

Japan PM orders faster bad loans write-off

REUTERS, Tokyo

Financial Services Minister Hakuo Yanagisawa said Monday he had been old by Prime Minister Junichiro Koizumi to look at ways of accelerating the write-off of banks' non-performing loans, Kyodo news agency reported.

Kyodo said the measures were expected to include beefing up regular inspections of banks by the Financial Services Agency (FSA) and making more use of the state-run Resolution and Collection Corp (RCC) to boost liquidity in the market for non-performing loans (NPLs).

Koizumi issued the instruction ahead of the announcement set for Friday of the results of a series of special FSA inspections of the financial health of Japanese banks and their ailing borrowers.

"The announcement is planned for the 12th," FSA Commissioner Shoji Mori told a news conference.

The government has said it would decide whether to inject public funds into the banking industry after reviewing the results of the inspections.

Yanagisawa, who masterminded a multi-trillion yen public fund injection for banks after a financial crisis in 1997/98, is opposed to a fresh bail-out. He wants banks first to try to raise capital in the market on their own.

Since 1998, Japanese taxpayers have provided more than 10 trillion yen, about 75 per cent for the top 15 banks alone, to get the banks back on their feet -- with obviously poor results.

All seven top banks are expected report big losses for the financial year that ended on March 31 as a result of continuing heavy credit costs. With bankruptcies soaring, banks are struggling to hold down NPL totals despite big write-offs.

Mitsubishi Tokyo Financial Group Inc, Japan's third-largest bank, on Monday became the last of the majors to announce that it would pool a group net loss due to the toll the weak economy is taking on corporate borrowers.

Japan supermarket operator goes bankrupt

AFP, Tokyo

Japan produced another corporate casualty Tuesday when mid-sized supermarket operator Niko Niko Do Co. filed for court protection from creditors with parent liabilities of 97.5 billion yen (741 million dollars).

"Resolving the negative equity situation that we have fallen into due to our past debts on our own would require a long time," the firm said in a statement. "Gaining support from financial institutions has also become difficult."

The 42-year-old chain, based in Kumamoto, some 850 kilometers (530 miles) southwest of Tokyo, had expanded to 44 stores in southern Japan, and had also entered the hotel, apparel, department store and discount shop business in China.

SAARC adopts 16-point plan to fight poverty

Finance ministers' meet agree to pursue a broad range of policies

AFP, Islamabad

South Asian finance and planning ministers on Tuesday adopted a 16-point action plan to combat poverty at the end of a two-day meeting here, Pakistani Finance Minister Shaukat Aziz said.

He said the South Asian Association for Regional Co-operation (SAARC) meeting agreed to pursue a broad range of policies designed to benefit the region's 550 million people who live below the poverty line.

"Today, the third meeting of finance and planning ministers from SAARC countries approved unanimously the Islamabad Action Plan on eradication of poverty from one of the world's poorest

regions," Aziz told AFP after the meeting.

"It is a very good beginning and we resolved to implement the plans and not restrict ourselves to mere statements. Our common goal is to eradicate poverty."

The plan focuses on good governance, sound macroeconomic management emphasising growth and fiscal discipline, access to micro-financing schemes for small business, increased trade and stronger social safety nets.

It also called for greater access to markets in developed countries, the removal of tariff and non-tariff trade barriers and "flexibility for developing countries in intellectual property rights".

The developed world would also be pressured

to "unearth past inflows of illegal and tax-evaded money originating from SAARC countries" and to tighten laws designed to prevent the laundering of money from corruption.

SAARC groups Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

In his opening remarks on Monday, Aziz warned that the region was not doing enough to fight poverty.

"A region where some live in comfort and plenty, while 40 per cent of the region's population live in abject poverty, is neither just nor acceptable."

"South Asia is falling behind the rest of the world in fighting poverty," he said.

Lack of uniform rules delays public procurement process

STAR BUSINESS REPORT

Absences of uniform public procurement guidelines coupled with capacity limitation of the agencies are causing delay in public procurement process.

