

Policy-implementation gap a barrier to FDI: FICCI

STAR BUSINESS REPORT

Although the investment and trade regimes have been liberalised in Bangladesh significantly over the years to allow free market economy to flourish, there still remains a significant gap between the announced policies and their actual implementation, said Foreign Investors' Chamber of Commerce & Industry (FICCI).

"Unless this gap is removed, enhancing foreign direct investment (FDI) will remain a difficult sell to hard nosed foreign companies with a variety of options to consider," said David E Rees, Acting President of FICCI, at its monthly luncheon meeting held at Sonargaon Hotel in the city yesterday.

Bangladesh needs double digit growth rate over the next few years in order to get out of the

poverty trap. Domestic resources alone cannot help achieve this, he noted.

Rees felt that there is an ample scope of further growth in bilateral trade and private investment by entrepreneurs from EU countries.

"In a difficult global climate an enabling environment for FDI, is therefore, the need of the hour. This calls for reforms in the country's administrative, financial, fiscal, and legal sectors, which are quite daunting tasks. The issue most often cited by businessmen both local and foreign investors is a significant improvement of law and order in the country."

Given all the challenges that Bangladesh faces in attracting FDI in the very difficult market prevailing right now it is therefore highly incumbent on the authorities to avoid own goals, Rees observed.

Speaking at the function, Esko Kentschinsky, Ambassador, Head of Delegation of the European Commission, termed the European Union (EU) the most important partner of Bangladesh. Last year, some 52 per cent of Bangladesh's exports had a EU address, he said.

This amounted to exports worth more than 3.7 billion euro, and taking into account exports from the EU to Bangladesh eventually resulted in a positive trade balance of Bangladesh with the EU of around three billion euro, he mentioned.

"FDI can bring many benefits in terms of employment, higher wages and technology transfer. But FDI must be adequately linked to the local economy to increase potential spill over effects. Stimulating such linkages is a key challenge for governments of developing countries and their development partners."

Sales campaign for Australian apples launched

A two-week sales promotion campaign for Australian apples has been launched at Agora superstore in the city on Sunday, says a press release.

Australian High Commissioner to Bangladesh, Robert Flynn formally inaugurated the programme.

Niaz Rahim, Managing Director of Agora, owning Rahimafrooz superstores Ltd, presided the launching function. The launching ceremony was also attended by Rahimafrooz Group Chairman Afroz Rahim, Austrade Senior Trade Representative Minhaz A. Chowdhury and Salimul Haque Essa of Tasho Enterprises, a leading importer of Australian apples.

The campaign will continue till June 8 in line within the countrywide sales promotion campaign of Australian Trade Commission (Austrade) for the produce.

Agora has offered very amusing and lucrative packages for the buyers of Australian apples during the campaign, the release added.

Indonesian, Indian cos to carry out gas exploration in Iraq

REUTERS, Baghdad

Iraq has signed contracts with Indian and Indonesian companies to carry out gas exploration in the country, Iraq's Oil Minister Amir Muhammed Rasheed said in remarks published on Sunday.

"India's ONGC (Videsh Ltd) and Indonesia's Pertamina will start exploration work of natural gas in an area near the Iraqi border with Saudi Arabia and the area between Najaf and Kerbala in southern Iraq," Rasheed told the local weekly newspaper al-Raeed.

He said the two companies had already signed contracts with Iraq under an oil-for-food deal with the United Nations.

The deal allows Iraq to sell oil to buy food, medicine and other humanitarian needs for the Iraqi people suffering from 12-year-old sanctions imposed on Iraq for its 1990 invasion of Kuwait.

Rasheed gave no further details on the value and size of the two contracts.

Last year an Indian industry official said that ONGC would sign a contract with Iraq for exploration of Block No. 8 in Iraq's western desert.

Use of euro by British firms remains small

REUTERS, London

Use of the euro by firms or retailers in Britain remains small in spite of the introduction of euro notes and coins in the euro zone on January 1, a report from the Bank of England showed Monday.

The report, the BoE's latest in a series on "Practical Issues arising for the Euro," said, however, that the euro had overtaken the dollar as the most commonly held foreign currency account in Britain.

Britain is one of only three members of the 15-nation European Union not to have joined the euro. At the end of March, the BoE found there were over 145,000 euro-denominated accounts at UK banks held by business and personal customers of which around 90,000 were held by firms.

During the transition period between the locking of exchange rates and the introduction of notes and coins in January, 60 per cent of British firms had predicted that the proportion of sales and purchases invoiced in euros would increase over time.



