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Lack of reform pledge deprives South Asia of due FDI share

Roundtable observes

STAR BUSINESS REPORT

Participants at roundtable observed yesterday the South Asian countries are failing to tap the substantial portion of global foreign direct investment (FDI) flow as it lacks "credible commitments" and "sense of urgency".

They said due to such international perception the region is failing to attract FDI up to its potentials.

"South Asian countries are generally seen to be posing high security and political risks for business and FDI," Foreign Investment Advisory Service (FIAS) Senior Investment Officer of Asia Pacific Region Michael E. Lester said at a press briefing at the end of two-day roundtable at Sheraton Hotel in the city yesterday.

Senior policy makers from South Asian countries, senior executives from major global corporations, representatives of international agencies and investment experts participated in the South Asia Foreign Direct Investment Roundtable.

The roundtable was sponsored by the FIAS, a joint service of the World Bank and the International Finance Corporation, the UK Department for International Development (DFID) and the Asian Development Bank (ADB) in association with Bangladesh government

Mahmudur Rahman, Chairman of Board of Investment (BOI), Peter Grant, Head- Asia Regional Economics and Policy Department of DFID, Walter Poick, Investment Officer of ADB, Arjunna Mahendran, Chairman and Director General of Sri Lankan BOI, Wali Bhuiyan, President of Foreign Investors' Chamber of Commerce and Industries (FICCI) in Bangladesh, among others, attended the press conference.

Mahmudur Rahman said lack of infrastructure in Bangladesh is obstructing FDI flow. "Besides, problem of implementing the policies and the country's negative image are also other impediments," he maintained.

The roundtable participants observed that concerted effort on the part of South Asian countries would be needed to attract a more proportional share of rapidly growing global investment.

They noted policy liberalisation and reform measures have already been undertaken in many South Asian countries, but suggested that it was a matter of urgency for these to be deepened, accelerated, and maintained over the long term.

The speakers said changes are underway and there are emerging encouraging examples of technology-based, export oriented successes in the region adding that if policy and infrastructure challenges could be confronted there lied great potentials.

In addition to improving the macroeconomic situation, it is critical to address the wide range of microeconomic factors that determine a competitive business environment and investment climate. These constitute day to day realities of doing business and South Asia has resulted in unnecessarily high transaction costs, they said.

The participants felt that there must be political commitments for legislative and regulatory reform, including agency restructuring. South Asia has not benefited from the global boom in technology driven, export oriented FDI largely because of a perception that liberalisation has been hesitant and that governments have generally not been 'open for business', they added.

It will become increasingly important to understand the drivers and requirements of the new globally integrated strategies of corporations, each of which is different, they asserted.

6 SOEs on fresh sale offer

STAR BUSINESS REPORT

Having failed to woo bids that match its expectations, the Privatisation Commission has decided to float fresh tender to sell off six state-owned enterprises (SOEs).

The Commission in a meeting yesterday also decided to float tender to sell off Magura Textile Mills Ltd.

The six companies are Nishat Jute Mills Ltd, Star Jute Mills Ltd, Lira Industrial Enterprise, Fish Export Ltd, Bangladesh Oil Mills and Bangladesh Can Company.

Magura Textile Mills Ltd is one of the 46 new units that were endorsed for selling off by the Cabinet Committee for Economic Affairs on March 30 from a list of 78 units proposed by the Commission.

Talking to The Daily Star Privatisation Commission officials said they are going for re-tendering for Star Jute Mills Ltd as it failed to draw attention of any prospective buyers in an earlier tender that was floated in January this year.

"The Commission also decided to float fresh bids for selling Nishat Jute Mills Ltd as it found only two aspirants, but the offers did not match expectations of the Commission," according to a senior official of the Commission.

Tenders were also floated earlier for selling the rest four units, including Bangladesh Can Company, where the government intends to off load its 66.76 per cent share of the company.

The meeting yesterday also agreed to take effective steps to privatise the newly endorsed 46 units.

It decided to have tender boxes at three different places for convenience of bidders. "From now tender boxes will be placed at the Commission, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) and at the office of Dhaka Divisional Commissioner," he said.

Chaired by Privatisation Commission Chairman Enam Ahmed Chowdhury, the meeting was attended, among others, by FBCCI President Yusuf Abdullah Harun, Abu Hena MP, Hafiz Ibrahim MP, and other senior officials of the Commission.