A study of 'Public Procurement' found delays in all 148 cases in the fiscal year 1997-98. The extent of delay ranged between 60 to 1100 days from prescribed time of awarding work to suppliers through bidding.

AN Wahid, a former economic minister at the Bangladesh Embassy in Beijing, conducted the

study for Economic Reform and Research Advocacy (ERRA) activities of the Dhaka Chamber of Commerce and Industry in conjunction with Centre for International Private Enterprise (CIPE) of the US Chamber of Commerce.

The study revealed that the government had procured Tk 18,772 crore through its agencies in 2000-2001 which is expected to reach Tk 19,730 crore this fiscal.

Although the government or the development partners normally allow validity of bid for 90 to 180, the study observed that the deadline could not be met in about 70 per

cent of the cases.

The study attributed the delay to re-tendering, delay in decision making at different stages of procurement and in settlement of disputes.

"Agencies sometimes cancel bids, even after opening, without valid reasons or justification," it said. "The tendency of re-tendering without any valid reason delays procurement to a great extent."

Explaining the delay, the study said an aspirant being unsuccessful files complaint against the bidding process causing suspension of the entire process. It resumes only after

settlement of the dispute.

"The delay eventually translates into higher cost of the procured goods and services," the study said.

The study said such delay could be avoided through a time-bound arrangement for settling the disputes.

It recommended a uniform public procurement procedure to avoid the delay.

At present, at least five procurement procedures are being followed by different agencies. Some of the leading agencies do not have even procurement manual, the study said.



PHOTO: STAR

Visitors have a look at locally-made handicrafts at a seven-day ECOTA trade fair which began yesterday on Shishu Academy premises in the city.

Weeklong ECOTA trade fair begins in city

Bid to promote handmade indigenous products

STAR BUSINESS REPORT

With a view to promoting handmade indigenous products both at home and abroad, a seven-day trade fair on handicrafts and hand-woven textiles began in the city yesterday.

Effort for Craft Organisation Trading Advancement (ECOTA Forum), a national networking body of NGOs and SMEs to provide handicraft and hand-woven textile producers in the country with marketing assistance, has organised the fair on the Shishu Academy premises.

Environment Minister Shajahan Siraj inaugurated the ECOTA Trade Fair. M Tajul Islam, Director General of Export Promotion Bureau (EPB), Rezaul Bari Dina, Whip of Jatiya Sangshad, and Bertha Gity Baroi, President (Acting) of ECOTA Fair Trade Forum, were present at the inaugural ceremony.

Speaking on the occasion, Shajahan Siraj said the handmade jute and other products have a good prospect as export items and potentials in the local market as there is a government ban on production and use of polythene bags.

The minister said jute, pulp and

other products are ecology-friendly and the government would extend helping hands in any move to promote these products.

He said small and medium enterprises (SMEs) in jute and handicraft sectors can contribute a lot to the national economy and create huge employment opportunities especially for the women.

A total of 50 organisations are participating in the fair. Interior decor, table top items, lifestyle and garden accessories, handmade paper items, exquisitely embroidered home textiles and fashion accessories, home furnishing, candles, baskets, storage items, terra-cotta wind chimes, jute, leather and clay products are on display at the fair. The fair will remain open from 10am to 8pm everyday.

Altogether, ECOTA Forum has over 80,000 artisans of whom 80 per cent are women. Traidcraft Exchange, the UK's largest independent fair trade organisation, is the technical partner of ECOTA Forum, Bangladesh. In 2001, ECOTA's exports amounted to Tk 20 crore.

Khasru calls upon potential investors to identify sectors

FIAS, IFC, WB hold roundtable on IFD in South Asia

UNB, Dhaka

Countries of South Asia need political and economical good governance to encourage inflow of Foreign Direct Investment, experts told a roundtable here Tuesday.