PHOTO: FICCI

European Commission Ambassador in Dhaka Esko Kentschinsky speaks at the monthly luncheon meeting of Foreign Investors' Chamber of Commerce and Industry (FICCI) held at Sonargaon Hotel yesterday. Seated on his left are Acting President of the Chamber David E. Rees and Chamber Secretary Jahangir Bin Alam while on his right is the managing director of Shell Bangladesh Exploration and Development B V, Reinier Reddingius.

Apparel exporters stick to 6-point demand

STAR BUSINESS REPORT

Leaders of BGMEA, BKMEA and BTTLMEA yesterday reiterated their determination to go by their earlier announced programmes to fulfil their six-point demand.

At a meeting of the owners of apparel exporting industries, they also decided to continue discussion with the ministries concerned to fulfil their demands.

The six-point demand of the apparel exporters includes 15 per cent cash incentive for woven, knit and terry towel items. They said the incentive could be eliminated in three years with five per cent reduc-

tion every year.

Their demands also include disbursement of all pending cash incentives by May 30. According to official sources, an amount of around Tk 450 crore cash incentives has been pending at this moment.

Earlier, the apparel exporters announced to observe a token hunger strike on June 3 and form a human chain on June 5 in protest of 'the government's indifferent attitude' to their demand for export support.

The meeting of the three associations also welcomed the government move to disburse Tk 100 crore

cash incentives. On May 21, Finance Minister M Saifur Rahman at a meeting with the leaders of the three associations asked the central bank authorities to release Tk 100 crore in cash incentive to the textile sector immediately.

They also welcomed the government decision to reduce the interest rate on term loans for importing capital machinery of garment sector from 12 per cent to 9 per cent.

Acting President of BGMEA Kazi Moniruzzaman presided over the meeting, which was part of the three associations' announced programmes, in city's Gulshan area.

Square comes up with satellite-based data communication service

First move to offer data warehouse in country

ABU SAEED KHAN

Square Informatix Limited, a concern of Square Group, Sunday launched the country's first satellite-based end-to-end nationwide and international data communication service, completely eliminating the need for telephone line or microwave link.

The venture, which also offers first data warehousing service in the country, ensures security, reliability and affordability of electronically operation and management of sparsely located businesses of its clients.

Square Informatix has built a 4,000-square-foot satellite hub at Kashimpur in Gazipur. Its 9.30-meter radius antenna is linked with the brand new satellite constellation of GE Americom.

A nerve of entire operation, the hub is initially offering 8 megabit per second down link and 153.6 kilobit per second uplink bandwidth to customers. It is capable of connecting up to 16,000 VSAT terminals.

This solution is totally based on 'shared bandwidth' concept, which is different from the traditional practice of exclusively leasing the VSAT bandwidth.

Square Informatix is also offering disaster recovery ability to its customers. Customers will house their back up servers in the hub premises in Gazipur, which is completely fireproof and withstands earthquake up to 8.50 on the Richter scale.

Financial institutions are the primary clientele of the service. D.H. Azad, GM of Square Informatix, told The Daily Star that a bank needs very low bandwidth to transfer data while processing a transaction. But a bank would have to lease minimum 64 kbps satellite bandwidth to link each branch through traditional VSAT network.

"That bandwidth allows sending of 393,000 pages of text message from one point to another per day, which never happens in any bank," he said. Azad said most of the satellite bandwidth in such network remains unused, which has been

leased with the hard-earned foreign exchanges.

On the contrary, Square Informatix assesses the bandwidth requirement of a customer and designs the network accordingly. "It eliminates the over-supply of bandwidth and reduces the operational costs of our network," he said. "Not more than 2 kilobits per second (kbps) of bandwidth is required to process an inter-branch payment, regardless that transaction is made over the counter or through an automatic teller machine," he said.

"We would charge monthly Tk 5,000 to run an ATM for the banks," he said. Square Informatix has primarily targeted to acquire 10 per cent market share of the private banks during its first year of business. "We will also serve the nationalised banks as the market grows," he said. Without revealing the names he also said five private banks are negotiating to house their backup servers in Gazipur disaster recovery centre.

The VSAT-based nationwide

network solution of Square Informatix is also expected to increase the productivity. Square Pharmaceutical, a concern of Square Group, annually incurs a loss of Tk 72 lakh of interest due to delayed collection of payments from its 17 distribution points across the country.

This prompted the conglomerate to bring its distribution stations under a network, which had eventually given birth to Square Informatix.

Azad also referred to the telecom regulator's lack of comprehension about the concept of shared bandwidth for low-capacity VSAT applications. Current policy allows the minimum usage of 64 kbps, whereas Square Informatix is ready to offer far below capacity. "Such confusion is natural in any emerging market and we are closely working with the new regulator to address such common issues of the industry," he said.

Square Informatix is totally a self-financed Tk five crore telecom venture of the Square Group.