Pak energy sector reforms to be put to test April 15

REUTERS, *Singapore*

Nine years of Pakistani energy sector reforms will be put to the test on Monday when the government kicks off auctions of state oil and gas assets to pay debt and increase efficiency ahead of October elections.

Since 1993 the state Privatisation Commission has reduced import tariffs, raised refining margins and encouraged seven state-run firms to streamline before they go up for sale.

April 15 will see the auction of the state's controlling interest in nine oil and gas fields.

Through the autumn will roll out the sale of the state shares in Attock Refinery Limited, Oil and Gas Development Co Ltd (OGDCL), Pakistan Oilfields Ltd, Pakistan Petroleum Ltd, Sui Northern Gas Pipelines Ltd, Sui Southern Gas Co Ltd, and Pakistan State Oil Co Ltd (PSO).

Though the Privatisation Commission Web site (www.privatisation.gov.pk) may read like a private sector prospectus, analysts say the message remains "buyer beware."

"There's progress but it's glacial and is not yet a dramatic break with the government-dominated past. Any investor will have to deal with significant regulatory uncertainty," said Brant Simenson, senior analyst with Cambridge Energy Research Associates (CERA) in Islamabad.

Foreign investment in Pakistan was only $425 million in fiscal year 2000.

Damaging investor confidence are recent grenade attacks on a pipeline, violence that is but one factor that has begun to make the goal of raising about $3.5 billion in the auctions, or one per cent of foreign debt, look too ambitious to some analysts.

"The stumbling block to perceived success may be the state's own expectations for what it thinks it deserves," said Sakib Sherani, chief economist at Dutch Bank ABN Amro in Islamabad.

To ensure that investors at least get their due, the state formed the Oil and Gas Regulatory Authority (OGRA) on March 30, comprised of former oil and gas industry executives.

But domestic critics quickly slammed OGRA as the state's attempt to hoodwink foreign investors and a weak legislative move that could tie the whole sector to an emerging bureaucracy.

"Without public debate on the goals of privatisation or its morality it's hard to say what will happen behind closed doors in a military government with little transparency," said Kaiser Bengali of the Social Policy Development Center in Karachi.

Though 18 firms, including eight foreign companies, expressed interest in the oil and gas fields on the block on April 15, only six firms are likely to bid, analysts say.

Bangladesh product show in Mizoram in October

STAFF CORRESPONDENT, *Sylhet*

A fair of Bangladeshi products will be held in the Indian state of Mizoram in October.

The Mizoram Chamber of Industries & Commerce and the Sylhet Chamber of Commerce & Industries (SCCI) have signed a memorandum of understanding (MOU) to this effect, the SCCI officials told a press briefing in Sylhet Tuesday.

The MOU was signed during a visit of SCCI delegation to Mizoram.

The 5-man team went to Mizoram on 4 April on a 5-day tour.

During the tour, the delegation members also met Mizoram Chief Minister Joran Bibha and Commerce Minister Ichinga.

Bangladeshi clothes, ceramic items, sea food including hilsa fish, cosmetics, melamine, electric and electronic materials are in demand in Mizoram, the SCCI officials said.

Acting president of the SCCI Md Mohiuddin, ex-president Abdur Razzaque Chowdhury, directors S M Ismail and M Atiqur Rahman and Abdur Razzaque Adamji were present at the briefing.