They pointed out that the region is missing out on its share of increasing global flows of FDI.

Commerce Minister Amir Khasru Mahmud Chowdhury said Bangladesh is ready to go extra mile to assure the country's overseas friends of the best of investment opportunities.

"We've largely been able to provide the sort of macro-economic stability and incentive packages which should encourage more flow of FDI in Bangladesh," he told the roundtable where experts viewed

that only incentives are not enough to attract FDI.

Foreign Investment Advisory Services (FIAS) of the International Finance Corporation (IFC) and the World Bank convened the roundtable on "South Asia Foreign Direct Investment" at Hotel Sheraton here.

The UK Department for International Development (DFID) and the Asian Development Bank (ADB) are the co-sponsors of the two-day event organised in association with the Government of Bangladesh.

During the last half of 1990s, global FDI flow registered a dramatic rise that peaked in the year 2000. Starting from a figure of US\$478 billion in 1997, the FDI reached the peak of US\$1,271

billion in 2000.

During the period, per capita average global FDI flow was about US\$135 against a per capita FDI to Asia was only US\$37 and to South Asia a meager US\$3 only, indicating that South Asia has been bypassed during the golden period of FDI flow.

The minister sought constructive suggestions that would enhance the confidence of the overseas investors in Bangladesh.

He urged potential investors and discussants of the meeting to identify specific sectors where they feel Bangladesh and her foreign partners may actively work together for their mutual and assured benefits.

He also wanted to know concrete ways to reduce cost of investment in Bangladesh, enhance assured return for investors, work for diffu-

sion of technology and management practices to enhance productivity, encourage modernisation and change the mindset of main managers within bureaucracy to make investors feel comfortable.

Executive Chairman of Board of Investment Mahmudur Rahman said South Asia experienced a reverse situation during worldwide growth of FDI inflow to drop nearly 40 per cent in 2000 from US\$4.90 billion of 1997.

He listed probable causes as poor collective image of the region, wrong strategies, poor governance, lack of understanding among the member countries, high cost of business, ineffective implementation of policies and poor track record of intra-regional trade and investment.

Bangladesh as destination of FDI in South Asia

and Japan, but in value terms share of these investments are small and North America and Europe are by far the biggest investment target on value basis. (b) Government policies in South Asian countries have an important bearing on the establishment of manufacturing operations in Asia. (c) Re-exporting to the investment source country is another reason for investment, which indicate that outsourcing of products has been the main force behind the overseas expansion of national companies. (d) Selection of Asian countries for the establishment of overseas operations

The total population of South Asian countries is approximately three times the population of ASEAN countries while per capita income in South Asian countries is currently at \$571, which is less than one-half of the ASEAN average (\$1148). South Asian economies may be revitalised if sufficient employment is generated and individuals are provided with jobs, per capita levels should start to rise. The unemployment rates in excess of 10 per cent, which appears to relate to the development of industries with high employment absorption potential. Manufacturing accounts for only 14-30 per cent of GNP in these countries showing slow pace of industrialisation, which also affects trade. Primary products still account for a high proportion of exports, leaving these countries vulnerable to international market trends and weather conditions. Deficits seem to be a chronic feature of their trade accounts.

Chronic shortages of savings and surpluses of investments characterise the inadequate accumulation of capital within South Asian economies. These countries have to rely on foreign loans to raise the funds needed for development. With the exception of Sri Lanka all these countries have debt service ratios above the 20 per cent danger level. South Asian countries thus consider the introduction of foreign capital as the key to many of their priorities including the creation of employment, the introduction of industrial technology, development of exports, and introduction of capital without burden of interest payments. By attracting foreign companies, they hope to increase employment, obtain technology and management know-how, and raise funds without incurring the burden of interest payments. They also see the attraction of foreign companies as a means of establishing the necessary conditions for export growth, including the development of internationally competitive products, the control of product quality through total standardisation of production processes, and access to international marketing know-how.

