

## French bank withdraws from Nepal investment

AFP, Kathmandu

French bank Credit Agricole Indosuez (CAI) has withdrawn its capital investment from a collaborated bank in Nepal, bank sources said Friday.

CAI sold its 50 per cent shareholding in the Nepal Indosuez Bank (NIB) to local private banking group, Pandey, at almost half the market price, the source said.

The NIB was set up in February 1986 with total capital of 270 million rupees (3.48 million dollars).

Other than CAI's stake, its shares were divided between the National Commerce Bank, National Insurance Corp. and the general public.

Last year CAI had requested Nepal's central bank permission to take control of another 17 per cent of the shares, but was refused.

It then decided to pull out its investment because of the low turnover of business, the source said.

The market value of NIB shares was 740 rupees (9.54 dollars) on the day the agreement was signed but they were sold to Pandey for just 350 rupees per share.

"It is not explained why the bank shares were sold at 50 per cent lower than the prevailing share market value," Bhimsen Pokharel, a stock broker said.

Nepal's trade and tourism sectors have suffered since the September 11 attacks in the United States, the massacre of 10 members of the royal family in June last year and an increasingly violence Maoist rebellion.

The withdrawal of the CAI investment could have a negative impact on other foreign collaborated banks operating in Nepal, one banker said.

## ANZ Banking Group posts record profit

AFP, Sydney

ANZ Banking Group Ltd, one of Australia's big four banks, announced a record half-year net profit of 1.05 billion dollars (560 million US) Friday.

The bank lifted its net earnings by 17.3 per cent in the six months to March 31, 2002, up from 895 million dollars in the same period last year.

The profit growth came despite a rise in bad debt charges, which increased to 366 million from 181 million dollars, following a spate of corporate collapses last year.

ANZ also boosted its provisions for bad debts to a total of 551 million dollars.

Chief executive John McFarlane said the result showed ANZ had coped well with the difficult economic conditions.

However, he expects loan demand to remain reasonably subdued in the immediate future, with rising interest rates likely to cause a squeeze on mortgage margins.

"In summary, we had a very credible first half, particularly in the light of the subdued domestic environment, the international recession, the aftermath of September 11 and the collapse of Enron," McFarlane said.

## Watchdog gives go-ahead to JAL-JAS merger

AFP, Tokyo

Japan's fair trade body approved Friday a merger between Japan Airlines Co. Ltd. (JAL) and Japan Air System Co. Ltd. (JAS) to create the world's sixth largest carrier after competition fears were resolved.

Japan's Fair Trade Commission (FTC) said the merger plan "does not violate the Anti-monopoly Act".

The commission had argued the original alliance plan would increase the risk of price-fixing with the number of major Japanese airlines being cut from three to two. It would also make it harder for new airlines to acquire landing slots at the nation's airports.

"Now we have the approval of the FTC we can proceed with seeking the approval of the shareholders of both companies at our respective annual general meetings of shareholders in June," JAL and JAS said in a joint statement.

"We expect the combined synergy of both companies will create a new airline in the top rank of the world's airline industry," they said.

# Rains likely to yield bumper boro

### STAR BUSINESS REPORT

The country's farmers expect bumper boro paddy this year, mainly thanks to periodic rains, which supplemented the inadequate irrigation hit hard by frequent power outage, Agro, a publication of Syngenta Bangladesh Limited, said.

The fields are lush green, indicating bumper production, said the publication, which assesses field reports.

The growers have also witnessed comparatively less pest attack this year, according to the field reports.

However, the land under boro paddy cultivation has decreased

across the country, as farmers could not bring land under the farming due to irrigation problem.

In many areas, water pumps could not work full time because of frequent power disruption.

Meanwhile, paddy prices are still holding good, ranging between Tk 320 and Tk 340 a *maund*. However, the prices will come down as the harvesting has begun.

The Agro also said pesticide companies saw decline in sales volume this year, as pest attack on paddy was less. Companies sell around 40 per cent of pesticides in the boro season.

The unusual weather pattern this

year has contributed to relatively less pest attack. Chaitra, the driest and hottest Bangla month, was somewhat pleasant this year that kept off the hibernating insects' biological clocks to wake up.

According to the publication, the farmers are now eager to bring more land under aus paddy cultivation to offset the loss due to decrease in boro farming this year.