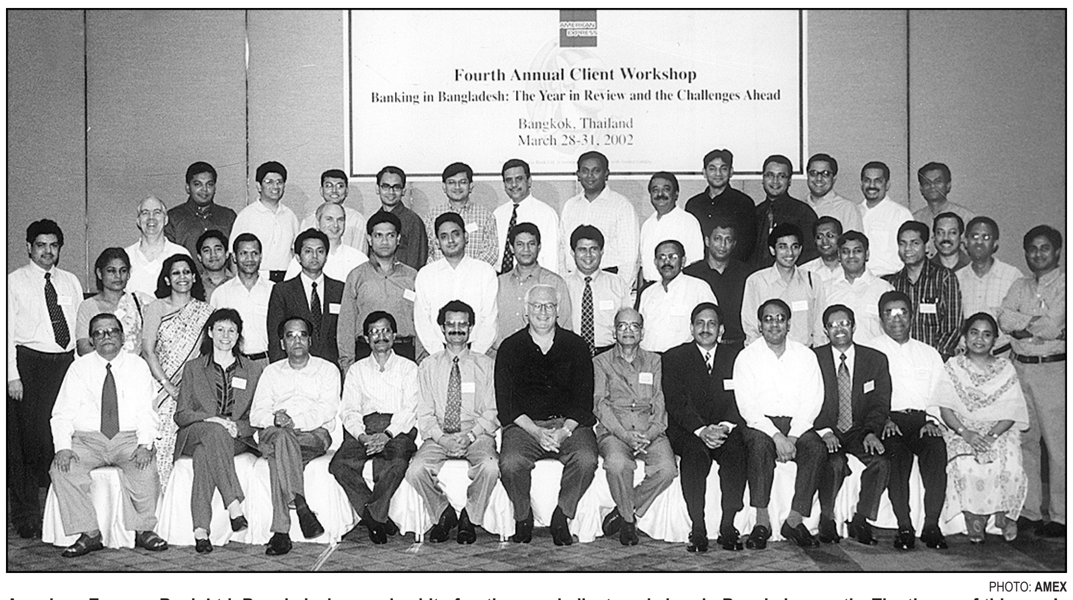

PHOTO: AMEX

American Express Bank Ltd, Bangladesh organised its fourth annual client workshop in Bangkok recently. The theme of this year's workshop was "Banking in Bangladesh: The year in Review and the Challenges Ahead." Prof. Muzaffar Ahmad of the Institute of Business Administration of Dhaka University gave a review of Bangladesh economy and impact of global events on it at the workshop. Picture shows him with the participants of the workshop.

Lanka tea prices down

REUTERS, *Colombo*

Sri Lanka tea prices edged lower at Tuesday's weekly auction on weaker low grown teas.

The anticipated gross sales average was 154 rupees per kg against 155.28 rupees per kg last week.

A statement from Forbes and Walker Tea Brokers said low grown OP1s and BOP1s edged down between two rupees and five rupees.

"Select best OP/OPAs were irregularly dearer, others declined between three rupees and five rupees," it said.

Brokers said Saudi Arabia, Dubai, Iran and the Commonwealth of Independent States showed weaker demand for low grown teas while high grown teas saw better demand from Britain, Japan and Pakistan.

Brokers said prices were seasonally weak at this time of the year.

An estimated 4.9 million kg came under the hammer at the auction, while 4.5 million kg are expected to be on offer at the next auction on April 17.

PHOTO: DHL

Lai Seck Khui, President and CEO of Times Publishing, hands over the Best Express Service Award to DHL at the Asian Freight Industry Awards 2002 ceremony recently. Bryan Jamison (left), Area Director for South East Asia of DHL, receives the award.

German banks forecast 40,000 bankruptcies this year

AFP, *Berlin*

Germany, the biggest economy in the 12-country euro zone, is facing a wave of corporate failures this year, with up to 40,000 companies expected to file for insolvency, the association of German people's and agricultural co-operative banks BVR predicted on Wednesday.

The number will therefore sharply exceed the 32,000 insolvencies recorded last year.

Particularly hard hit would be small and medium-sized companies, where hundreds of thousands of jobs were potentially on the line, BVR said.

Over the past few weeks, a number of large-scale corporate failures have been hitting the headlines in Germany, including the construction group Holzmann and most recently KirchMedia, the core business of media giant Kirch.

Major banks call for better handling of global crises

AFP, *Washington*

Major financial institutions, fingers burned in five years of crises from Asia to Argentina, called Tuesday for a new market-based system to manage sovereign debt restructuring.

In a letter to global finance ministers, Institute of International Finance (IIF) managing director Charles Dallara proposed a market-based crisis prevention and management.

He welcomed a debate sparked by International Monetary Fund first deputy managing director Anne Krueger over how to improve management of sovereign debt restructuring.

Krueger has proposed a treaty providing bankruptcy-style protection from creditors for countries in debt crises.

"We support a less intrusive, market-based approach that can avoid debt restructuring where still possible, facilitate it where necessary and restore early market access," Dallara said.

His letter was addressed to the IMF's top International Monetary and Financial Committee chairman, British Chancellor of the Exchequer Gordon Brown, ahead of the IMF's April 20-21 semi-annual meetings here.

The debate on sovereign debt is expected to be a hot topic at the gathering.

Dallara outlined a three-point plan that comprised:

-- Setting up a special consultative mechanism -- the Private Sector Advisory Group -- to lay the basis for orderly sovereign debt restructuring;

-- Inserting "collective action clauses" into new bond contracts that allow a set majority of bond holders to agree to a debt restructuring, rather than the 100 per cent currently required;

-- And designing a legal strategy to target vulture funds.

