

Bank syndication to be a must for large loans

STAR BUSINESS REPORT

The central bank will frame rules to make it mandatory for syndication of banks in case of sanctioning large loans.

Besides, setting up of a separate authority responsible for rescheduling the large loans is also under consideration.

"For a qualitative change we have taken an effort to make it mandatory for the banks to forge a syndicate in sanctioning large loans. A law in this regard is under process," Bangladesh Bank Governor Dr Fakhruddin Ahmed told a press briefing yesterday.

The BB governor also said laws will be amended for increasing the paid up capital of the private banks to Tk 100 crore from existing Tk 40

crore. Under the existing rule, a bank can start operation with Tk 20 crore paid up capital, but has to increase the amount to Tk 40 crore through floatation of IPOs (initial public offerings) in the stock market in three years.

Finance Secretary Zakir Ahmed Khan, deputy governors of BB A Malik Kazmi and Nazrul Huda also spoke the briefing held at the conference room of the central bank.

Zakir Ahmed Khan said despite external shocks due to September 11 incident in the USA and global slowdown the overall financial management was satisfactory last year.

"We went through difficult times in the last fiscal. Had there been no prudent financial management, we could have been in deep crisis," the

finance secretary mentioned.

He also said donors were in fear that the country could dig deep without 'excessive external assistance'. "Despite low foreign assistance we have managed the economy well," he added.

The BB governor mentioned different measures taken in FY02 for the 'success'.

"Due to cap on money supply and loan growth in last fiscal and also significant growth in remittance inflow, there was satisfactory GDP growth rate at 4.8 per cent and foreign exchange reserve increased gradually," he said.

He also said the foreign exchange reserve as on August 12 stood at \$1673 million.



PHOTO: STAR
Bangladesh Bank Governor Dr Fakhruddin Ahmed speaks at a press briefing in the city yesterday.

New SMC chairperson



Laila Rahman Kabir has been elected chairperson of the Board of Directors of Social Marketing Company (SMC), says a press release.

She is a well-known tea planter who obtained the degree in Agriculture Botany from the University of Durham, UK.

She is the Managing Director of Kedarpur Tea Co. Ltd, and a member of Bangladeshiy Cha Sangsad where she was elected the first woman chairperson in 1992.

Laila Rahman Kabir, also became the first woman president of the Bangladesh Employer's Association (BEA), now known as Bangladesh Employer's Federation (BEF). She was a member of Bangladesh Labour Law Reform Commission.

She was elected president of the Metropolitan Chamber of Commerce and Industry, Dhaka in 1998 and the first woman to lead this prestigious trade body.

Currently, she is a member of the Board of Trustees of Centre for Policy Dialogue (CPD) and a trustee of the South Asia Centre for Policy Studies.

New senior EVP of AB Bank



Before joining the bank, he was the head of Credit in Standard Chartered Bank and Standard Chartered Grindlays Bank Ltd, Bangladesh.

His banking career started from the year 1984 which will enrich the strength of AB Bank in the field of Corporate Finance and governance.

He participated several courses, attended seminars and training programmes at home and abroad.

Chinese bank confirms its accounting irregularities

AFP, Shanghai

China Everbright Ltd. on Tuesday confirmed the discovery at the bank of accounting irregularities which local media said had forced it to delay a planned stockmarket listing.

Shares in China Everbright plunged 18 per cent on the news Monday after a report in state newspaper the 21st Century Economic Herald.

The Ministry of Finance found significant concerns in the bank's shareholder structure, assets and tax payments, the paper reported.

"Some problems have been solved before, other problems are currently being solved," Everbright Bank said in a statement.

Aspokesperson at the Everbright confirmed the Ministry of Finance had uncovered accounting problems during a routine investigation.

Sugar mills to get funds for infrastructure

RAZIUR RAHMAN

The government has decided to provide the 15 sugar mills under the BSFC (Bangladesh Sugar and Food Industries Corporation) with the funds for development of infrastructure in the mill zone areas.

The decision came at the cabinet meeting Monday night. Talking on the decision, Industries Minister MK Anwar told The Daily Star yesterday that it would save Tk five to six crore of the BSFC every year.

According to the BSFC sources, the corporation spends the amount every year for development of roads and other infrastructure in the mill zone areas totalling more than 2.5 acres of land.

An industry ministry proposal regarding reforms of the 15 sugar

mills to make those profitable keeping in public sector was also placed in the cabinet meeting. The proposal include curtail of different facilities of the employees and manpower reduction in the mills.

According to sources, industries ministry prepared the proposal after discussing all aspects with the employees and workers of the sugar mills.

The cabinet meeting on Monday was also informed that workers and employees of the mills have agreed to sacrifice facilities of Tk 25.40 crore as 'production bonus', over time and some other facilities every year.