Saifur pledges all-out support for ICT

STAR BUSINESS REPORT

Finance and Planning Minister Saifur Rahman on Sunday said the government will do everything possible to ensure an environment conducive to the growth of information and communications technology (ICT).

The minister was inaugurating the formal launch of Square Informatix Limited, which has set up a first private sector owned VSAT (Very Small Aperture Terminal) control station in the country.

Welcoming the Square Group's initiative, the minister invited other private enterprises to come with better technologies for the development of the ICT sector.

Syed Marghub Murshed, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC), Samson H.

Chowdhury, chairman of Square Group, Charles C R Patra, managing director of Square Informatix Limited, John Meyers, representative of Spacenet USA—an IT partner of Square Informatix, were also present on the occasion.

Samson H. Chowdhury said the VSAT control center at Gazipur will provide local business community with a world class communication opportunity.

He also said the system enables instant, reliable, secure and cost-effective communication between remote, regional and cross-country branches of multi-national companies, banks and other corporate houses.

John Meyers said US postal department, National Stock Exchange of India and other renowned organisations are using Spacenet's equipment.



PHOTO: AFP

Microsoft Chairman and Chief Software Architect Bill Gates shows reporters the new Tablet PC during a news conference at the sixth annual CEO summit held at Microsoft headquarters in Redmond, Washington on Wednesday. The CEO summit brings over 100 CEOs from around the world for sessions on how companies can use technology to respond more quickly to the changing global business landscape. Each CEO was given a Tablet PC to use during the summit. The Tablet PC will go on sale in October 2002.

No special terms for Russian WTO membership: US

AFP, Saint Petersburg, Russia

US President George W. Bush said Saturday he was unwilling to grant Russia favorable conditions for its entry into the World Trade Organization despite Moscow's demands for quick membership.

Speaking together with Russian President Vladimir Putin before a crowd of university students, Bush said he supported Russia's bid to enter the free trade group.



PHOTO: AFP

Japan's mobile communication giant NTT DoCoMo employee Hitomi Suzuki displays a prototype model of a TV phone which enables to receive digital broadcasting programmes on its handy body during an annual Business Show in Tokyo on Thursday. NTT DoCoMo is expecting to launch its service from next year.

Japan's Bank of Tokyo-Mitsubishi Ltd. is tying up with China's four major commercial banks in remitting the yuan, a daily said Monday.

The formal signing will take place this month, making Tokyo-Mitsubishi the first Japanese bank to ally with all of the four banks, the Mainichi Shimbun newspaper said without naming sources.

The four lenders are Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank.

The accord would enable Tokyo-Mitsubishi to remit money using some 40,000 of the Chinese banks' 120,000 branches across the country, the daily said.

The Japanese bank currently uses the network of China's central bank for money remittance within China but it takes at least three-to-four days and sometimes a week, the paper quoted Tokyo-Mitsubishi as saying.

The alliance will shorten the time to two-to-three days, lessening the need for companies to borrow money to fill in the gap, it said.

China has decided to fully open loans, deposits and other operations using its currency to foreign banks in 2006 since it joined the World Trade Organization last December.

Through the tie-up, the Japanese bank aims to enhance yuan operations mainly for Japanese corporations operating in China, the Mainichi said.

No immediate comment was available from Tokyo-Mitsubishi.

Gulf Arab economies on path to full integration: Officials

AFP, Riyadh

The Gulf Cooperation Council (GCC) said Saturday its six member states were well on the way to full economic integration following their decision to set up a customs union in 2003, a monetary union in 2005 and a single currency by 2010.

"Our focus in the next phase should be to make the GCC an active organisation, reflecting transparency and clarity of objectives," GCC secretary general Abdul Rahman al-Attiya said in a report released ahead of a summit by Gulf leaders due to be held Sunday in the western Saudi city of Jeddah.

"We should work to implement the Muscat resolutions with the aim of achieving Gulf (economic) integration," Attiya said in reference to the decisions on monetary policy taken at the GCC summit in Oman last December.

The report also hailed the step-by-step approach that will lead gradually to full Gulf economic integration.

The GCC is "now ready to set up the customs union, move on to the Gulf common market, and then on to the monetary and economic union, on the road to achieve Gulf economic unity," said Hamad al-Bazei, assistant undersecretary for eco-

nomics affairs at the Saudi finance ministry.

GCC leaders have brought forward the implementation of the Gulf customs union to January 2003 from 2005.

"The customs union will simplify customs clearance procedures and promote the flow of goods into the GCC member states," according to Sheikh Abdullah bin Jassem al-Thani, director of Customs and Ports in Qatar.

"After establishing the union, goods which enter any state will be able to move freely into other states," Sheikh Abdullah said in the report.