Meanwhile, the Bangladesh Agricultural Development Corporation has already asked its dealers to collect seeds, mainly BR3, BR14, BR16, BR24, BR26 and BR27, before the aus season.

# Global economy recovering fast, but risks remain: UN

REUTERS, United Nations

The world economy is recovering more quickly than expected from last year's downturn, but a worsening of the Middle East conflict or a financial crisis in Japan could trigger a relapse, the United Nations said Thursday.

Buoyed by low interest rates, strong government spending and low energy costs, the global economy should grow at a 1.8 per cent rate in 2002 after last year's "pervasive global slowdown," when roughly a dozen economies fell into recession the world body said in its latest economic outlook.

In January the UN Department of Economic and Social Affairs had forecast 1.5 per cent growth this year.

"The US economy has a lot of resilience and it is on the mend at the present moment," US economist and Nobel laureate Lawrence Klein told a news conference.

But it is not a complete turnaround, and it's not what people expected before the terrorist attacks of Sept 11," he said. "It's not a terrible outlook but it's got a lot of uncertainties at the moment."

The new report predicted world growth would rise to 3.2 per cent in 2003.

World trade, a key engine of growth for many developing nations would expand just 2.2 per cent in 2002 but a more robust 5.8 per cent in 2003, the report said. The United Nations just three months earlier had predicted 3 per cent trade growth in 2002.

The lackluster short-term trade outlook reflects the slow pace of export growth in many Asian and Latin American nations hit hard by last year's slowdown, the report said.

A sustained recovery will depend on a resurgence in corporate profits, a rebound in international trade and an improved job market to support continued strong consumer spending, according to the report.

"The political and military developments in the Middle East create a prodigious uncertainty" while Japan's persistent deflation and banking system weakness "could lead to a financial collapse, with profound consequences for the global economy," it said.

For Japan, recovery is not in the cards this year, the report predicted, forecasting a 1.1 per cent decline in 2002 following by 1.7 per cent growth in 2003.

"It's a disappointment," Klein said.

For Western Europe, the outlook

recently had evolved from pessimistic to one of "cautious optimism," according to the report, which forecast 1.4 per cent growth for European Union nations this year and 2.7 per cent growth in 2002.

While the US economy, the world's largest, typically drives world growth, developing nations may not fare as well as the United States this year because of persistently weak commodity prices and only marginal increases in capital flows to the developing world, it said.

Central and Eastern Europe, on the other hand, will grow at about a 3.5 per cent rate, with Russia advancing even more strongly, while African nations will average about 2.7 per cent growth, the report said.

China, whose economy expanded at an impressive 7.3 per cent rate last year, will grow at a 7.8 per cent rate this year, boosted by its admission to the World Trade Organisation and the start of preparations for the 2008 Olympics, it said.

India should grow this year in the 5 per cent to 6 per cent range, Klein told reporters.



PHOTO: TECHNOPROMEXPORT

Ambassador of Russia to Bangladesh Nikolay G Shevchenko along with East Coast Group and PDB officials visited the site of 210-MW Siddhirganj Thermal Power Station Project of Bangladesh Power Development Board (PDB) on Wednesday. The work of the project is being carried out with the technical assistance of a state unitary enterprise of Russia, Technopromexport.

# Give incentives for investment in Sylhet BSCIC estates

## Business leaders urge govt

UNB, Sylhet

The government needs to offer financial incentives to induce entrepreneurs for setting up industries in the BSCIC industrial estates here as it so far has failed to attract potential investors, business leaders said.

They said the Bangladesh Small and Cottage Industries Corporation (BSCIC) started its activities in this scenic mountainous region in 1962, but no potential entrepreneur came up to set up industries in its two estates due to lack of proper planning and government support.

Some 100 industries were set up in the two estates in the last 40 years but those were closed down one after another.

Although the rich people constructed a 'shopping city' here at a cost of Tk 200 crore, they have little interest in establishing industries in the BSCIC industrial estates. "Even the BSCIC found no entrepreneur when 27 sick units of its two estates were put on auction," said an official

preferring anonymity.

The first industrial estate of the BSCIC was set up at Ghatatir in 1962 on 24.89 acres of land, including office buildings, a pond and drains on 4.99 acres. Some 73 industrial plots were allocated for establishing various industries.