BSFC would save Tk 12 crore each year by scrapping the existing provision to give salary of two and half months as production bonus. The corporation would save another

Tk 13.40 crore by scrapping the provision of over time and some other facilities per year, the industry ministry proposal said.

The proposal also suggested curtailing its 1,700 staff from existing around 19,000 through golden handshake. It would save another Tk 16 crore per year. BSFC, however, have to pay Tk 51 crore for golden handshake of the employees and workers.

The proposal also suggested reducing the price of sugar to Tk 26 a kg from existing Tk 28.

BSFC spends around Tk 32 crore every year for research and sugarcane cultivation extension purpose. The ministry has also proposed spending the money from Department of Agriculture Extension (DAE).

ADB blames Pak poverty rise on political instability

AFP, Islamabad

Political uncertainty and slow economic growth in the six years before President Pervez Musharraf seized power pushed Pakistan's poverty rate up to 32 per cent, according to an Asian Development Bank (ADB) report released Monday.

"Political and economic uncertainty coupled with slow economic growth have exacerbated poverty," said ADB senior economist Naved Hamid, who helped compile the report, titled Poverty in Pakistan: Issues, Causes and Institutional Responses.

The per centage of Pakistanis living below the poverty line rose from 26 per cent in 1993 to 32 per cent in 1999, the report found.

"During the '70s and '80s, poverty declined significantly, but we have seen that trend reversed in the '90s," Hamid told a press conference here to launch the report.

"What little growth occurred during the '90s did not contribute to employment and income generation among the poor."

The report did not contain figures beyond 1999, but Hamid said the poverty rate was likely to have risen since then.

"After 1997, poverty has been

on the rise," he said.

Hamid said recent drought and falling international wheat prices were hitting farmers hard, as he warned the fight against poverty needed to focus on creating jobs in non-agricultural sectors.

"Agriculture is not a means to resolve poverty," he said.

"We need to create to jobs in other sectors of the economy and reduce the reliance on farming."

Poverty was concentrated in rural areas, where a feudal social structure, illiteracy and an over-reliance on agriculture were the main culprits, the report said.

US economy still strong, dollar set to rise: BOJ

AFP, Tokyo

The US economy remains strong despite recent market turmoil and the dollar is set to rise against the yen, Bank of Japan (BoJ) governor Masaru Hayami said Tuesday.

"Despite the decline in US stock prices and the weakness of the dollar, real economic data is not showing signs of deterioration," Hayami told reporters.

"I don't think the US economy has deteriorated, though the pace of recovery has slowed," he said.

"However, we are carefully watching how well US consumption is sustained and when corporate capital investment will begin to pick up."

Hayami said he previously felt the dollar would only turn up if its decline reached certain limits against the yen.

"I think the dollar is now moving in that direction. I believe the dollar will not continue to fall further," he said, sparking a late rise in the greenback against the yen.

The dollar came off a morning low of 118.74 yen to trade at 119.23-225 yen at 5:00 pm (0800 GMT) in Tokyo against 119.07-11 yen in New York and 119.67-70 yen in Tokyo late Monday.

RMG info just a click away

ZAHIDUL HAQUE

It's just a click away. Any garment buyer from anywhere in the world now can get adequate business information on the country's apparel exporters from the BGMEA web portal.

As the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) stepped into digital era with the launching of country's first Business-to-Business (B2B) web portal in Dhaka last month, the readymade garment exporters see rise in their business prospects in the coming years.

"A buyer can get product portfolios with front and back photographs for each sample, besides information on fabric, pricing, company's detailed machinery lists, and even video footage of the factories", said Kutubuddin Ahmed, president of BGMEA, yesterday.

And in the process foreign buyers will easily find suitable factories for doing business in Bangladesh, added Kutubuddin Ahmed.

The portal was jointly developed by DataSoft Systems Bangladesh Ltd and eVastra Corporation, a US-based company run by non-resident Bangladeshis (NRB), at a cost of

