

"My guess is that it will waste no time in pushing for finance or economy related bills to bring the economy out of the woods," he said.

Wu added, however, that with no one party commanding a majority in parliament it might take time for the DPP to forge a workable coalition.

Saturday's poll saw the KMT lose a majority in parliament for the first time in Taiwan's modern history, with the pro-reunification People First Party increasing its clout in the chamber.

The DPP won 87 seats in the 225-member parliament, with 13 going to its Taiwan Solidarity Union pro-independence ally. The KMT won 68 and the PFP 46.

Wu said the new political stability would help Taiwan's gross domestic product (GDP) grow an expected three per cent in 2002, following a more than two per cent contraction this year -- a record low since the government introduced measures of economic performance in 1951.

Taiwan's GDP shrank 4.21 per cent in the three months to September, the biggest quarterly fall in 26 years, statistics agency figures showed.

With both the executive and legislature singing from the same hymn sheet, economic policy-making was expected to improve, analysts said.

"Cooperation between the administration and parliament can strengthen the making and implementation of policies," said

Bentham Hung, research manager with Fuh-Hwa Securities Investment and Trust Corp.

Political turmoil coupled with a stalemate in relations with China over the past year and a half had accelerated the island's downturn, he said.

However, he said that whatever the political changes any economic turnaround would be most likely powered mainly by an anticipated global economic upturn.

Problems needing prompt solutions were soaring unemployment, poor asset quality in financial institutions and the crowded banking sector, according to Wu.

Others included economic relations and financial cooperation with the mainland, the impact on domestic agriculture of Taiwan's imminent World Trade Organisation membership, financial sector deregulation and a sluggish property market, he said.

"The government has to find a way to lower the record jobless rate because a lot of other social problems derive from this serious situation."

Local unemployment hit a fresh record of 5.33 per cent in October, with government predictions saying exports and imports are likely to slump 16.9 per cent and 22.0 respectively during 2001.