Later, two leather and rubber projects, three paper, board, printing and packaging industries, four chemical and pharmaceutical units, 19 textiles, and 25 food projects were set up in the estate. But most of the units were closed before long.

A BSCIC study revealed that lack of farsightedness of the entrepreneurs in marketing their products led the industrial units to rapid closure while some of the entrepreneurs invested their industrial loans in other purposes.

But the good news is that some of the defaulters have started repaying their bank loans although their industrial units still remained closed.

Of them, Al Fattah Oil Mill repaid

Tk 17 lakh loan of Bangladesh Krishi Bank (BKB), Nazma Leather Goods Industry repaid Tk 10 lakh of Sonali Bank and Sylhet Surma Textiles Mills repaid Tk 24 lakh of the BKB.

According to competent sources, Crori Textile Mill, Al Amin Textiles and ER Enterprise are preparing to repay their loans amounting of Tk 80 lakh of the BKB and Janata Bank.

The second industrial estate was set up at Khadimnagar in 1985 and some 116 plots on 19.16 acres of land were prepared at a cost of Tk 3.93 crore and of them 100 were allocated to various entrepreneurs.

Of the 100 units, only 23 are now operating. Two other projects are likely to go into operation soon while 12 others are under constructing.

According to the businessmen, there is a large number of expatriate people in London from Sylhet and some of them are very rich. They will invest here only when the government will be able to improve the law and order situation.

# Banking, corporate woes to brake Asian recovery: OECD

REUTERS, Tokyo

Financial strains pose the most serious regional risk to an export-led recovery in Asia, the Organisation for Economic Cooperation and Development said Thursday.

The Paris-based OECD said in its semi-annual Economic Outlook that the benefits to Asia of greater demand for the hightech goods it produces should more than counterbalance the impact of a weaker yen.

"But banking and corporate financial problems have become more widespread in the region and, along with the need for fiscal restraint, are likely to blunt the upturns and pose downside risks," the OECD said.

Such problems remain severe in Indonesia, Thailand and, to a lesser extent, Malaysia and have been rising in Taiwan and the Philippines, the report said.

"Given these financial strains, together with depressed real estate markets and low capacity utilisation in some sectors, capital spending is not expected to recover much before 2003," the OECD said.

Deficit spending will not be able to offer much support because a number of countries, especially in Southeast Asia, now face a period of belt-tightening to contain already high public debt levels, the forum of 30 industrial nations said.

As a result, it said growth in Asia was expected to pick up only moderately in 2002 and remain below

long-term potential growth rates in most cases in 2003.

Banking sector strains will also be a significant test of China's ability to sustain brisk growth rates, the OECD said.

Hobbled by bad loans and weak profits, banks will find it tough to support the business restructuring that China's recent accession to the World Trade Organisation will entail.

Banks' reluctance to lend because of their weakened balance sheets is also blunting the benefit of February's cut in interest rates, while the prospect of a big bill for cleaning up bank balance sheets will constrain the scope for further pump-priming to prop up growth, the OECD said.

# Japan shows signs of recovery

AFP, Tokyo

Japan's economy showed signs of recovery in March as the jobless rate fell and consumer prices rose but analysts said Prime Minister Junichiro Koizumi could take little credit after a year in power.

To prove signs of recovery remain patchy, March retail sales and household spending data released Friday continued to slide, with the public still cautious about the nation's prospects, analysts said.

The unemployment rate in March fell to 5.2 per cent -- its lowest level since last August -- from 5.3 per cent in February, despite market expectations of an increase.

"Obviously it is good news that the unemployment rate fell this month but the overall numbers of unemployed are still rising," State Minister for Economic and Fiscal Policy Heizo Takenaka admitted.

"I don't believe the trend has changed after this positive data," he told a press conference.

The number of people out of work grew to 3.79 million, up 360,000 from a year earlier, in the 12th consecutive monthly rise, the Ministry of Public Management, Home Affairs, Posts and Telecommunications

said.

The ratio of job offers to seekers rose, with 51 vacancies for every 100 applicants in March, up from 50 the previous month.

"It is rare for the number of job offers to go up in a recession. It looks like the economy is in the process of turning around," said ING Barings chief economist Richard Jerram.

Weak prices continued to hamper the economy but the rate of deflation appeared to be easing, analysts said.

Consumer prices in March fell 1.2 per cent from the previous year -- marking the 31st straight month of decline -- but they rose 0.2 per cent from the previous month.