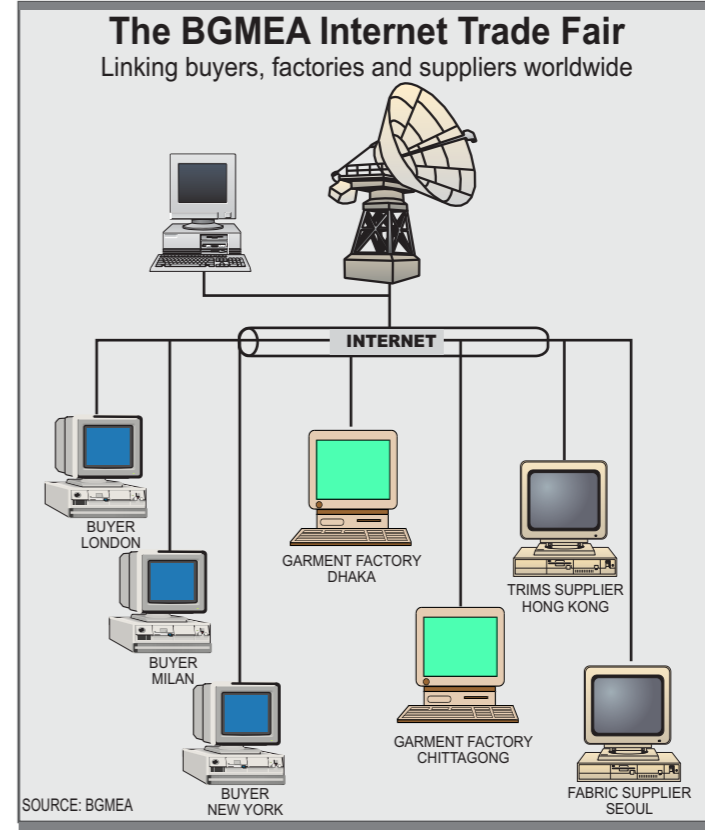


PHOTO: STAR
The BGMEA Internet Trade Fair Linking buyers, factories and suppliers worldwide

around 1.5 crore taka. In the portal, www.bangladeshgarments.info, BGMEA's 3500 member factories have been registered free of cost.

The BGMEA president was speaking at an interactive dialogue between the BGMEA and information technology journalists about the future and prospects of this portal in the city. DataSoft Managing Director Mahbub Zaman and eVastra Chief Executive Officer Anir Chowdhury were also present on the occasion.

But online payment suitable for B2B portal is not possible now due to lack of current banking laws in the country, the BGMEA president said.

Kutubuddin Ahmed also said all the information is regularly updated by respective companies.

Kutubuddin Ahmed also said this portal will help Bangladeshi companies compete with their competitors in India, Sri Lanka and China.

The buyers can also post details of their required garments to the web-based apparel marketplace.

Terminating the site as Internet Trade Fair, the BGMEA president said in second phase, video conferencing system will be inaugurated so that buyers and exporters can exchange their views face to face.

Bangladesh again calls for duty-free access to India

PALLAB BHATTACHARYA, New Delhi

Bangladesh has said it is yet to adequately receive from India enhanced market access facility and special preferential treatment it has extended to other smaller and least developed countries on a non-reciprocal basis in the spirit of WTO.

"We will expect India to grant duty-free access for all goods produced in Bangladesh on a non-reciprocal basis," Bangladesh Commerce Secretary Suhel Ahmed Choudhury told the inaugural meeting of South Asia Business Forum (SABF) here Monday.

Choudhury welcomed West Bengal's recent decision to lift the luxury tax imposed on Bangladeshi products saying it was a "positive step."

Later, he told reporters that the memorandum of understanding (MOU) signed by India and Bangladesh in April this year allowing duty-free access to 40 products from Bangladesh was yet to be notified by India.

India, although not officially, indicated that it will not issue the notification unless Bangladesh lifts

ban on import of cotton yarn through land ports.

Choudhury said linking the notification to lifting of Bangladesh's ban on import of Indian cotton yarn by road was not part of the MOU.

He said Bangladesh is keen to have full duty-free access of its products to Indian market and removal of all tariff and non-tariff curbs which acted as hurdles in boosting Bangladeshi exports to India.

Debabriya Bhattacharya, executive director of Centre for Policy Dialogue, said even if India allows duty-free access of all goods from Bangladesh, it will cost India only \$2.5 million in taxes.

The Bangladesh Commerce Secretary said his country was considering anti-dumping duty on yarn from India in the wake of formal complaints lodged by the domestic industry.

A final decision on this issue would be taken only after receiving a report from a team looking into allegation of large-scale dumping of Indian yarn in Bangladesh, he added.

Choudhury said Bangladesh government was under "tremen-

dous pressure" from domestic industry to go to the dispute settlement forum at WTO against anti-dumping duty imposed by India on batteries from Bangladesh. Dhaka, however, favours settling the issue through bilateral efforts.

Choudhury said there is a need for developing a dispute settlement mechanism in South Asia to facilitate quick resolution of trade disputes in the region.

Asked about the ban on import of Indian cotton yarn through land ports, Choudhury said it was done because of what he claimed "large-scale avoidance of duty by Indian companies."

Addressing the SABF, India's Minister of State for External Affairs Digvijay Singh affirmed India's commitment to ushering in South Asia free trade area to tap the potential of a large common market and huge investment.

Indian Commerce Secretary Deepak Chatterjee said India has already taken several initiatives offering unilateral concessions to its neighbouring countries.

He said non-tariff restrictions and high transaction costs seem to be important determinants of a very

high level of informal trade among India, Bangladesh, Nepal and Bhutan.