'Common Asian currency possible'

REUTERS, Beijing

Asia could eventually create a common currency similar to the euro, but the region should focus now on measures like currency swaps to prevent another economic crisis, a Japanese finance official said Sunday.

Such currency swap arrangements were needed to head off future currency fluctuations since other measures, such as improved liquidity at the International Monetary Fund, were not enough, Haruhiko Kuroda, Japan's top financial diplomat, told an Asia Pacific Economic Cooperation forum in Beijing.

"In light of the experience that the

Asian currency crisis quickly spread to neighboring countries, regional financial cooperation is a logical way to proceed in preventing, managing and resolving a crisis," Kuroda said.

Still recovering from the 1997/8 regional financial crisis, Asian nations have struck six bilateral currency swap deals five involvement Japan as part of the Chiang Mai Initiative that aims to have the central banks of 13 countries exchange currencies as needed.

In a related development on Sunday, a South Korean finance official said Seoul hoped to sign a currency swap deal with Beijing next month.

"I think it is in the final stage and I

expect something in June," Kim Yong-Duk, vice minister of finance and economy, told Reuters when asked about progress on the deal on the sidelines of the APEC forum.

China has already signed deals with Japan and Thailand and is in talks with the Philippines and Malaysia. Korea has an arrangement with Japan, and has also talked to Thailand, Malaysia and the Philippines.

Kuroda said the value of the arrangements was more than \$17 billion, but that more were needed.

"It is important that the bilateral swap arrangements should be of sizeable amount, in order that the existence of such arrangements itself function as a measure for crisis

prevention," Kuroda said.

Kuroda said such deals might pave the way for a managed exchange rate regime in which regional currencies were tied to a basket of major currencies but could move within a certain range, Kuroda said.

"If regional financial cooperation is to be further deepened, even establishing an Asian common currency might not be an impossible goal," Kuroda said.

"Actually the introduction of a common currency basket could be the very first step towards this goal."

Europe had shown that major economic and political problems could still be worked out, even if it took decades, Kuroda said.

AFP, Kabul

His job title may sound like mission impossible but tourism minister Zalmi Rasoul has a vision for a time when foreigners other than aid workers or journalists have reason to visit Afghanistan.

Afghanistan used to attract tens of thousands of tourists in the 1960s and 1970s before the country lapsed into 23 years of conflict, first sparked by the 1979 Soviet invasion.

Hotels have been bombed, major roads reduced to dirt tracks while much of the countryside is still littered with landmines.

But with peace beginning to take hold, Rasoul believes that foreigners will soon want to again visit a land rich in history and breathtaking scenery.

"Afghanistan was and still is a beautiful country," he told AFP.

"There's a lot of work to be done, but we are hoping to do it quickly. The vision that we have is for quality tourism, not mass-scale. We don't want a tourism factory, and we do not care about making so much money."

"We want a select group of tourists at first. Maybe later we can

develop a bigger form of tourism."

Rasoul said the main priorities were rebuilding small airports to fly visitors around and refurbishing hotels.

Kabul's only five-star hotel, the Intercontinental, is still subject to frequent power cuts, with buckets in the main dining room catching water from a leaking ceiling.

"The tourist infrastructure has been destroyed. We need to establish hotels and restaurants," he said. "Air will be the best form of transportation. Roads will take a long time to rebuild."

"Many of the small airports have been destroyed so we need to rebuild those. We are already on the way to lease small aircraft to fly people from place to place."

Rasoul said that the government was mainly looking to the private sector to kickstart the tourist industry.

"The government does not really have the money and has other priorities such as schools and health," he said.

"We are looking for private investment and have passed laws giving foreign companies full access to Afghan markets. They are exempt from all taxes for the next 10 years."

Rasoul's deputy Raz

Mohammad Alami, who is also responsible for the country's aviation industry, said the reopening of air routes would boost the prospects for tourism.

Flights to New Delhi, Islamabad, Dubai and Dushanbe have all begun operating in the last couple of months with Tehran soon to join the list.

Alami said the years of war could even be made to benefit Afghanistan's tourism industry.

For example, the Taliban's destruction of the world famous Bamiyan Buddhas could actually entice visitors in the short-term, said the ever-optimistic minister.

"A lot of people might be interested to go there to see what the Taliban have done," he said. Plans are still being thrashed out for the rebuilding of the giant 1,500-year-old Buddhas with reports that one may remain in ruins as testimony to the Taliban's barbarism.

Alami said he hoped that in two years' time around 20,000-30,000 foreigners would be visiting Afghanistan annually, seeking out the ancient minarets in central Ghazni, western Herat's magnificent 14th century citadel or trout fishing in the remote northeastern Pamir range.