The South Asia region is rich in agriculture produce. The weight of agriculture in the economy is relatively high, and fruits, vegetables, and marine resources such as shrimp are abundant. The infrastructure at specific points in the region is excellent. It is true that there are many insufficiencies in terms of telecommunications,

transportation, electric power, and industrial water in the South Asian region. In the limited areas of export processing zones, however, the infrastructure has been developed to a substantially higher level. Low inter-corporate competition should be another attraction. The wave of investment in South Asia has not yet reached its peak. Accordingly, practices of pirating employees from rival companies and wage increases, often observed in the NIEs and ASEAN countries, are not seen in this region.

The aggressive introduction of foreign capital as a means of economic stimulation is not unique to South Asian countries. An analysis of the foreign investment policies of South Asian countries shows that while India's stance places the highest priority on advanced technology and exports, other countries in the region welcome foreign investment in most fields, even though they maintain restrictions in a few areas. The apparent lack of a selective stance towards foreign investment, in contrast with the policies of ASEAN countries, is an important feature of foreign investment policies in South Asian countries.

Unemployment rates in South Asian countries are higher than that in many regionally grouped economies, and obviously the region has large resources of ordinary unskilled labour. Wage rates are low at 1/10th to 1/15th of Japanese levels. The problem is quality. Literacy has an extremely important

bearing on labour efficiency because it determines the ability of workers to absorb advanced technology and understand manuals and other instructions. Literacy rates vary widely between 30 per cent to 90 per cent and there is also considerable variation between male and female. Sri Lanka has achieved a literacy rate equal to or if the rural sector is taken into account, superior to those of ASEAN countries. The ability to absorb production technology and other know-how also depends on latent resources of scientific and technical personnel. Although India exceeds all ASEAN countries, except the Philippines, the figures for Bangladesh and Sri Lanka are low. The degree of priority that a country accords to human resource development in corresponding economic policy is another key factor.

South Asian countries should strive for the creation of enabling environment for direct investment by meeting certain requirements, such as (a) the macro-economy must be stable. The stability of the economy, in terms of the political situation, prices and exchange rates, is the fundamental premise for the promotion of direct investment for long-term projects. (b) Appropriate administrative system and endeavours are vital. (c) The human dimension of the invitation should be kept in mind. When an enterprise conducts direct investment, it is naturally acting in accordance with economic rationale, yet,

it is not only that. The judgement of the investor is largely influenced by the consideration of choosing a place that is attractive to work and live in. Efforts should also be there to bridge the gap between foreign investor's consciousness about South Asia and actual conditions of the region.

The 'chicken or egg' variety comes ahead of arguments heard during a roundtable with enterprises and the officials incharge of attracting foreign investment. Enterprises said that they would not invest because of poor infrastructure while the prospective recipient countries /areas insisted that investment would activate their economy and thereby improve the infrastructure. Recent studies suggest that it is important to connect the Asia-Pacific region and South Asia is to make a small step forward irrespective of the chicken or-egg viewpoint. Before tackling the improvement of the entire South Asian region, a Center for Pacific Business Studies of Mitsui Taiyo Kobe Research Institute concluded, it would be wiser to make these spots the points of contact for South Asian countries and the Asia Pacific region, thereby connecting the two regions and generating a view of South Asia as part of the potential market. Thus the waves of direct investment appear to have reached the eastern shores of South Asia from the NIEs, ASEAN and Japan.

The amount of foreign capital introduced in Bangladesh has been

increasing since 1991. The major capital infusion have been in the power and chemical (in terms of volume) and RMG (in terms of number of projects) and the main investors have been from USA, UK, (in volume) Malaysia, Japan, Hong Kong, Korea and Singapore (in good numbers). Chemical machine engineering, information technology related industries, composite textiles, food products and miscellaneous goods are the main areas in which investment is encouraged. Bangladesh looks for foreign capital especially in the following: (1) business activities that are labor intensive and will contribute to the creation of job (2) activities that encourage exports (3) activities that produce import-substitute consumer goods (4) activities that encourage technical transfers (5) operations that make use of domestically produced materials, intermediate goods and basic materials (6) lumbering activities involving small companies (7) activities in the agroindustry.