"In the broad view, the deflationary pressures are easing," said JP Morgan economist Ryo Hino.

Koizumi stormed into power on April 26 last year on a wave of public support, pledging wide reforms to the stuttering economy.

But analysts said Koizumi has failed to find any fix for the central problem of weak demand.

"The government can't take any credit at all for what is happening in the economy; it is simply an improvement driven by exports," said Jerram.

A pick-up in exports as the global

economy starts to recover has spurred improved employment conditions as more production lines crank back into life, but the impact of a global rebound had yet to filter through to domestic consumption, economists said.

Spending by salary-earning households in March fell 1.2 per cent from a year earlier after dropping 2.9 per cent the previous month.

Sales at large retail stores slipped 1.5 per cent from a year earlier, after falling 4.7 per cent in February.

Takenaka suggested the government had some successes, although more progress was needed.

"There have been some achievements by the Koizumi government but we should regret some structural reforms, such as tax changes, have been slow," he said.

Analysts said the premier must make more progress with his pledge to ease the massive bad loans held by banks and deregulate more sectors of the economy if he is to create a sustained recovery, economists said.

"Koizumi looks much more grave now," said JP Morgan's Hino. "I think that he knows it is crunch time."

## Russian envoy visits 210-MW Siddhirganj project site

Russian Ambassador to Bangladesh Nikolay G Shevchenko along with East Coast Group and PDB officials visited the site of 210-MW Siddhirganj Thermal Power Station Project of Bangladesh Power Development Board (PDB) on Wednesday, says a press release.

He expressed satisfaction over the progress of work. The work of the project is being carried out with technical assistance of a state unitary enterprise of Russia, Technopromexport.

Technopromexport is implementing the project on turnkey basis and the equipment and materials are supplied under the supplier's credit.

Bangladesh is to repay more than the half of the credit not in hard currency but by its traditional export goods.

The project can be expanded up to 630-megawatt in phases by construction of two more units.

## Taiwan composite index emerges from recession

AFP, Taipei

Taiwan's composite index emerged out of recessionary levels in March for the first time in 15 months, official data showed Friday.

The composite index, which reflects current economic conditions, rose from a recessionary "blue" reading on the five colour scale, according to the Council for Economic Planning and Development (CEPD).

The leading indicator index for March, which gauges economic activity for the next three to six months, rose for the sixth consecutive month, up 2.4 per cent from February to 99.9 points, the CEPD said.

Of the seven leading indicators, six were higher in March than in February, it said.

These were narrow money supply, stock prices, exports, manufacturing orders, average monthly working hours in the manufacturing sector and wholesale prices.

## Honda posts \$2.8b profit

AFP, Tokyo

Japan's number two automaker Honda Motor Co. Ltd. said Friday a weaker yen helped boost its annual net profit 56.2 per cent to a record 362.7 billion yen (2.8 billion dollars), and predicted more growth ahead.

Its group pre-tax profit for the year to March rose 43.2 per cent to a best ever 551.3 billion yen, while revenue rose 13.9 per cent to a record 7,362.4 billion yen.

"Automobile unit sales both in Japan and North America increased, reflecting customers' strong demand for Honda's automobiles," the firm said in a statement.

"In addition, Honda's continuing cost-cutting strategies together with a weaker yen were the major contributing factors," it said.

While the record profits did not surprise analysts, its bullish forecast for another record-setting year to March 2003, with a 26.8 per cent rise in net profit to 460 billion yen -- was at the top of analysts' range.

## EU, Chile wrap up free-trade talks

AFP, Brussels

The European Union and Chile on Friday wrapped up negotiations on an association agreement aimed at establishing a transatlantic free trade zone and permanent political dialogue between the two.

The final step before the accord is presented at a May 17 EU-Latin American summit in Madrid was announced by EU Trade Commissioner Pascal Lamy and Chilean Foreign Minister Soledad Alvar.

"I'm pleased to say we have reached an accord at the political level on a very ambitious association agreement between the EU and Chile," Lamy told a press conference.

"This is very good news for our country," said Alvar.

He said negotiation teams from both sides had worked through the night Thursday to wrap up the final details and clear the way for presentation at the May 17 Madrid summit.

Lamy said the accord "covers all areas of our trade relationship, going well beyond our respective WTO (World Trade Organization) commitments."