The IIF, which represents more than 300 private sector banks and investment houses around the world, said the Argentine crisis was a matter of "serious concern" despite the resilience of broader markets.

It urged the IMF to refuse new funds to Argentina until it had struck a comprehensive deal, which met key investor concerns.

"An integrated solution must include steps to restore liquidity to the banking system, allow banks to resume normal deposit taking and lending, begin a process of corporate debt restructuring and halt judicial harassment -- in addition to the overarching need for fiscal and monetary discipline," Dallara said.

He urged the IMF to withstand any pressure to provide official support while only partial solutions were in place.

"At the same time, the international community should support Argentina if it takes the difficult measures needed to restore health to the financial system and strengthen public finances."

The world economy appeared to be in the early stages of recovery, although the breadth and sustainability of the upturn remained in doubt, the bankers' letter said.

"Recent data for the United State point to the unfolding recovery gathering strength this year," Dallara said.

Pirated software destroyed in India

AFP, *Bangalore*

Global software body, the Business Software Alliance, Tuesday destroyed hundreds of pirated software discs in India, a symbolic gesture to combat software piracy in the country.

Bangalore police chief H T Sangliana used a hammer to smash the pirated discs, containing assorted software such as Microsoft Windows and valued at 11 million rupees (224,500 dollars).

"These discs were procured after raids by police on retail outlets," said Tarun Sawney, Asia Pacific manager of BSA, whose members include Microsoft, Apple Computer and Adobe.

"Two years ago in India there was a 63 per cent rate of software piracy. Though there has been a slight variation in that figure, this year the rate is almost the same," Sawney said.

He said most of the discs were manufactured or copied in India and distributed nationwide.

"There needs to be a concerted effort to fight piracy. India is a member of the World Trade Organisation and it will have to comply with global laws on intellectual property rights.

"One will have to start by educating local entrepreneurs and then move on to major companies buying them," Sawney said.

S'pore to unveil bold reforms today

AFP, *Singapore*

A fresh economic blueprint for recession-hit Singapore to be unveiled Thursday is expected to contain recommendations for tax cuts, a new international focus and a warning that the days of heady double-digit growth will never return.

A high-powered committee chaired by Deputy Prime Minister Lee Hsien Loong, who heads the de facto central bank and is being groomed to be the next prime minister, has drawn up the plans aimed at lifting the island's competitiveness amid rising regional competition.

Economists expect measures to beef up cost competitiveness and to revamp the tax system will be at the core of the report.

"High costs in Singapore have been singled out as the primer for the exodus of investments in the current downturn," Standard and Chartered Bank economist Joesph Tan said in a report "The Remaking of Singapore Inc."

He said the corporate tax rate could be slashed to 20 per cent from the current 24.5 per cent while personal income tax rates which range up to 26 per cent would also be reduced.

The committee is also likely to draw up plans that will reduce the island's reliance on its neighbours.

"Basically what will happen is they will try to re-engineer the economy to sources of growth not dependent on Singapore's geographical location," Sanjeev Sanyal, a senior economist at Deutsche Bank, told AFP.

"Historically, they have done things in the past which drew upon Singapore's hinterland. Given the economic problems in the hinterland, the region in the post-crisis era is now obviously suffering from far lower growth rates."

Tax changes alone will not be sufficient to narrow the gap with other Southeast Asian countries which boast cheaper base costs but they can give Singapore time to nurture the so-called new knowledge-based economy, Tan said.

"It is hard to disagree with the general benefits of these measures on the competitiveness of Singapore," he said.

"However, it is essential to note that these will only buy Singapore time. Singapore's comparative advantage lies in the research and development across all industries."

Dutch bank ABN Amro said the expected changes were unlikely to reduce Singapore's business costs to those of Malaysia or China, but they can "tip the scales for MNCs (multinational corporations) to invest in Singapore" given the island's efficient infrastructure and telecommunications network.

As Singaporeans await details of the plans which will radically alter the economic landscape, they have been told to work harder than before and not to expect the strong growth of previous years.

"Going forward, if we can make four to six per cent growth per year, we will be doing well. We must understand and accept this reality," President S.R. Nathan said.

Informatics to open new centre at Mohammadpur

IT firm Informatics will open its new centre soon at Mohammadpur in the city, says a press release.

An agreement to this effect has already been signed.

H M Jahangir Alam Rana will be the managing director of the new franchise.