Foreign companies operating in Bangladesh, particularly the Japanese companies referred to good labour conditions as one of the greatest advantages of the country. It is extremely easy to secure a large number unskilled labour force. Many skilled and specialists such as engineers and accountants who had been employed in the Middle east and other developed countries have now returned home because

Dutch-Bangla Bank chairman re-elected

Founder Chairman of Dutch-Bangla Bank Limited Mohammed Sahabuddin Ahmed has been unanimously re-elected Chairman of the bank for the 3rd consecutive term, says a press release.

The election was held at the 35th meeting of the bank's Board of Directors at a city hotel recently.

Mohammed Sahabuddin Ahmed is the Chairman and Managing Director of Kader Synthetic Fibers Limited, a synthetic filament yarn manufacturing industry, jointly financed by Asian Development Bank (ADB), Netherlands Development Finance Company (FMO), Asian Finance and Investment Corporation Limited (AFIC), Saudi-Bangladesh Industrial Agricultural Investment Company Limited (SABINCO) and Bangladesh Shilpa Bank (BSB), both in terms of loan and equity.

He is also the Chairman of MSA Spinning Limited, a Japanese joint venture spinning mills relocated at Gazipur.

Dutch-Bangla Bank Limited, a Bangladeshi-European joint venture scheduled commercial bank, is playing a pivotal role under the dynamic leadership of Ahmed in the development of industrial and commercial activities of the country.

STB encouraging tourism industry to go wireless

Wireless application in tourism is a new initiative by the Singapore Tourism Board (STB) to encourage local enterprises to explore innovative ways to provide services to visitors to Singapore, says a press release.

Supported by the Infocomm Development Authority of Singapore under the Wired With Wireless Programme, this may soon mean that visitors can access information and services on anything from hotels to attractions via wireless applications such as mobile phones and personal digital assistants (PDAs).

To achieve this, the STB is pledging financial support of up to 50 per cent of start up costs.

With wireless applications visitors can look forward to checking into hotels or making room service orders with their mobile phones. Visitors may also check on forthcoming blockbuster shows staged in Singapore and pre-book tickets via wireless applications.

Wireless technology in tourism puts the power of selection and transaction into the hands of the consumers -- in this case, the foreign visitors. It will also give tourism enterprises here the leading edge and revolutionise the way tourism businesses operate.

The initiative is part of the STB's strategy to harness technology to enhance visitors' experience here. Another area being explored is a tourism portal for Singapore -- an electronic gateway for consumers and businesses.

of gulf and global crisis, making it easy for foreign and local companies to recruit highly trained professional workers. In connection with enhancing the skills of local labor forces, a sports goods manufacturing company from Japan has succeeded in raising its production yield to 90%. This is considered sufficient testimony to the good prospects for improving work efficiency considerably, depending on training and management.

Bangladesh has some of the most liberal investment incentives in Asia, with an absence of any prior approval requirements or limits on any foreign equity participation, except registration with Bangladesh Board of Investment (BOI) or Bangladesh Export Processing Zones Authority (BEPZA). The government actively seeks to attract investors by reducing bureaucratic control over private investment and opening up many areas that were previously reserved for the public sector. In order to streamline bureaucratic procedures and controls, the BOI has been restructured to facilitate investment, rather than regulate it, offering investors a variety of different services under a single umbrella and within a prescribed time period. While all foreign investors are well protected by the Foreign Investment Act, which includes a guarantee of national treatment, some 20 countries have concluded bilateral treaties on investment promotion and protection, as well as bilateral treaties for the avoidance of double taxation with Bangladesh.

Muhammad Abdul Mazid is a Deputy Secretary of the Ministry of Finance.