Urging the private sector to help reduce transaction costs and formalise informal trade, Chatterjee said cross-border movement of vehicles through a more liberal transit facility would be a key measure to reduce informal trade.

The SABF consists of chambers of commerce and industry of India, Bangladesh, Bhutan and Nepal that comprise the sub-regional cooperation group. It plans to work closely with Asian Development Bank and governments of the four countries.

The forum aims at exchanging views on ways to boost trade and investment in the region.

The Indian Commerce Secretary suggested implementation of quick low-risk projects to help build confidence among countries of the sub-region to enable the private sector to come out as the most important stakeholder.

He said the SABF should provide the trust necessary for cooperation among countries of the sub-region in areas like infrastructure, power, construction, tourism and food processing.

ROK orders sanctions against UBS Warburg, Merrill Lynch

AFP, Seoul

South Korea on Tuesday ordered unprecedented sanctions against major securities houses UBS Warburg and Merrill Lynch for leaking market-sensitive information to favored clients.

The government Financial Supervisory Service (FSS) accused the two firms and their analysts of violations after a three-month inquiry into the release of analysts reports on Samsung Electronics Co.

UBS Warburg expressed regret after the FSS said the brokerage's Seoul branch will receive a "severe disciplinary warning". The Swiss firm could see its business sus-

pending if there is any new violation, the watchdog said.

UBS Warburg was ordered to penalize 15 staff with measures ranging from a suspension of business activity to salary cuts, the FSS said. Merrill Lynch will receive a "disciplinary warning," with six employees penalized.

This is the first time foreign securities firms have been punished in this way in South Korea.

The two firms were accused of leaking "major contents" of research reports to staff and clients before their official release, or sharing information with clients through phonecalls and e-mails.

The two firms also failed to follow

internal guidelines against offering illegal benefits to asset managers, the FSS said.

FSS officials believe favored clients gained unfair profits by acquiring sensitive market-moving information in advance.

UBS Warburg expressed "sincere regrets" for its actions and promised to respect rules and regulations.

The firm said in a statement it has taken "immediate steps to address the issues and strengthen its internal procedures in Seoul".

US investment bank Merrill Lynch pledged full cooperation with the watchdog.

"We are committed to maintain-

ing the highest standards of professional behavior and fully complying with regulations wherever we do business, and we take very seriously any action which falls short of this standard," said Robert Sherbin, a Merrill Lynch spokesman in Hong Kong.

FSS spokeswoman Kim Ji-Ho said the two investment banks would be put under "constant surveillance".

"If they are engaged in illegal activity, their business will be suspended," she said.

The watchdog promised to put other domestic and foreign securities firms under strict surveillance to reinforce market discipline.

Indian rupee hits 6-month high

AFP, Bombay

Dollar weakness and a steady rise in exports have pushed the Indian rupee to a six month high against the US currency, forex dealers said Tuesday.

At 1:30 pm (0800 GMT) the rupee was trading at 48.62 to the dollar, a level the Indian currency last saw in February 2002.

The rupee has been falling steadily in the past six months due to the rising dollar. It touched an all-time low of 49.08 to the dollar on May 16.

Forex dealers said the latest boost to an otherwise falling rupee

came from the dollar's recent weakness against most currencies, especially the Japanese yen.

They said Indian exporters, who had parked funds overseas, were now repatriating them to India on fears the rupee may appreciate further.

"This in turn has led to increased dollar supply in the forex market, which has led to further appreciation in the rupee," said Sharad Pawar, senior consultant at forex brokerage Mecklaj Financial and Commercial Services.

"On the other hand, importers are also not looking for dollar purchases fearing a sustained fall in the

US currency."

Analysts said on Monday and early Tuesday that the dollar fell on speculation the US Federal Reserve would not cut rates at its meeting later Tuesday.

US markets had expected the Federal Reserve to cut rates, which would cut the borrowing costs of corporates and increase equity investments.

India's rising exports in the past couple of months have also made a difference in the forex markets.

Exports were up 3.8 per cent in May at 3.6 billion dollars and 12.8 per cent year-on-year in June at 4.06 billion dollars.

India has targeted export growth of 12 per cent to 48.79 billion dollars for the current fiscal year ending March 31, 2003.

Last year the country's exports were down due to the effects of the September 11 terrorist attacks in the United States.

Total exports had slipped 0.08 per cent to 43.9 billion dollars in the financial year ended March 2002.

"The current rise in the rupee against the dollar is still not on par with the rise in other currencies. So there remains a scope for the Indian unit to appreciate further," Pawar said.



PHOTO: DCCI
Egyptian Ambassador to Bangladesh Mohammed Mohye M Yousef (left) calls on Matiuir Rahman (L-2), president of Dhaka Chamber of Commerce and Industry (DCCI), in the city on Monday. DCCI Directors MA Momen (R-2) and Habib Ullah Habib (right) are also seen in the picture.