Moscow leaves lifting of US poultry ban in doubt

AFP, *Moscow*

Moscow cast doubt Wednesday on whether it would lift its month-long ban on US poultry imports as promised, as the two sides held talks over the dispute in the Russian capital.

"It is too early to say if the ban will be lifted today as planned. We need time to study the documents and take a final decision on the resumption of exports" from the United States, an agriculture ministry spokesman Sergei Kuznetsev, told AFP.

Discussions were continuing between the Russians and the Americans in Moscow, he added.

The Russians have voiced increasing dissatisfaction in recent days with the US measures to implement a joint accord signed on March 31 that was to pave the way for poultry sales from the United States to be resumed on April 10.

The ban, imposed on March 10, is a major blow for US poultry producers who sell 40 per cent of their exports to Russia for between 600 million and 800 million dollars (690 and 920 million euros) a year.

"If the United States violates a single clause of the protocol signed in Moscow, we will not be able to open the Russian market to their exports," said Russian Agriculture Minister Alexei Gordeyev, quoted by ITAS-TASS.

But the US embassy insisted that the American side had fulfilled the accord, under which the United States agreed to 13 conditions relating to veterinary inspection and import documents.

Japan upgrades economic assessment again

AFP, *Tokyo*

The Japanese government upgraded its economic assessment Wednesday for the second straight month following signsexports and industrial production would lead the country towards recovery.

Business confidence was rising for the first time in two years and employment conditions were upgraded for the first time since July 2000, the Cabinet Office said in its monthly report for April.

But weak consumer demand and corporate investment continued to weigh on recovery prospects, it warned.

"The overall assessment for April improved over the last month as it showed the economy is moving towards a trough, though it remains in a difficult situation," a Cabinet Office official said.

"The signs of bottoming out widened to the overall economy in the latest month, rather than being limited to only certain parts of the economy, as in the previous month," he said.

Tokyo upgraded its assessment for the world's second largest economy in March for the first time in 21 months, citing hopes for a pick-up in exports and industrial output.

The Cabinet Office official said large companies earnings expectations were less bleak than in December, in what he described as a significant change.

Major risk factors for the economy included private consumption and corporate capital investment, reflecting weak employment and household income.

Plans for corporate investment in the year to March 2002 showed a 5.6 per cent decline, according the BoJ's Tankan survey of business confidence, while spending in the current year to March is projected to slide 7.6 per cent.

"Private consumption and capital investment are lagging indicators so they may show a slack reading even when the economy turns around.

"The most important thing is when production really hits bottom. If this happens, the positive effects will spread to employment and wages," the official said.

The April report said production was almost bottoming out and exports were in the process of troughing.

Falling global inventories in the information technology sector were a positive sign, the official said.

The US economic rebound was underpinning hopes for improving production and the fall in exports was expected to have ended in the three months to March.

"There is a possibility industrial production for January-March will see 0.1 per cent growth," he added.

An improvement in output should feed through to corporate sentiment, the report said.

Russia-Iraq non-oil deals double in 2001

AFP, *Moscow*

The value of non-oil contracts signed between Russia and Iraq as part of the UN "oil for food" programme rose to 2.5 billion dollars (2.8 billion euros) in 2001, almost double the previous year's total, the Russian foreign ministry said Wednesday.

The contracts related to the energy, gas and agricultural sectors, deputy foreign minister Alexander Saltanov told a meeting with the ministry's international organisations director Yury Fedotov and representatives of 18 Russian firms involved in the programme.

The humanitarian programme, started in 1996, authorises Iraq to sell oil, under strict international controls, for essential goods and medicines.

US seeks talks with EU over steel safeguards

AFP, *Geneva*

The United States has filed a request with the World Trade Organisation (WTO) for talks with the European Union over its recently-adopted steel protection measures, WTO sources confirmed on Tuesday.

The United States, which lodged the request on Friday, follows Japan and South Korea in seeking talks with the 15-nation trade bloc over safeguard measures that were announced March 27.

The EU is planning the measures to protect its market from a flood of steel imports that are expected to be diverted from the United States following Washington's decision to impose tariffs of up to 30 per cent on imported steel.

Under the WTO's safeguards agreement, countries can claim compensation for the amount they believe their exports are harmed by the measures and in the case of refusal, they could under certain conditions take retaliatory action.

However, Japan's request for talks is aimed at clarifying the EU's intentions with regard to the provisional measures and is not concerned with seeking compensation, sources said last week.

Six WTO members -- including the European Union -- have lodged complaints against the US tariffs under the WTO's dispute settlement mechanism.